

AUDIT REPORT



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

Audit Report of the Financial and Operating Practices of the Department Of Parks and Recreation for the West 79th Street Boat Basin

FK06-123A

January 30, 2008



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

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, §93, of the New York City Charter, my office has audited the financial and operating practices of the Department of Parks and Recreation for the West 79th Street Boat Basin.

The Department of Parks and Recreation is responsible for managing, operating, and maintaining the West 79th Street Boat Basin. Revenue is generated by fees charged for services including seasonal and transient dockage, seasonal and transient mooring, and monthly and daily parking. We audit City agencies such as this to ensure that facilities are properly operated and all fees are collected and accurately reported.

The results of our audit, which are presented in this report, have been discussed with Department of Parks and Recreation officials, and their comments have been considered in the preparation of this report. Their complete written response is 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

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

**Audit Report of the
Financial and Operating Practices of the
Department of Parks and Recreation for the
West 79th Street Boat Basin**

FK06-123A

AUDIT REPORT IN BRIEF

The Department of Parks and Recreation (Parks) manages, operates, and maintains the West 79th Street Boat Basin (Boat Basin) in Riverside Park, on the east bank of the Hudson River. The Boat Basin offers seasonal and transient dockage, seasonal and transient mooring, monthly and daily parking, and storage for kayaks and canoes. The Parks Marine Division, which is overseen by the Parks Chief of Operations, is responsible for the management of the Boat Basin. Marine Division officials include the Marina Director and the Chief Dockmaster, who is responsible for the overall administration of Marine Division facilities, including the Boat Basin, and enforcement of Parks policies and rules. Fees collected at the Boat Basin are forwarded to the Parks Revenue Division (Revenue), which is responsible for recording and reporting on Boat Basin accounting transactions. For Fiscal Years 2005 and 2006, reported revenues for the Boat Basin were approximately \$874,147 and \$949,064 respectively.

Audit Findings and Conclusions

Our review of the Boat Basin's operations revealed a total disregard for internal controls over the collecting, recording, and reporting of revenues generated from all sources, including seasonal and transient dockage, seasonal and transient mooring, kayak and canoe storage, monthly and daily parking, and boater services. Moreover, Parks allowed an environment to exist in which irregularities appear to have occurred. During the course of our audit, red flags were raised. The number and magnitude of these red flags, as well as the disregard for internal controls, raise questions of whether fraud may have occurred at the Boat Basin. The following are examples of fraud indicators we found:

- The Chief Dockmaster was responsible for generating word-processed transient dockage or mooring, monthly parking, and kayak or canoe storage agreements, and transient parking passes; accepting payments; and signing agreements. The Chief Dockmaster should not have performed all of these functions because it violates the segregation of duties principle and allows for fraud and misappropriation.

- Twenty-three customers informed us that they paid automobile parking fees totaling \$66,250 for calendar year 2005; however, the Boat Basin recorded only \$22,750 as being paid by these customers.
- In September 2006, an unauthorized order was placed for a two-year supply of customer receipts. This order was subsequently canceled, and no orders have been placed since then.
- We encountered obstacles and extensive delays in obtaining basic documentation that should have been readily available. These obstacles and delays were highly unusual and far beyond common business practice.

The audit also found that the Boat Basin failed to ensure that its customers maintained proper insurance and registration, as required by the Rules of the City of New York, Title 56, §3-06 and §4-04; Parks failed to institute rates for charter and educational vessels at the Boat Basin; Revenue lacked segregation of duties and a reliable accounts receivable system; and Counsel's Office lacked controls over the Boat Basin's waiting list.

Audit Recommendations

To address these issues, we make 26 recommendations, including that Parks should:

- Establish and implement a system of internal controls over the financial operations of the Boat Basin to ensure that all fees are accounted for, collected, and reported to Parks.
- Closely supervise and monitor the Boat Basin's financial operations, including the collection, recording, and reporting of gross receipts.
- Separate the responsibilities for authorizing transactions, processing and recording transactions, reviewing transactions, and handling any related assets at both the Boat Basin and Revenue.
- Ensure that all vessels entering the Boat Basin are properly insured and registered.
- Institute rates for charter and educational vessels for the Boat Basin.
- Ensure that Revenue receives copies of all agreements and uses them to post customer charges accurately and promptly.
- Ensure that the Counsel's Office systematically files and maintains all documentation pertaining to the Boat Basin waiting list and removes from the waiting list applicants that defer two offers for dockage.

INTRODUCTION

Background

Parks manages, operates, and maintains the Boat Basin in Riverside Park, on the east bank of the Hudson River. The Boat Basin consists of two fixed piers with five docking areas, a wave wall to block waves and protect docks and vessels that is also capable of handling yachts, a mooring¹ field, a parking garage for vehicles, a kayak and canoe launch, and storage for kayaks and canoes. The Boat Basin offers seasonal and transient dockage, seasonal and transient mooring, monthly and daily parking, and storage for kayaks and canoes. Fees are charged for these services.

Seasonal dockage fees are based on vessel length and season—summer (May 1–October 31) or winter (November 1–April 30). Summer dockage fees are \$100 per linear foot, with a minimum charge of \$2,500, and winter dockage fees are \$75 per linear foot (with no minimum charge). Transient dockage fees likewise vary based on vessel length. Mooring is available only during the summer season, and fees vary based on length of stay. A \$1,500 fee is charged for seasonal mooring. Daily and weekly mooring rates are also available. There are fixed fees for daily and monthly vehicle parking and for kayak and canoe storage. Parks also charges fees for short-term landings and various boater services. (See Appendix for the Boat Basin fee schedule.)

As of January 2007, 454 applicants were on a waiting list for summer dockage at the Boat Basin. Applicants have been on the list for as long as 6½ years. A \$60 non-refundable administration fee is required for placement on the waiting list, which is maintained by the Parks Counsel's Office.

The Parks Marine Division, which is overseen by the Chief of Operations, is responsible for the management of the Boat Basin. Marine Division officials include the Marina Director and the Chief Dockmaster, who is responsible for the overall administration of Marine Division facilities and the enforcement of Parks policies and rules. The Chief Dockmaster carries out his Boat Basin responsibilities on the premises of the Boat Basin, including the creation and signing of agreements and the handling of associated fees, books, and records.

Fees collected at the Boat Basin are forwarded to the Parks Revenue Division (Revenue), which is responsible for recording and reporting on Boat Basin accounting transactions. For Fiscal Years 2005 and 2006, reported revenues for the Boat Basin were approximately \$874,147 and \$949,064 respectively.

Objectives

The objectives of this audit were to determine whether:

- The Boat Basin had adequate and effective controls related to the collecting, recording, and reporting of revenue;

¹ A mooring is an anchored device used to secure a vessel. Vessels tie up to a buoy that is anchored to the riverbed by a chain.

- The Boat Basin complied with the Rules of the City of New York, Title 56, §3-06, §3-22, §4-04 and §4-16; and
- The Parks Counsel’s Office properly placed applicants on the Boat Basin waiting list.

Scope and Methodology

The audit covered the period January 2005 to December 2006. To gain an understanding of the policies, procedures, and regulations governing the operation of the Boat Basin, we reviewed the Rules of the City of New York, Title 56, §3 and §4, “Parks Marina Rules and Regulations” and other documents provided by Parks, interviewed Boat Basin and Parks officials, and performed several observations at the Boat Basin and Parks. We also reviewed the *New York City Comptroller’s Internal Control and Accountability Directives*, Directives #1, “Principles of Internal Controls” and #11, “Cash Accountability and Control.” These directives were used as criteria in evaluating Parks monitoring of the Boat Basin.

To evaluate the internal controls over the Boat Basin’s operations, we interviewed the Parks Chief of Operations, Marina Director, Chief Dockmaster, Deputy Chief Fiscal Officer, and Revenue Division, Counsel’s Office, and Boat Basin employees. We documented our understanding of the Boat Basin’s operations through flowcharts and memoranda.

According to Parks officials, the Boat Basin dedicates 173 spaces—108 slips and 65 moorings—for seasonal use. We reviewed all seasonal customer agreements for 2005 and 2006. We were provided a total of 114 agreements signed in 2005: 77 dockage agreements and 37 mooring agreements. We were provided a total of 171 agreements signed in 2006: 106 dockage agreements and 65 mooring agreements. We matched up agreements and ledgers (165 in 2005 and 171 in 2006) to verify that customers paid for dockage or mooring and to identify customers for whom we did not receive agreements. We also sent letters to all 195 individuals who had seasonal agreements and/or ledgers to verify that they kept their vessels at the Boat Basin and to confirm the fees they paid for 2005 and 2006.

According to Parks officials, the Boat Basin dedicates a wave wall, six slips, and nine moorings for transient use. Additionally, if seasonal customers remove their vessels from the Boat Basin, their slips and moorings are available for transient use. We reviewed all 1,255 sequentially-numbered transient agreements for dockage or mooring provided for 2005 and 2006 and identified missing agreements numbers. We investigated instances in which customers were not charged and traced payments indicated on agreements to customer receipts to verify that they were recorded and that dollar amounts agreed. We also noted whether agreement numbers were recorded on customer receipts.

We recorded the names, registration numbers, and other identifying information of all vessels docked at the Boat Basin on August 8, October 24, November 1, and November 9, 2006. And we recorded the names, registration numbers, and other identifying information of all vessels moored at the Boat Basin on August 8, October 24, November 9, and November 17,

2006. We then determined whether all vessels had either a seasonal or transient dockage or mooring agreement and whether payments were collected and recorded for these vessels.

We counted the number of slips and moorings to confirm the number of existing slips and moorings reported by Parks—116 slips and 74 moorings. We confirmed that the Boat Basin has 116 slips, and 2 of these slips are dedicated for Parks’s vessels. However, we could not confirm the number of moorings because we could not count them while they were anchored in the water.

According to Parks officials, the Boat Basin dedicates 36 spaces for monthly vehicle parking. We reviewed all monthly parking agreements (none for 2005 and 36 for 2006) and ledgers (34 for 2005 and 39 for 2006) provided by Parks. We matched up agreements and ledgers to verify that customers paid for monthly parking and to identify customers for whom we did not receive agreements. We sent letters to all 45 individuals who had parking agreements and/or ledgers to verify that they kept their vehicles at the Boat Basin and to confirm the fees paid by them for 2005 and 2006. We also recorded the license plate numbers of cars parked in monthly parking spaces on October 24, 2006, and compared them to the license plate numbers on monthly parking agreements to determine whether only paying customers were using the garage.

To determine whether transient parking receipts were used in sequence and accounted for, we reviewed customer receipts issued for daily parking from July 4 through Labor Day weekend in 2005 and 2006. We scheduled transient parking pass numbers recorded on customer receipts and identified all missing and duplicate transient parking pass numbers. We also recorded all instances in which an incomplete or no transient parking pass number was recorded.

According to Parks officials, the Boat Basin dedicates 16 spaces for transient parking. We recorded the total number and license plate numbers of cars parked in transient parking spaces on October 24, 2006. To determine whether all transient parking cash receipts were collected and recorded, we compared the number of cars parked in transient parking spaces to the number of customer receipts issued for daily parking.

We counted the number of parking spaces to confirm the number reported by Parks—36 for monthly parking and 16 for transient parking. We could not confirm the number of spaces used by the Boat Basin because the parking garage is shared with Riverside Park Maintenance and Operations.

We reviewed all kayak and canoe storage agreements (38 for 2005 and 21 for 2006) and ledgers (41 for 2005 and 48 for 2006) provided by Parks. We matched up agreements and ledgers to verify that customers paid for kayak and canoe storage and to identify customers for whom we did not receive agreements. We also counted the number of kayak and canoe storage spaces. There are 88 spaces for kayak and canoe storage.

To determine whether all customer receipt books were accounted for, we contacted the printer and reviewed printer invoices to establish an inventory of customer receipts ordered and used during our audit period. We then compared our inventory to all Boat Basin receipt books to

identify missing receipts. We also reviewed used receipt books to determine whether they were used in numerical sequence.

We traced amounts shown on customer receipts to Boat Basin Weekly Deposit Reports, Revenue Division Payment Transmittal Reports, and Financial Management System Cash Receipt forms for the fourth quarters of Fiscal Years 2005 and 2006. To determine whether reported cash receipts were deposited in a timely fashion, we compared cash receipt dates to bank deposit dates.

To determine whether seasonal vessels were insured and registered as required by the Rules of the City of New York, Title 56, §3-06 and §4-04, we asked Parks officials for copies of insurance policies and registrations or United States Coast Guard (USCG) Certificates. We reviewed all documentation provided to determine whether it was valid and whether vessels were adequately insured. For all dockage customers, we reviewed insurance policies to determine whether Parks was named as an additional insured.

We identified non-recreational vessels operating out of the Boat Basin through interviews with the Parks Marina Director and Internet searches. We reviewed the terms of their agreements, transient agreements, and customer receipts to determine whether commercial or passenger pickup and drop-off fees were charged.

We interviewed Parks officials to gain an understanding of the policies and procedures related to the Boat Basin waiting list. To determine whether applicants were properly placed on the waiting list, we randomly sampled 45 applicants and reviewed Parks's files for evidence of date-stamped application forms, payment of the required administrative fee, and confirmation and offer letters.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the 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 Parks officials during and at the conclusion of this audit. A preliminary draft report was sent to Parks officials and was discussed at an exit conference held on September 7, 2007. On November 30, 2007, we submitted a draft report to Parks officials with a request for comments. We received a written response from Parks on December 17, 2007.

In its response, Parks stated

“We have already acted on many of the recommendations as detailed in the Audit Implementation Plan and our response to the individual recommendations. However, we continue to respectfully object to the audit's conclusions concerning

internal controls and issues characterized as ‘red flags’ by the auditors. Responsibilities for sensitive financial and management functions are already separated among Central Operations, the Revenue Division and Parks Counsel’s office, each of which has written procedures governing their activities; furthermore each of these entities is managed independently. The few instances where the auditors found inadequate segregation of duties or inadequate adherence to standard operating procedures, while unacceptable, do not undermine the sound structure in place to ensure accountability or warrant the characterization contained in the audit.

“While we acknowledge that many of the recommendations offered by the auditors will help to improve services and strengthen accountability at the Boat Basin, we continue to object to the audit report’s characterization of several unconnected events as ‘red flags.’ We detail those objections in the attached Response to the Audit. The Department is proud of the West 79th Street Boat Basin’s accomplishments over the last six years, and respectfully request that you reconsider the findings concerning potential fraud, in light of our response. Attached is our written response, Audit Implementation Plan (AIP), and response to the auditor’s recommendations.”

In its Audit Implementation Plan, Parks agreed with 20, partially agreed with 3, and disagreed with 3 of our 26 recommendations. Parks maintains that it has already implemented or will implement 24 recommendations.

Specific Parks comments and our rebuttals are contained in the relevant sections of this report. However, the nature of Parks’s response calls for the following general comments.

Parks’s response indicates that the agency does not recognize the severity of the problems at the Boat Basin. This is especially true of the audit’s question of whether fraud may have occurred. Parks does not see the larger picture and instead fixates on the **examples** of fraud indicators cited in the report that it views as “unconnected events.” We performed numerous tests of Boat Basin financial transactions, and the results of these tests all confirmed that Parks’s books and records were inaccurate and incomplete. For example, we performed three different tests to determine whether Parks’s books and records for seasonal dockage and mooring customers were accurate and complete as follows: we matched up agreements and ledgers to verify that customers paid for dockage or mooring and to identify customers for whom we did not receive agreements; we sent letters to all individuals who had seasonal agreements and/or ledgers to verify that they kept their vessels at the Boat Basin and to confirm the fees they paid; and we recorded the names, registration numbers, and other identifying information of all vessels at the Boat Basin and determined whether these vessels had a seasonal dockage or mooring agreement and whether payments were collected and recorded for these vessels. The results of all three tests were the same—Parks’s books and records were inaccurate and incomplete. We did not see evidence of appropriate payments for all vessels docked or moored at the Boat Basin. As with each of our findings, the results were consistent and when viewed in conjunction, form a clear pattern indicating that fraud may have occurred.

In spite of the audit's findings, Parks contends that it has a sound system of internal controls and maintains that the Boat Basin has enjoyed extraordinary success over the last six years. Parks boasts that since Fiscal Year 2001, Boat Basin revenue has nearly doubled from \$536,983 to \$1,069,645. However, given that rates were only nominally increased and the facility did not substantially expand, the extraordinary increase in Boat Basin revenue only underscores our point that fraud may have occurred. The dramatic revenue increase is even more suspect since it coincided with the phasing out of cash transactions by Parks.

The full text of the Parks response is included as an addendum to this report.

FINDINGS

Our review of the Boat Basin's operations revealed a total disregard for internal controls over the collecting, recording, and reporting of revenues generated from all sources, including seasonal and transient dockage, seasonal and transient mooring, kayak and canoe storage, monthly and daily parking, and boater services. Therefore, we were unable to confirm with reasonable assurance that fees were collected and reported for all financial transactions that transpired at the Boat Basin. Further, the disregard for controls is so extensive as to raise the question of whether fraud may have occurred at the Boat Basin. In addition, Revenue, which is responsible for the recording of and reporting of Boat Basin accounting transactions, did not have adequate segregation of duties and lacked a reliable accounts receivable system.

Moreover, Parks allowed an environment to exist in which irregularities appear to have occurred. During the course of our audit, red flags were raised—the number and magnitude of these red flags again raises the question of whether fraud may have occurred at the Boat Basin. The following are examples of fraud indicators we found:

- The Chief Dockmaster was responsible for generating word-processed transient dockage or mooring, monthly parking, and kayak or canoe storage agreements and transient parking passes; accepting payments; and signing agreements. The Chief Dockmaster should not have performed all of these functions because it violates the segregation of duties principle and allows for fraud and misappropriation. Further, although the Chief Dockmaster resigned on September 3, 2006, in the midst of this audit, Parks did not inform us about this change in key personnel.
- Twenty-three customers informed us that they paid automobile parking fees totaling \$66,250 for calendar year 2005; however, the Boat Basin recorded only \$22,750 as being paid by these customers.
- In September 2006, an unauthorized order was placed for a two-year supply of customer receipts. This order was subsequently canceled, and no orders have been placed since then.
- We encountered obstacles and extensive delays in obtaining basic documentation that should have been readily available. These obstacles and delays were highly unusual and far beyond common business practice. For example, Parks delayed providing customer agreements and receipts. Agreements are the basis and means of accounting for all fees collected at the Boat Basin, and customer receipts are the means by which these fees are recorded. Without customer agreements and receipts, revenues reported to have been paid to Parks could not be verified. Starting in April 2006, we repeatedly requested seasonal agreements and customer receipts from Parks officials, but we did not receive them until October 2006, and November 2006, respectively. Even then, we were not provided with all seasonal agreements.

Parks Response: “Parks concedes that these life events impacting the staff of the Comptroller and Parks may have delayed some work on the audit especially in late August and September 2006. Such delays were clearly not intentional and we respectfully request that their characterization as a ‘red flag’ be removed from the report.”

Auditor Comment: The “basic timetable” that Parks presents is very limited, misleading, and contains inaccuracies. It is hardly reflective of the extensive and pervasive delays in obtaining basic documentation—such as a map of the Boat Basin, the number of slips and moorings, and access to customer agreements and cash receipts—that should have been readily available. The example cited in our report is characteristic of the delays that we experienced throughout our audit. And although Parks concedes that there were some delays in August and September 2006, the delays actually started at the onset of our audit and continued throughout the course of our audit. Again, these delays were highly unusual and far beyond common business practice. Some additional examples are as follows:

| Document Requested | Initial Request Date | Receipt Date | Length of Time to Provide (days) |
|-------------------------------------|-----------------------------|---------------------|---|
| Boat Basin Map | 08/15/06 | 10/16/06 | 62 |
| # of Slips and Moorings | 06/15/06 | 02/13/07 | 243 |
| Unused Cash Receipt Books | 04/20/06 | 04/10/07 | 355 |
| Proof of Insurance and Registration | 01/25/07 | 03/19/07 | 53 |

The audit also found that the Boat Basin failed to ensure that its customers maintained proper insurance and registration, as required by the Rules of the City of New York, Title 56, §3-06 and §4-04; Parks failed to institute rates for charter and educational vessels at the Boat Basin; Revenue lacked segregation of duties and a reliable accounts receivable system; and Counsel’s Office lacked controls over the Boat Basin’s waiting list.

These findings are discussed in detail in the following sections of this report.

Boat Basin Lacks Internal Controls over Its Operations

Our review of the Boat Basin’s operations revealed a total absence of internal controls over its operations. Internal controls reduce the risk of asset loss or misappropriation and help ensure the reliability of financial information. However, there were no controls in place to ensure that all Boat Basin fees were accounted for, collected, and reported to Parks. Consequently, we could not confirm that revenue reported to Parks included all fees charged and collected for operations of the Boat Basin.

Lack of Control over Agreements and Daily Parking Passes

Our review of the Boat Basin's operations revealed a disregard for internal controls over its agreements for seasonal dockage, seasonal mooring, transient dockage or mooring, monthly parking, and kayak or canoe storage, and transient parking passes. There were no controls that established accountability for agreements, parking passes, and related cash receipts. Parks and the Boat Basin did not account for the total number of agreements and passes. And the Boat Basin did not use agreements and passes that were numbered in advance, nor did it use them in sequence. Pre-numbered documents are used in sequence so that management can easily identify and investigate missing documents.

According to the Parks Marina Director, the Chief Dockmaster was responsible for generating word-processed transient dockage or mooring, monthly parking, and kayak or canoe storage agreements and transient parking passes; accepting payments; and signing agreements. The Chief Dockmaster should not have performed all of these functions because it violates the segregation of duties principle and allows for fraud and misappropriation. Comptroller's Directive #1 states, "Key duties and responsibilities need to be divided or segregated among different staff members to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets." Since Parks did not exercise any oversight or controls over the creation and production of Boat Basin agreements and parking passes, it could not determine the number of agreements and passes printed and establish accountability for them. Therefore, it is very possible that agreements and passes were issued by the Boat Basin and the corresponding payments were not recorded by the Boat Basin and reported and submitted to Parks.

Further, the Boat Basin does not maintain a Dockmaster log or employ marina management software to record all vessels entering and leaving the Boat Basin and their arrival and departure dates. Therefore, there is no way to verify that all vessels that were kept at the Boat Basin had either seasonal or transient agreements in place or to verify the accuracy of related cash receipts. A Dockmaster log should be maintained for accountability purposes and more important, for security and liability purposes.

The following are some of the problems that resulted from these internal control weaknesses:

Seasonal Dockage or Mooring Agreements

We reviewed customer agreements and ledgers provided for 2005 and 2006 to verify that a signed agreement and ledger evidencing proper payment was received for every seasonal slip and mooring. We also sent letters to agreement holders to verify that they kept their vessels at the Boat Basin and to confirm the fees paid by them. Given that there is a 6½ year waiting list for dockage at the Boat Basin, there is no reason that slips should not have been occupied. Since the Boat Basin does not pre-number or account for agreements, it is very possible that agreements were entered into and that corresponding payments were not recorded by the Boat Basin and reported and submitted to Parks.

- The Boat Basin failed to provide seasonal customer agreements and ledgers for three slips and five moorings for the 2005 summer season. We conservatively estimate that \$15,000 in revenue was either forgone or could have been misappropriated. In fact, one customer informed us that he moored his vessel and paid \$1,500 for the 2005 summer season, but the Boat Basin, although requested, did not provide us with a customer agreement or ledger for this individual.

Parks Response: “Parks respectfully disagrees with the statement that agreements and ledgers are missing for 2005 slips and moorings. . . . The auditors have received agreements for all slips and moorings. Several slips were unavailable for use in 2005 due to major ice damage in the winter of 2004 and 2005.

“The audit states that there was a single mooring customer who paid in 2005 that we do not have a ledger for. This is the only specific boating transaction at issue in the report. The auditors however have not provided Parks with the customer’s name or any other information—so there is no way for us to assess this claim or to pursue payment. We would appreciate an opportunity to do so to clarify this issue to our mutual satisfaction.”

Auditor Comment: The three slips cited in the report are exclusive of 13 slips that were unavailable for part of the 2005 summer season, and the five moorings cited in the report were not affected by the storm. Further, the above-referenced example was meant to illustrate that monies appear to have been collected but not recorded and reported to Parks. It is not the only boating transaction with which we take issue, but again, an example used for illustrative purposes.

We informed Parks that we would not share the names of those customers who responded to our survey or specific account information that they provided us. Surveys are an independent means of verifying reported information. To obtain accurate and unbiased survey information, we often do not disclose the names of the respondents. This is especially important when respondents are current customers and may fear retaliation.

- The Boat Basin provided us with seasonal customer agreements and dockage or mooring assignments for eight customers for the 2006 summer season who did not actually keep their vessels at the Boat Basin. These eight spaces—three slips and five moorings—were available, and agreements could have been entered into with other customers. Therefore, we conservatively estimate that \$15,000 in revenue for the 2006 summer season was either forgone or could have been misappropriated.

Parks Response: “The audit states that Parks could have forgone or misappropriated revenue by not reselling seasonal slips or moorings that Parks knew would not be used by our paying customers during 2005. Parks did in fact use these slips to accommodate our substantial increase in transient boating and we never turned away a mooring customer. All customers of seasonal slips have a right to return the following season. We have very little turnover at the Boat Basin. If we double-sold

slips to customers on the waiting list, it would be an improper practice almost certainly resulting in more permitted customers than we have slips. We only call the waiting list and resell an empty slip for a full season if we know the current customer of that slip will not return in future years or we know of other permanently departing customers.”

Auditor Comment: It appears that Parks is actually referring to the eight spaces—three slips and five moorings—that were available for the **2006** summer season. Its own customer agreements and ledgers evidence that six of these eight customers did not have valid contracts for dockage or mooring. Parks should have been well aware that these six customers were not entitled to dockage or mooring rights since they made no payment or only partial payment and/or did not sign an agreement with Parks. Further, three of these customers informed us that they notified Parks that they would not keep their vessels at the Boat Basin. With regard to the remaining two customers, Parks denied one customer access to his slip and failed to inform the other customer that he had been awarded a slip.

Transient Dockage or Mooring Agreements

Since the Boat Basin failed to record all vessels entering and leaving the Boat Basin and their arrival and departure dates, there is no way to verify that all vessels that were kept at the Boat Basin had either seasonal or transient agreements in place or to verify the accuracy of related cash receipts.

- We recorded the names, registration numbers, and other identifying information of vessels at the Boat Basin on five days in 2006. We then determined whether all vessels had either a valid seasonal or transient dockage or mooring agreement. The Boat Basin could not provide us with valid agreements for 36 of 72 transient vessels that we observed at the Boat Basin.

Parks Response: “Parks respectfully disagrees with the statement about 36 unexplained vessels. The audit counted 6 vessels 2 times and 1 vessel 4 times in arriving at the figure of 36. Ten of these vessels are seasonal permit holders for which the auditors received agreements. The rest are short-term (hourly) ‘dock and dine’ rentals and commercial landings where Parks does not require formal marina agreements.”

Auditor Comment: As mentioned in the report, we recorded the names, registration numbers, and other identifying information of vessels at the Boat Basin on five days in 2006. We cited vessels for each day that they were at the Boat Basin without a valid seasonal or transient dockage or mooring agreement. Although Parks provided us with seasonal agreements for some vessels, they were invalid because the vessels were at the Boat Basin beyond the term of their agreement and did not have a seasonal extension or transient agreement. For example, on November 1, 2006, we observed 22 transient vessels at the Boat Basin. Fifteen of these 22 vessels were at the Boat Basin beyond the term of their seasonal agreements. Parks provided us with

seasonal extensions for eight vessels; however, it could not provide us with seasonal extensions or transient agreements for the remaining seven vessels. Therefore, these seven vessels were cited in our report.

Further, we did not cite any passenger pickup and drop off, or commercial landings in the report, and there are not nearly enough dock and dine cash receipts to account for the number of transient vessels without valid agreements. For example on August 8, 2006, there were 16 vessels at the Boat Basin without a valid seasonal or transient dockage or mooring agreements, and there was only one properly recorded dock and dine cash receipt.

- We reviewed all sequentially-numbered transient agreements for dockage or mooring provided for 2005 (agreement numbers 5001–5626) and 2006 (agreement numbers 6001–6660) and identified missing agreements numbers. The Boat Basin could not account for 32 transient agreements (16 in 2005 and 16 in 2006) and the cash receipts associated with them. Since each transient agreement allows for up to four dockage or mooring “stays” to be recorded, these 32 transient agreements could contain up to 128 transactions.

Monthly Parking

- The Boat Basin could not provide us with any monthly parking agreements, but did provide 34 ledgers which showed payments totaling only \$39,000 for 2005. Based on parking space fees, monthly parking for 36 parking spaces could generate up to \$108,000 annually. Therefore, we conservatively estimate that up to \$69,000 could have been forgone or misappropriated.
- Twenty-three customers informed us that they paid parking fees totaling \$66,250 for calendar year 2005; however, the Boat Basin recorded only \$22,750 as being paid by these customers.
- For 2006, we were provided with 36 monthly parking agreements, and 39 ledgers showed payments totaling \$98,000. Based on parking space fees, we conservatively estimate that for the 36 parking spaces, up to \$10,000 could have been forgone or misappropriated.
- Twenty-five customers informed us that they paid fees totaling \$71,000 for calendar year 2006; however, only \$57,750 of payments were recorded for these customers.

Parks Response: “The audit states that 23 customers reported in surveys that they paid vehicle parking fees in 2005 totaling \$66,250, and that Parks records only show a receipt of \$22,750. The auditors, however, have not yet shared with Parks the surveys, survey form, cancelled checks, receipts, a list of which 23 customers that they are referring to, or other documentation regarding this matter that would enable us to research it adequately, and the finding is not consistent with the information that we have and that we shared with the auditors. Parks has ledgers for 34 monthly

parking customers totaling \$41,700 in 2005. In addition, 951 daily parking spots were sold. Some customers purchase parking every month of the year. Other customers purchase parking for a few months per year only. Some customers purchase both monthly and daily parking at different times. The audit may have assumed that each customer in 2005 purchased monthly permits for all 12 months. We have, subsequent to the draft audit, contacted many customers and know this is not the case. We again respectfully request access to the analysis on which this finding is based so that it can be appropriately assessed and resolved.”

Auditor Comment: The audit did not assume, as Parks asserts, that each customer in 2005 purchased monthly parking permits for all 12 months. Vehicle parking fees were based solely on customer responses and not auditor assumptions.

Although the same customers responded for both 2005 and 2006, the disparity between vehicle parking fees reported by customers and vehicle parking fees reported by Parks was far less in 2006. Again, given that this is the same period in which Parks phased out cash transactions at the Boat Basin, we feel that this fact only further illustrates that fraud may have occurred at the Boat Basin.

Again, we informed Parks that we would not share the names of those customers who responded to our survey or specific account information that they provided us. Surveys are an independent means of verifying reported information. To obtain accurate and unbiased survey information, we often do not disclose the names of the respondents. This is especially important when respondents are current customers and may fear retaliation.

No Documentation for Short-Term Landings and Vessel Services

The Boat Basin does not record and track short-term landings and services performed on vessels. The Boat Basin did not enter agreements or issue passes to vessels for short-term landings—passenger pickup and drop off, dock and dine, and commercial landing. And it did not issue work orders for vessel services, which include labor, sanitation waste system pump-out, water pump-out, and towing. By not keeping records for these landings and services, the Boat Basin failed to put in place adequate internal controls to ensure accountability and complete and accurate records.

Lack of Controls over Receipts Books

The Boat Basin could not account for receipts, uses duplicate receipt numbers, and does not use receipts sequentially. Since the Boat Basin is allowed to order its own printed receipts and does not maintain an inventory of those receipts, Parks cannot confirm that it receives all receipts issued and the cash receipts associated with them. Comptroller’s Directive #11 requires “receipts must be press numbered, pre-printed forms and be and used in sequence. Copies of all receipts should be retained. . . . A physical inventory of blank receipt forms should be maintained. Employees issued receipt forms must be held accountable for them.” Sound internal

controls prescribe that a record of receipt sequences issued, dates issued, and names of the individuals receiving the receipts should be kept.

The following are some of the problems that resulted from these weaknesses:

- Parks could not account for one unused receipt book that contains 150 receipts—receipt numbers 9730–9879—which are printed in triplicate. Given that Parks could not account for this receipt book, it is possible those receipts were issued to customers and that monies received by the Boat Basin were never received by, recorded or reported to Parks.

Parks provided us with a receipt book containing receipt numbers 9730-9879 at our exit conference held on September 7, 2007. However, we can place no reliance on this book because it was provided to us more than nine months after our initial request and five months after we reviewed all other receipt books.

- The Boat Basin ordered 3,000 duplicate receipt numbers and did not use receipts sequentially. Receipts should be used in sequence so that management can easily identify and investigate missing numbers.

When we contacted the printer, we also discovered that an order was placed for 6,000 receipts in September 2006 and subsequently canceled in November 2006. The invoice indicated that it was charged to an American Express card. However, the Parks Purchasing Director informed us that Parks stopped using American Express in July 2005 and that all documents with the Parks logo should be ordered centrally. Further, Parks had no record of this order. We could not determine who placed this order, because the printing company purges canceled order information from its system.

Parks Response: “The audit asserts that an unknown person unsuccessfully attempted to buy Boat Basin receipt books from a former City vendor of the books. . . the audit states that neither Parks nor the vendor has any record of this event. . . In late 2006 a central procurement supervisor at Parks 5-Boro Operations began researching the purchase of new marina receipt books at the request of marina staff. He may have made a call to NEBS [New England Business Service, Inc.] to research the books. He asked the marinas for, and received, a receipt book (numbered 9730-9879) to help research the order. He never placed an order with our former vendor because the City has a new vendor for these services. He had the receipt book and Parks gave it to the auditors at the exit conference, as soon as we were aware that this was an issue in the audit.”

Auditor Comment: The vendor does have a record of the order—an invoice—which it provided to our office. We met with the Parks Purchasing Director to discuss Boat Basin purchasing procedures and shared a copy of this invoice with him. Although the Parks Purchasing Director informed us that all documents with the Parks logo should be ordered centrally, he could find no evidence of this particular order.

Since a specific credit card, item number, and quantity are referenced on this invoice, we do not think that it is reasonable to believe that an order was accidentally placed based on a call that **may** have been made for research purposes. Further, we do not understand why this is the only invoice for receipt books on which a credit card was referenced since all previous invoices were billed to Parks's Central Purchasing, which paid them by check through the City's vouchering process. Again, we particularly question the use of an American Express card since it had not been used by Parks for more than a year before the order was placed.

With respect to the missing receipt book, Parks was aware of our requests for cash receipt books since April 2006 and provided us with all other unused receipt books in April 2007.

Boat Basin Lacks Standard Operating Procedures

Although Parks has been operating the Boat Basin for more than 10 years, it has never implemented Standard Operating Procedures (SOPs). The Parks Marina Director initially told us that the Boat Basin had SOPs that were used to train staff. However, the Chief of Operations subsequently informed us that the Rules of the City of New York, Title 56, §3 and §4, "Parks Marina Rules and Regulations," maintenance checklists, safety sheets, and other instructive material are the in-place operational guidelines for the Boat Basin. He added that Parks was developing SOPs to improve operations at the Boat Basin and hoped to train staff on them over the winter.

SOPs are a set of written instructions that detail the work processes that are to be conducted or followed within an organization. The development and use of SOPs provides individuals with the information to perform a job properly, and facilitates consistency in the quality of services provided and reporting. The documentation that Parks proffered as "operational guidelines" is not akin to SOPs. The documents submitted were largely government rules, regulations, and safety guidelines for boaters. None of the documents provided instructions on how to manage and operate the Boat Basin.

In November 2006, the Chief of Operations informed us that we would be provided with a copy of SOPs when finalized. To date, we have not received SOPs for the Boat Basin. The Deputy Chief Fiscal Officer informed us in April 2007 that SOPs are "still in draft and can't be released until completion. The availability of the completed document is uncertain at this time."

Boat Basin Lacks Segregation of Duties over Financial Operations

The Boat Basin failed to install basic internal control functions over its cash receipts collection, accounting, and reporting activities. Comptroller's Directive #1 states, "Key duties and responsibilities need to be divided or segregated among different staff members to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets." There was no segregation of duties between the collection of cash receipts and the recording and reporting of Boat Basin transactions. All Boat Basin employees are authorized to

collect fees, issue receipts, and sign transient agreements. Further, the former Chief Dockmaster signed seasonal and transient dockage agreements, seasonal and transient mooring agreements, kayak and canoe storage agreements, and monthly parking agreements, collected fees, issued receipts, maintained custody of the Boat Basin's office safe, and was responsible for the weekly reporting and depositing of fees to Parks.

Parks Response: "Parks has dedicated a staff member at the Boat Basin who handles most administrative and sales transactions to help establish segregation of duties at the site itself. The Marina Director conducts spot audits of marina transactions as a check and the auditors were provided with records of these inspections."

Auditor Comment: Parks has violated—not established—segregation of duties at the Boat Basin by dedicating a single staff member to handle most administrative and sales transactions. Again, Parks must divide key duties and responsibilities among employees.

With regard to its "audits," Parks did not provide us with the reports for the full period requested—Fiscal Years 2005 and 2006. Parks provided us only with reports for the fourth quarters of Fiscal Years 2005 and 2006, and it denied us direct access to the reports. Therefore, we could place no audit reliance on this information. Further, the Marina Director merely compiled a list of transactions based on cash receipts that were submitted to Parks Revenue. This does not constitute an audit or any other type of compensating control.

Boat Basin Lacks Controls over Cash Receipts

The Boat Basin failed to institute internal controls that would establish accountability for and safeguard cash receipts. Comptroller's Directive # 11, "Cash Accountability and Control," states that to the extent practicable, cash in the form of currency should be avoided. Further, since cash is the asset most susceptible to misappropriation, agencies must exercise utmost care when handling cash and accounting for transactions involving cash.

Parks officials initially told us that currency was not accepted at the Boat Basin. Subsequently, they informed us that the Boat Basin did accept currency, but stopped doing so in June 2006—shortly after our audit began. We observed that when cash is received, Boat Basin employees issue a hand-written receipt to the customer, and put the cash and a copy of the receipt into an envelope. This envelope is kept behind a counter in the Boat Basin office. At the end of each shift, the envelope is placed in a safe. Since the same employee collects cash and manually records the transaction, accountability is not established. Further, although the Boat Basin uses a safe to store money, it only safeguards it at the end of each shift. For the duration of the shift, it is accessible to all Boat Basin employees.

Boat Basin Cash Receipts Are Not Deposited in a Timely Manner

Boat Basin customers can make payments on-site or send payments to Parks. The Boat Basin does not deposit payments it receives—it submits its cash receipts to Parks, which in turn

deposits them in the bank. Parks generally deposited Boat Basin payments that it received directly from customers promptly. However, payments received at the Boat Basin were not deposited promptly because they were held at the Boat Basin. Comptroller's Directive #11 states, "Generally, cash receipts must be deposited on the same business day. . . . The accumulation of cash is not permitted."

Boat Basin cash receipts are not deposited in the bank on the same day or the day after they are received. Instead, cash receipts are kept in an envelope until the end of each shift when they are placed in a safe at the Boat Basin. Parks officials informed us that Boat Basin cash receipts are submitted to Parks weekly. However, we found that cash receipts were held at the Boat Basin for up to nearly five weeks. For example, payments received at the Boat Basin from June 26 to July 23, 2005—the height of the Boat Basin summer season—were not submitted to Parks until July 29, 2005. The payments, totaling approximately \$8,479 (\$5,134 in currency and \$3,345 in checks), were not deposited until August 1, 2005.

Boat Basin Failed to Ensure that Customers Maintained Proper Insurance and Registration

The Boat Basin failed to ensure that vessels are properly insured and registered as required by Boat Basin seasonal agreements and the Rules of the City of New York, Title 56, §3-06 and §4-0. Seasonal agreement holders' vessels are required to be insured and registered or have a USCG Certificate. Additionally, dockage customers are required to name Parks as an additional insured on their policies. We asked Parks officials for copies of insurance policies, registrations, and USCG Certificates. We reviewed all documentation provided to determine whether vessels were properly insured and registered. The Boat Basin did not maintain documentation of proper insurance for any vessels in 2005 and 2006 and did not maintain documentation of proper registration or USCG certificate for 122 of 164 vessels in 2005 and 108 of 164 vessels in 2006.

By not ensuring that all vessels at the Boat Basin are properly insured, Parks is exposing the City to potential liability. Additionally, New York State law requires that vessels be registered with the Department of Motor Vehicles (DMV). The law states, "If you operate the boat in NYS, you must register the boat with DMV. . . . You must paint or attach the registration number to each side of the bow of the boat." To ensure compliance with the law, the Boat Basin should verify that all vessels are registered and maintain copies of current registration.

Parks Did Not Institute Rates for Charter and Educational Vessels

Parks failed to establish rates for charter and educational vessels for the Boat Basin. We identified five charter vessels and a private school vessel used to teach sixth graders operating out of the Boat Basin in 2006. These six vessel owners were charged the same rates as recreational vessel owners. Although the Boat Basin did begin to charge passenger pick-up and drop-off fees in 2006, it did so for only two of the six vessels.

It should be noted that the Boat Basin did not maintain documentation of proper insurance for all six vessels in 2006 and did not maintain documentation of proper registration or USCG certificate for four of the six vessels in 2006. Further, although “Parks Marina Rules and Regulations” state that Parks may impose other reasonable conditions “to protect public safety and to safeguard the interests of the city,” it did not maintain copies of valid USCG licenses for three of the six vessel operators. Again, the Boat Basin is exposing the City to potential liability by not ensuring that vessels are properly insured and registered and that vessel operators are properly licensed.

Parks Response: “We have licenses, insurance and registration for these vessels.”

Auditor Comment: Parks did not provide any specific documentation to refute our finding.

Revenue Division Lacks Segregation of Duties

Parks Revenue lacks segregation of duties because employees that receive cash receipts also process and record transactions. Comptroller’s Directive #1 states, “Key duties and responsibilities need to be divided or segregated among different staff members to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets.”

Revenue receives cash receipts through the mail and from the Boat Basin. Charges are posted by one Revenue Accountant, and payments are posted by another Revenue Accountant. The Revenue Accountant who posts charges also prepares a Payment Transmittal Report. The report and associated cash receipts are submitted to Parks’s Permit Office for deposit into the City’s general fund. Revenue lacked adequate segregation of duties because employees who process and record transactions should not handle any cash receipts, whether in the form of currency, coin, checks, or money orders.

Parks Response: “Parks’ Revenue Office, not the marina staff, makes all deposits and accounts for all Boat Basin revenue as an internal control.”

Auditor Comment: Parks violates the segregation of duties principle because key duties and responsibilities are not divided among employees. Specifically, the same Revenue employees who receive cash receipts also process and record transactions.

Revenue Division Lacks a Reliable Accounts Receivable System for the Boat Basin

Parks Revenue lacks a reliable accounts receivable system for the Boat Basin. Revenue is responsible for the recording and reporting of Boat Basin accounting transactions. Revenue accountants enter accounting transactions in the YARDI Global Property and Asset Management Software System (YARDI). Customer ledgers are set up for seasonal mooring, seasonal, and year-round dockage; monthly parking; and canoe and kayak storage customers.

Revenue accountants do not post charges based on customer agreements because they do not receive copies of them. Instead, charges are posted based on customer payments or copies of Applicant Information Sheets provided by the Boat Basin. As a result, Revenue did not charge customers appropriately and did not receive and record payments. Revenue should receive copies of all customer agreements as they contain information needed to set up or update customer accounts and to bill customers accurately and promptly. Further, if Revenue does not receive copies of pre-numbered agreements, it has no assurance that it is billing and receiving proper payments from all customers. In fact, one customer confirmed that he paid \$1,500 to moor his vessel at the Boat Basin in 2006; however, Revenue could not provide us with a ledger, and we found no evidence of payment by this individual.

Counsel's Office Lacks Controls over the Waiting List

The Parks Counsel's Office maintains a list of customers waiting for summer dockage at the Boat Basin. As of January 2007, there were 454 applicants on this list. We found that the Counsel's Office does not have adequate controls over the Boat Basin waiting list because it has no written policies and procedures and does not always adhere to its unwritten policies. In addition, the Counsel's Office violates segregation of duties because only one employee is responsible for all aspects of the waiting list, including collecting application fees, and maintaining all related documentation.

Although the Counsel's Office does not have written policies and procedures, Parks officials informed us that customers must send an application form and a \$60 non-refundable administration fee to the Counsel's Office to have their names placed on the list. A Counsel's Office employee date-stamps received applications, adds applicant names to the waiting list, retains a copy of the check for the required fee, forwards the check to Revenue, sends a confirmation letter to applicants indicating their position on the list, and maintains all supporting documentation. As slips become available, customers at the top of the waiting list are sent offer letters. According to Parks officials, applicants may defer one offer and remain on the waiting list. If they do not accept the second offer, they are removed from the waiting list.

We sampled 45 applicants to determine whether they were properly placed on the list, whether related documentation was maintained, and whether required administrative fees were paid. There was no evidence of an application, administrative fee, or confirmation letter for one applicant. Additionally, three applicants should have been removed from the list because they rejected two offers for dockage. When we reviewed Parks files, we also found that waiting list documentation is not systematically filed by applicant. Documentation and correspondence for up to two years are kept in a single file.

Applications and payments are accepted at the Boat Basin, which in turn forwards them to the Counsel's Office. Applications received via the Boat Basin are not date-stamped until they are received at the Counsel's Office. Consequently, these applicants may not be placed on the waiting list in the proper order.

Parks Response: “The most sensitive issue at the Boat Basin is the Wait List. As an internal control, it is completely administered by Parks’ Legal Office and not the Marina staff. . . .

“The Boat Basin waiting list has been properly administered. As detailed in our September 25, 2007 letter, each of the three applications referenced in the audit were fully accounted for.”

Auditor Comment: Parks violates the segregation of duties principle because key duties and responsibilities are not divided among employees. Specifically, Counsel’s Office violates segregation of duties because only **one** employee is responsible for **all** aspects of the waiting list, including collecting application fees and maintaining all related documentation. Further, Parks did not institute any compensating controls, such as written policies and procedures, and monitoring and oversight functions.

Parks did not provide any specific documentation to refute our finding that three applicants should have been removed from the list. In a letter dated September 25, 2007, Parks claimed that one applicant received and refused his first offer on April 11, 2007; however, this applicant was sent two letters in 2005 stating that he had reached the top of the waiting list and offering him dockage at the Boat Basin. Parks claimed that another applicant was never offered dockage; however, this applicant also received a letter in 2005 stating that he had reached the top of the waiting list and offering him dockage at the Boat Basin. Although Parks agreed that the remaining applicant deferred two offers for dockage, it stated that it made a “management decision” to keep her on the list. We note that this is the same applicant for whom there was no evidence of an application, administrative fee, or confirmation letter.

RECOMMENDATIONS

Parks should:

1. Establish and implement a system of internal controls over the financial operations of the Boat Basin to ensure that all fees are accounted for, collected, and reported to Parks.

Parks Response: “Parks disagrees with the auditors’ assertion about the lack of sufficient internal controls. It should be noted that Parks recently filled a marina analyst vacancy, and among other duties, the incumbent will prepare regular reports with backup on marina transactions, insurance and other required records. The analyst will also track and hold receipt books and agreements and spot check the slips and moorings. The analyst will report outside the marina chain of command and is not involved in marina sales.”

Auditor Comment: Although Parks disagrees with this recommendation, we are pleased that Parks has nevertheless taken action to address it by creating an oversight position that reports outside the marina chain of command as well as to implement or agree to implement 23 recommendations that address specific internal controls.

2. Closely supervise and monitor the Boat Basin’s financial operations, including the collection, recording, and reporting of gross receipts.

Parks Response: “Parks agrees. The Department will continue to closely monitor Boat Basin financial operations and continue as well as build upon the excellent success in growing revenues and services.”

3. Ensure that all Boat Basin documents—to include seasonal agreements, transient agreements, parking agreements, parking passes, and kayak and canoe storage agreements—are professionally printed and pre-numbered.

Parks Response: “Parks agrees. The Department will obtain such professionally printed and pre-numbered documents.”

4. Ensure that the Parks Purchasing Division orders Boat Basin documents and keeps a record of all number sequences ordered.

Parks Response: “Parks agrees. See response number 3.”

5. Maintain a physical inventory of all blank Boat Basin documents and independently verify the inventory annually or more frequently.

Parks Response: “Parks agrees. See response number 1.”

6. Ensure that blank Boat Basin documents are controlled by an individual who does not use them and that the documents are appropriately secured.

Parks Response: “Parks agrees. See response number 1.”

7. Keep a record of Boat Basin documents that includes sequences of numbers in use, dates issued, and names of the individuals to whom they were issued.

Parks Response: “Parks agrees. See response number 1.”

8. Ensure that all pre-numbered documents are used in sequential order and accounted for, and investigate any numbers not used or processed in a timely fashion.

Parks Response: “Parks agrees. See response to number 1. Further staff will be directed to record whenever such documents are discarded.”

9. Ensure that transient agreements are not used for multiple transactions.

Parks Response: “Parks disagrees. Transient customers often procure multiple services in short periods. Agreements are not the basis of accounting, receipts are, therefore these customers should not be required to execute multiple separate/repetitive agreements.”

Auditor Comment: Pre-numbered documents are used in sequence so that management can easily identify and investigate missing documents. However, Parks cannot employ this control if the Boat Basin continues to record multiple transactions on transient agreements. Customer convenience is hardly a valid excuse to violate such a fundamental internal control principle, especially when the amount of time and effort required to complete an agreement is negligible.

Again, agreements are the basis and means of accounting for all fees collected at the Boat Basin. Agreements initiate and provide supporting documentation for financial transactions. They contain information, such as vessel length and arrival and departure dates, necessary to calculate and verify transient dockage and mooring fees. Cash receipts are not a basis of accounting, as Parks contends. They are simply records of financial transactions.

10. Ensure that the Boat Basin uses a Dockmaster log to record all vessels entering and leaving the Boat Basin and their arrival and departure dates.

Parks Response: “Parks disagrees. All customers are notified of the importance of reporting float plans to the marina; the Department will keep a log of these float plans.”

Auditor Comment: Although float plans contain a vessel’s departure and arrival dates, it is a safety device and not a tracking device. Vessel owners planning an

excursion may submit a float plan to marina personnel. If a vessel does not return within a reasonable time after it is due back, the holder of a float plan notifies the USCG or other appropriate party. Float plans are not a substitute for a Dockmaster log as they do not record **all** vessels entering and leaving the Boat Basin and their arrival and departure dates. Without this information, Parks cannot verify that all vessels kept at the Boat Basin have either seasonal or transient agreements in place or the accuracy of related cash receipts. Again, a Dockmaster log should be maintained for accountability purposes and more importantly for security and liability purposes.

11. Consider installing and using a pre-packaged marina management software system that would provide marina management tools such as slip and mooring management and a reservation system, as well as a reliable accounting system.

Parks Response: “Parks agrees. The Department will investigate the feasibility of installing such software to support management of the marina.”

12. Establish accountability for short-term landings and boater services.

Parks Response: “Parks agrees. The Department will implement a basic agreement form for these short-term services, primarily for the purpose of recording boat information. Parks will use a signed monthly change report to show any changes in status to seasonal or year round customers.”

13. Develop and implement Standard Operating Procedures for the Boat Basin.

Parks Response: “Parks agrees. The Department will implement such procedures and will train all staff with respect to them.”

14. Separate the responsibilities for authorizing transactions, processing, and recording transactions; reviewing transactions; and handling any related assets at both the Boat Basin and Revenue.

Parks Response: “Parks partially agrees. The dockmasters and marina manager will continue to approve transactions. Other staff assigned to fiscal transactions at the marina will process and record this activity. The marina analyst will track agreements and receipts books, including blanks. Parks will also clarify which transactions should be conducted entirely through the Revenue office, and which at the marina.”

Auditor Comment: We do not understand how Parks can partially agree to this recommendation. Parks will continue to violate the segregation of duties principle and allow for fraud and misappropriation of its assets unless it separates **all** key responsibilities—authorizing transactions, processing, and recording transactions; reviewing transactions; and handling any related assets.

Further, Parks fails to understand that separating duties among divisions does not accomplish segregation of duties. Key duties and responsibilities must be divided among employees within those divisions.

15. Ensure that cash receipts at the Boat Basin are appropriately safeguarded and secured in a locked safe or cash drawer.

Parks Response: “Parks agrees. Cash will no longer be accepted. The new rules states that: ‘No cash will be accepted for transactions. All Boat Basin transactions must take place in the marina dockhouse. No financial transactions may take place on the piers or in a private boat.’”

Auditor Comment: Parks failed to properly address this recommendation. Although Parks no longer accepts cash in the form of currency, it must nonetheless ensure that its cash receipts—checks, money orders, and credit card receipts—are appropriately safeguarded and secured in a locked safe or cash drawer.

16. Ensure that all cash receipts received at the Boat Basin are deposited in the bank on the same or the next business day, as required by Comptroller’s Directive #11.

Parks Response: “Parks agrees. The Department will attempt to make regular deposits.”

17. Ensure that the Boat Basin registers and records all transactions on a cash register or other income-recording device that registers each transaction sequentially and contains locked-in cumulative tapes and that the Boat Basin submits those tapes to Parks.

Parks Response: “Parks partially agrees. We recognize the need to maintain sequential receipts of all transactions. However, since cash is no longer accepted at the marina, a cash register is not needed. Parks will prepare regular reports of all transactions through the marina analyst.”

Auditor Comment: Although Parks contends that it partially agrees, it actually disagrees if it refuses to employ a cash register or other point-of-sale system at the Boat Basin. We are particularly puzzled as to why Parks would disagree with this recommendation since its own license agreements require that:

“All transactions shall be registered and recorded on accurate cash registers, totaling or computing machines or on other income-recording devices which shall register each transaction sequentially and contain locked-in cumulative tapes with cumulative capacity satisfactory to Parks or Comptroller.”

A cash register or other-income recording device would provide reasonable assurance that documentation establishing accountability is created the moment cash is received and that cash receipts are subsequently safeguarded in a locked drawer.

18. Reconcile Boat Basin cash receipts, cash register, or other income-recording device tapes, and bank deposits.

Parks Response: “Parks agrees. See response numbers 1, 15 and 17.”

19. Ensure that all vessels entering the Boat Basin are properly insured and registered.

Parks Response: “Parks agrees. Parks will keep records of insurance and registrations for seasonal customers. However, for short-term (hourly or daily) transient visits, Parks does not currently require proof of insurance or registration. All vessels operating on open water are subject to Coast Guard inspection. However, Parks will assess the impact and viability of requiring insurance and registrations of hourly and daily customers. Parks agrees that all customers must keep insurance up to date.”

Auditor Comment: Although Parks contends that it “does not currently require proof of insurance or registration” for transient vessels, its transient agreement form contains fields for this information, such as “insurance carrier” and “identification/registration #.” Further, Parks rules contain provisions requiring or allowing it to require transient dockage and mooring customers to show proof of insurance and registration.

20. Ensure that all seasonal dockage agreement holders name Parks as an additional insured on their policies.

Parks Response: “Parks agrees. Parks is working to ensure that customers keep their boat insurance up to date and name Parks as additional insured.”

21. Ensure that all seasonal and transient agreements are filled out completely and signed by customers and authorized Boat Basin employees.

Parks Response: “Parks agrees. Each week, the marina analyst will verify that agreements are signed and filled out completely.”

22. Ensure that the Boat Basin maintains copies of insurance and registration for all seasonal agreement holders.

Parks Response: “Parks agrees. See response number 20.”

23. Institute rates for charter and educational vessels for the Boat Basin.

Parks Response: “Parks agrees and has instituted rates for charter and educational vessels.”

24. Ensure that the Boat Basin maintains copies of appropriate licenses for non-recreational vessels.

Parks Response: “Parks agrees and now maintains copies of appropriate licenses for non-recreational vessels.”

25. Ensure that Revenue receives copies of all agreements and uses them to post customer charges accurately and promptly.

Parks Response: “Parks agrees. The Boat Basin is currently providing Revenue with copies of all agreements and will continue to do so.”

26. Ensure that the Counsel’s Office appropriately separates duties associated with the waiting list, systematically files and maintains all documentation pertaining to the Boat Basin waiting list, and removes from the waiting list applicants who defer two offers for dockage.

Parks Response: “Parks disagrees with the audit report’s characterization of this process as insufficiently segregated. Parks agrees that Counsel’s Office will continue to systematically file and maintain all documentation pertaining to the Boat Basin waiting list and will remove from the list those that have deferred twice, as has been done in the past.”

Auditor Comment: Counsel’s Office violates segregation of duties because only **one** employee is responsible for **all** aspects of the waiting list, including collecting application fees and maintaining all related documentation. Again, Comptroller’s Directive #1 states, “Key duties and responsibilities need to be divided or segregated among different staff members to reduce the risk of error or fraud.”

BOAT BASIN FEES
(May 2005 – April 2007)

| | | |
|--|--|---|
| Seasonal Dockage (Sizable waiting list, as of May 2005) | Summer (May 1 to October 31) | \$100 / linear foot or \$2500, whichever shall be greater |
| | Winter (November 1 to April 30) - Current Winter permittees only | \$75 / linear foot |
| Transient Dockage Non-commercial boats only | | \$2.50 / linear foot / day (24 hours) |
| Passenger Pickup/Drop off Non-commercial boats only | 50 feet or less | \$10 |
| | Over 50 feet | \$25 |
| Dock & Dine 4 hour maximum | 25 feet or less | \$25 |
| | 26 feet or more | \$30 |
| Commercial Landing Fee | 30 minutes for loading and 30 minutes for unloading maximum | \$4 / linear foot |
| Mooring (Moorings available, as of May 2005) | Daily | \$30 |
| | Weekly | \$180 |
| | Season (May 1 to Oct 31) | \$1500 |
| Electricity | For permit holders only | \$0.20 / kilowatt hour |
| Transient Electricity | 30 amp | \$10 / day |
| | 50 amp | \$20 / day |
| | 100 amp | \$35 / day |
| Labor Rate | | \$75 / hour |
| Sanitation Waste System Pump Out | Commercial vessels only | \$75 plus labor |

| | | |
|--|---|-----------------------------|
| Water Pump Out | Per pump provided | \$65 plus labor |
| Towing Outside Marina | Non commercial boats only | \$150 / hour |
| Kayak / Canoe Storage (Storage available, as of May 2005) | | \$250 / every six months |
| Team Canoe Storage (Storage available, as of May 2005) | Summer only; competition canoes | \$750.00 per boat |
| Key Deposit | | \$10 |
| Slip Dockage Waiting List | Application | \$60 |
| Parking Pass | Daily | \$10 |
| Parking (Parking available, as of May 2005) | Rotunda parking garage; permit holders only | \$250 / month |



City of New York
Parks & Recreation

Adrian Benepe
Commissioner

The Arsenal
Central Park
New York, New York 10021

David L. Stark
Chief Fiscal Officer

(212) 360-8265
david.stark@parks.nyc.gov

December 17, 2007

Mr. John Graham
Deputy Comptroller
Office of The Comptroller
1 Centre Street
New York, NY 1007-2341

**Re: Audit Report of the Financial and Operating Practices
Of the Department of Parks and Recreation for the
West 79th Street Boat Basin
FK06-123A**

Dear Mr. Graham,

Thank you for allowing the Department of Parks and Recreation the opportunity to respond to the draft Audit Report on the Financial and Operating Practices of the Department of Parks and Recreation for the West 79th Street Boat Basin.

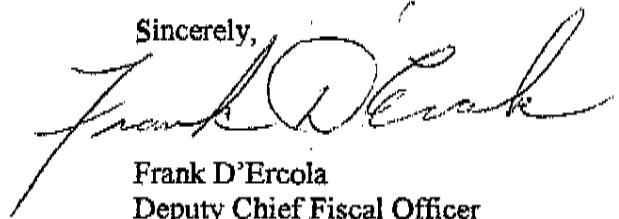
The West 79th Street Boat Basin has enjoyed extraordinary success over the last six years. Through the leadership of our Central Operations division, Parks has taken this previously inaccessible facility and transformed it into a vibrant and vital recreation destination. It is profitable, clean, accessible and growing to meet the needs of boaters and the broader community of Riverside Park. Since Fiscal Year 2001, Parks has almost doubled the revenue collected annually at the Boat Basin, from \$536,983 to \$1,069,645, allowing the City to restore the facility and add new amenities, including replacement of the ice protection system, new docks, slips, moorings and a kayak launch. At the same time Parks has worked closely with the boating community and local elected officials to resolve long-standing concerns that have hindered development in the past. Marina rules have been updated to reflect Parks' operational changes. Customers now receive written information concerning emergency, safety and fiscal procedures and the Department has created a marina and boating section on the Parks website where marina rules, fee schedules and other pertinent information to support boaters is readily

available. Considering such notable progress and developments, we had hoped that these considerable accomplishments would be acknowledged in the audit.

The Department appreciates the revisions made to the preliminary draft audit following the exit conference and the many sound recommendations included in the current draft report. We have already acted on many of the recommendations as detailed in the Audit Implementation Plan and our response to the individual recommendations. However, we continue to respectfully object to the audit's conclusions concerning internal controls and issues characterized as "red flags" by the auditors. Responsibilities for sensitive financial and management functions are already separated among Central Operations, the Revenue Division and Parks Counsel's office, each of which has written procedures governing their activities; furthermore each of these entities is managed independently. The few instances where the auditors found inadequate segregation of duties or inadequate adherence to standard operating procedures, while unacceptable, do not undermine the sound structure in place to ensure accountability or warrant the characterization contained in the audit.

While we acknowledge that many of the recommendations offered by the auditors will help to improve services and strengthen accountability at the Boat Basin, we continue to object to the audit report's characterization of several unconnected events as "red flags". We detail those objections in the attached Response to the Audi. The Department is proud of the West 79th Street Boat Basin's accomplishments over the last six years, and respectfully request that you reconsider the findings concerning potential fraud, in light of our response. Attached is our written response, Audit Implementation Plan (AIP), and response to the auditor's recommendations.

Sincerely,



Frank D'Ercola
Deputy Chief Fiscal Officer

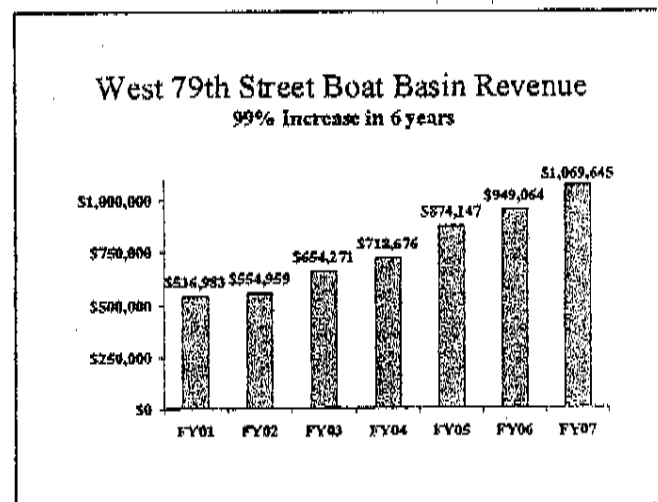
CC: Adrian Benepe, Commissioner
Liam Kavanagh, First Deputy Commissioner, DPR
Robert Garafola, Deputy Commissioner, DPR
David Stark, Chief Fiscal Officer, DPR
Keith Kerman, Chief of Operations, DPR
Maryanne Mullaney, Audit Manager, Comptroller

Parks Response to Comptroller's Audit of the West 79th Street Boat Basin dated
November 30, 2007

Background

The West 79th Street Boat Basin, which opened in 1937, has been an extraordinarily successful operation over the last six years. Today it is a profitable, clean, accessible, growing, and in-demand location supporting personal watercraft, motor boating, swimming and marine education. In June 2006, the Boat Basin won the very first "Clean Marina" award from the organization Going Coastal. The marina is so popular and in demand that we have a waiting list of over 450, despite having only 116 fixed slips.

The public sector Boat Basin staff has achieved a 99 percent increase in revenues in six years, showing growth every year, especially in the years prior to this audit. See chart.



The largest increase in revenue, nearly 500 percent, has been in daily and weekly recreational boating, called transient boating. Parks has increased revenue in this area from \$39,971 in FY01 to \$240,964 in FY07. Parks has taken this once inaccessible public facility and developed regular access for thousands of recreational boaters. Through public hearings and published rules, Parks began phasing out cash transactions at its marinas in 2004 and eliminated all cash transactions in May 2007. We also added language to the rules to protect against fraud. Fiscal and integrity rules are and have been very clearly posted at the Boat Basin office.

Parks has invested the additional revenues into the facility, adding new amenities room for boaters; replacing the ice protection system; expanding six slips, moorings and kayak storage; introducing a new kayak launch dock; and installing new docks and electrical systems.

Parks has created new customer information packages including emergency, safety & fiscal rules, and has also introduced a "marinas and boating section" of the Parks website which includes the marina rules and fees, along with other information to support boaters. Parks opened A-dock at the marina to public access six days a week during the spring and summer. Through years of meetings and collaboration with the year-round Boat Basin community and local elected officials, Parks has amicably, and through public marina rules, resolved decades-long issues regarding non-working boats and the status of year-round boaters.

The following comments and observations respond to specific sections of this audit.

Findings

The "Findings" section of the audit focuses on what are described as a "disregard for internal controls" and "red flags" that are cited as examples of fraud indicators. Parks addresses each below. Parks continues to respectfully request that they be removed or modified in light of our response.

In the preliminary and draft audits, reference is made to the voluntary and self-initiated resignation of Parks former Chief Dockmaster in August 2006. The Chief Dockmaster resigned from Parks after eight

years of service citing personal reasons unconnected to the audit. The auditors also mention that they were not notified of the departure. While Parks might have in retrospect made a formal notification of this staff change, the Boat Basin is a small operation involving eight total staff and we had no reason to believe the auditors were unaware of the departure of the main supervisor. That said, Parks knows of no reason to conclude that this resignation had anything to do with the audit or the information and finding contained in it.

Parks runs a small vehicle parking service for marina customers in the Rotunda garage area. Customers can buy either monthly parking for \$250 a month or daily parking for \$10. As the audit notes, this space is shared with Riverside Park, as well as with the Boat Basin Café, for work vehicles, employee vehicles, daily Parks business, and equipment and supply storage. Marina related parking is not the main use of the facility and other needs take precedence in this heavily in-demand space. Vehicle parking revenues have never been more than 10 percent of marina revenues. Prior to the start of this audit, in December 2005 Parks improved lighting and installed new signage to clarify which spots are for marina customers and which are for other purposes.

The audit states that 23 customers reported in surveys that they paid vehicle parking fees in 2005 totaling \$66,250, and that Parks records only show a receipt of \$22,750. The auditors, however, have not yet shared with Parks the surveys, survey form, cancelled checks, receipts, a list of which 23 customers they are referring to, or other documentation regarding this matter that would enable us to research it adequately, and the finding is not consistent with the information that we have and that we shared with the auditors. Parks has ledgers for 34 monthly parking customers totaling \$41,700 in 2005. In addition, 951 daily parking spots were sold. Some customers purchase parking every month of the year. Other customers purchase parking for a few months per year only. Some customers purchase both monthly and daily parking at different times. The audit may have assumed that each customer in 2005 purchased monthly permits for all 12 months. We have, subsequent to the draft audit, contacted many customers and know this is not the case. We again respectfully request access to the analysis on which this finding is based so that it can be appropriately assessed and resolved.

The audit asserts that an unknown person unsuccessfully attempted to buy Boat Basin receipt books from a former City vendor of the books. On page 11, the audit states that neither Parks nor the vendor has any record of this event. Without any evidence of the event, there is no way for Parks to definitively assess or address it, so we respectfully request that the reference be removed. Absent the information from the auditors, Parks has nonetheless done its best to investigate this issue. On July 8, 2005, Parks purchased 1,000 sequentially numbered receipts in book form for the Boat Basin from NEBS Inc, who was at that time the City vendor of these services. We still use those books as of December 2007. The audit states that Parks should not allow marina staff to order the receipt books. It states that the books should be ordered by central agency procurement staff. In fact, this is what occurred. In late 2006 a central procurement supervisor at Parks 5-Boro Operations began researching the purchase of new marina receipt books at the request of marina staff. He may have made a call to NEBS to research the books. He asked the marinas for, and received, a receipt book (numbered 9730-9879) to help research the order. He never placed an order with our former vendor because the City has a new vendor for these services. He had the receipt book and Parks gave it to the auditors at the exit conference, as soon as we were aware that this was an issue in the audit. The procurement supervisor has absolutely nothing to do with marina operations in general. We do not agree that there were any improprieties in this sequence of events. New receipt books have now been received from the new vendor.

The audit mentions delays in responsiveness as a "red flag". A basic timetable for this audit is as follows:

- Engagement letter for audit from Comptroller's office dated March 31, 2006;
- Entrance conference for audit, April 20, 2006. At this time we are told the scope of the audit is fiscal years 2003 through 2005 and 22 types of records are requested for each year;
- The busy season for the marinas begins on May 1, 2006;
- Auditors walk-through of marina with our staff on June 15, 2006;
- Among other dates, on July 15, July 25, and August 7 documents are sent to auditors;
- On August 7, auditors make an unannounced visit to Boat Basin;
- On August 10, 2006, the Chief Dockmaster resigns for personal reasons;
- Auditors meeting on August 15 with Parks, requesting documents and expanding the scope of the audit to FY06;
- Meeting between auditors and Parks on October 16, 2006;
- Meeting on October 18 and regular communications between Parks in person and by email for 8 months. The auditors meet with our Legal Office, and Revenue Office on multiple occasions, among others;
- Preliminary draft report received on August 24, 2007;
- Exit conference on September 7, 2007;
- Rebuttal sent by Parks to auditors regarding draft audit on September 25, 2007 and
- Draft Report received at Parks dated November 30, 2007

The audit appears focused on the period from mid-August, when the auditors expanded their audit scope to October. As the audit mentions, the Chief Dockmaster had resigned for personal reasons in mid-August. It should be noted that the original audit team for the Comptroller also changed during this period and a replacement audit supervisor was installed. The Marina Director and the Chief of Operations were also unavailable during much of this period due to a marriage in one case, and the extended out-of-state hospitalization, and subsequent death of a parent in the other. While Parks has thousands of employees, the Boat Basin is a specialized operation with very few. Parks concedes that these life events impacting the staff of the Comptroller and Parks may have delayed some work on the audit especially in late August and September 2006. Such delays were clearly not intentional and we respectfully request that their characterization as a "red flag" be removed from the report.

Internal Controls

We welcome and appreciate the thorough review of the Boat Basin operations and finances. We respectfully disagree however, with the assertion that there are insufficient internal controls over Boat Basin operations. The audit itself references the roles of Parks' Revenue and Parks' Counsel, units that serve as part of a system of checks and balances in the management of the marina. The most sensitive issue at the Boat Basin is the Wait List. As an internal control, it is completely administered by Parks' Legal Office and not the Marina staff. Also, Parks' Revenue Office, not the marina staff, makes all deposits and accounts for all Boat Basin revenue as an internal control. Customers can and do go directly to Revenue to make payments. Parks has dedicated a staff member at the Boat Basin who handles most administrative and sales transactions to help establish segregation of duties at the site itself. The Marina Director conducts spot audits of marina transactions as a check and the auditors were provided with records of these inspections. We do acknowledge the importance of stronger controls and additional oversight, as the audit recommends, and have added staff to implement these recommendations.

The audit bases many statements about potentially 'foregone or misappropriated' funds on the statement that customer "agreements are the basis and means of accounting for all fees collected at the Boat Basin" (p. 7). This is not how the agreements are used, however. Agreements are used to collect boat information and to record customer assent with marina rules. Accounting for fees is based on point of sales receipts and customer ledgers tracked by Parks Revenue Office. The auditors received records of

these items. About 75 percent of all marina revenue at the Boat Basin comes from about 165 to 170 customers will stay with us six months or year-round each year. Almost all return each year. Parks agrees that all customer agreements should be kept up to date and is updating any older agreements, but respectfully disagrees with the conclusion that the agreements are the basis for accounting for fees.

On page 8 the audit states that Parks did not track the comings and goings of every boat at the marina. The marina and mooring field stretch for over a mile and most of our customers are seasonal or year-customers. It is not practical for marina staff to record all the recreational trips and comings and goings at the marina of our seasonal and year-round customers, most of whose trips are unrelated to any billing issue. Parks does encourage boaters to submit float plans to us and does track submitted float plans and longer term departures from the marina. We agree as the audit suggests that the arrivals and departure of transient boaters must be carefully tracked to ensure that all fees are properly assessed and collected.

Seasonal Dockage or Mooring Agreements

Parks respectfully disagrees with the statement that agreements and ledgers are missing for 2005 slips and moorings. The auditors were provided with a total of 165 customer ledgers in 2005: 103 dockage ledgers and 62 mooring ledgers. The auditors have received agreements for all slips and moorings. Several slips were unavailable for use in 2005 due to major ice damage in the winter of 2004 and 2005. Despite the major facility damage, Parks accommodated all its seasonal customers.

On page 9 the audit states that there was a single mooring customer who paid in 2005 that we do not have a ledger for. This is the only specific boating transaction at issue in this report. The auditors however have not provided Parks with the customer's name or any other information – so there is no way for us to assess this claim or to pursue payment. We would appreciate an opportunity to do so to clarify this issue to our mutual satisfaction.

On page 9, the audit states that Parks could have foregone or misappropriated revenue by not reselling seasonal slips or moorings that Parks knew would not be used by our paying customers during 2005. Parks did in fact use these slips to accommodate our substantial increase in transient boating and we never turned away a mooring customer. All customers of seasonal slips have a right to return the following season. We have very little turnover at the Boat Basin. If we double-sold slips to customers on the waiting list, it would be an improper practice almost certainly resulting in more permitted customers than we have slips. We only call the waiting list and resell an empty slip for a full season if we know the current customer of that slip will not return in future years or we know of other permanently departing customers. We understand that this is a complex issue, and we are open to future discussion for the purpose of clarification.

Transient Dockage or Mooring Agreements

Parks respectfully disagrees with the statement about 36 unexplained vessels. The audit counted 6 vessels 2 times and 1 vessel 4 times in arriving at the figure of 36. Ten of these vessels are seasonal permit holders for which the auditors received agreements. The rest are short-term (hourly) "dock and dine" rentals and commercial landings where Parks does not require formal marina agreements. The audit also states that there are 32 missing agreement forms out of 1,284, or 2.5 percent of the paper agreement forms. The agreement is a form by which boaters report their basic information and commit to following marina rules. While we agree that all of these forms should be accounted for, there are a very few missing forms and these do not equate to missing transactions.

Monthly Parking

The audit makes estimates of foregone or misappropriated funds relating to parking. These estimates appear to assume that the marina parking service could have been at full monthly capacity at all times. The parking service is in an old, crowded facility with enormous competing demands for space and

physical limitations. Parking is not our primary service and not the priority for the agency's use of this area. In Dec. 2005, prior to the audit, Parks improved lighting and signage in this area to help denote marina parking spaces, while also devoting a much larger part of the area for dedicated use by Riverside Park staff. On page 5, the audit recognizes the shared use of this facility.

Short-Term Landings and Vessel Services

Short-term landings are vessels that stay with us for only a period of hours, such as a "dock and dine". In these cases, and for our very infrequent vessel services, Parks used a point of sale receipt to track the service. In our rules changes of May 2007, we require all such transactions to take place in the Marina Office and we of course do not accept cash. A point of sale receipt is the norm for transacting this type of service, not unlike a parking garage. Parks will look to implement a simple agreement form, to record boat information, and will use a work order for the few vessel service transactions, but we believe there were adequate controls for these services.

Receipt Books

See response to receipt book under "Findings" above.

Operating Procedures

Parks marinas have been operated for decades through public marina rules and regulations. The marina rules cover such extensive areas as:

- access
- permits
- docking of vessels
- required safety equipment
- removal of sunken vessel
- parking of motor vehicles
- unlawful use of slips, vessels
- fees
- guests
- waiting lists
- conditions of vessels
- utilities
- dinghies
- pets
- penalties
- mooring fields
- inspections
- conduct
- operation of vessels
- maintenance and use of docks
- kayaks and canoes
- orders
- commercial permits

These operating policies are public record and have been developed through public hearings. Parks voluntarily told the auditors that it was drafting an additional training guide called "Standard Operating Procedures".

Segregation of Duties

Parks respectfully disagrees that the Boat Basin did not have segregation of duties or internal controls. The Boat Basin has segregation of duties including authorizing transactions, processing transactions, and reviewing transactions. At the Boat Basin, the dockmaster(s) approve customer transactions. There is a full-time staff member assigned to administrative duties specifically processing and tracking payments. In addition, the Marina Director keeps a separate report on marina transactions to act as an internal check on transactions made by marina staff or the Chief Dockmaster. The auditors have been provided with copies of these reports. Parks eliminated the use of cash to help reduce any issues about handling financial assets. The Boat Basin is a small, 24 hours, 7 days a week, 365 days a year operation involving 8 total staff, many of whom are repair, operational and night security staff. As a practical matter, all staff work to serve our customers and assist in various functions when necessary. However, there are segregation of duties and internal checks at the facility, both of which will be enhanced by the addition of a new analyst devoted to these functions.

Cash Receipts

Parks does not accept cash at the Boat Basin and has not since the start of fiscal year 07 (July 2006). Parks began phasing out the use of cash in 2004 through public hearings. We began with our season long customers so that we would not impact our growing transient and recreational boating business. In June 2006 we stopped accepting cash, including from the transient boaters. In May 2007, this became codified in the marina rules as part of a set of rules changes that we had been working on for over two years.

Deposits of Cash Receipts

Again, Parks has been phasing out the use of cash at the marinas since initiating public rules changes in 2004. Parks stopped accepting all cash at the Boat Basin in June 2006 and this change was codified in the May 2007 rules changes. Boat Basin staff will ensure that checks and other non cash deposits get delivered in accordance with standards established by the Comptroller's directive.

Insurance and Registration

Parks provided the auditors with records of insurance and registrations. It is true that many boaters, especially long-standing year round customers, do not have up-to-date insurance or registrations. This is due in many cases to the condition of their vessels. Parks has worked successfully over the last three years with the Boat Basin community to resolve longstanding issues regarding older and non-functioning vessels and a number of changes went into effect in May 2007 following a public hearing. There is now a two-year window for all vessels to be operational. This will enable all customers to get up to date insurances and registrations. As recommended in the audit, Parks is closely tracking insurances and registrations, including the naming of Parks as additionally insured.

Charter and Educational Vessels

Parks does have rates for charter and commercial vessels. Parks initiated separate fees through public hearing and rules changes in May 2007 that impact recreational vessels that also conduct small commercial charters, also known in the maritime trade as 'six packs'. Six packs are special licenses that allow limited commercial activity for otherwise recreational vessels. Parks identified this issue and addressed it through public rules changes. We have licenses, insurance and registration for these vessels. Parks reviews requests for courtesy dockage by non-profit vessels on a case-by-case basis and documents all approvals.

Revenue, Segregation of Duties

Parks respectfully disagrees that our Revenue Division has not properly segregated the relevant duties. Currently, there are four different individuals or divisions that review Boat Basin transactions including marina staff, two accountants at Revenue, and Parks Budget Office. Given the size of the program and Revenue Office we believe this is sufficient. As the audit cites, Parks Revenue division received information about who to bill from the Boat Basin staff. Revenue then used two accountants on this program: one to issue the charges and one to track the payments. The accountant issuing charges also handled credit card transactions which are about 20 percent of all transactions and heavily paper intensive. The payment reports are then signed over to the Budget Office, which deposits them. A reconciliation report is then created and reviewed to check the Budget deposits against the Revenue payment reports. In addition, reports are sent to the Boat Basin staff by Revenue for their action regarding outstanding accounts. Boat Basin management receives reports on total revenue brought in per month.

Revenue, Accounts Receivable

There is one specific boating issue where the audit states we failed to receive payment, involving a mooring customer in 2005. As mentioned previously, the auditors have not provided Parks the name of

that boater or any other information to enable us to assess the validity of this claim. Agreements are important to establish compliance with rules and obtain boating information. The most reliable way to get agreements completed is in person when customers arrive to use the marina. Most of our customers return each year and the marina will provide Revenue copies of agreements in the future, as the audit recommends, but the accounts receivable system and coordination with the Boat Basin is effective and reliable and we have ledgers and payments for all boating customers. We bill them well in advance of the season to insure payment before the season arrives.

Waiting List

The Boat Basin waiting list has been properly administered. As detailed in our September 25, 2007 letter, each of the three applications referenced in the audit were fully accounted for.

AUDIT RECOMMENDATIONS AND AGENCY RESPONSE

#1: Establish and implement a system of internal controls over the financial operations of the Boat Basin to ensure that all fees are accounted for, collected, and reported to Parks.

Parks disagrees with the auditors' assertion about the lack of sufficient internal controls. It should be noted that Parks recently filled a marina analyst vacancy, and among other duties, the incumbent will prepare regular reports with backup on marina transactions, insurance and other required records. The analyst will also track and hold receipt books and agreements and spot check the slips and moorings. The analyst will report outside the marina chain of command and is not involved in marina sales.

#2: Closely supervise and monitor the Boat Basin's financial operations, including the collection, recording, and reporting of gross receipts.

Parks agrees. The Department will continue to closely monitor Boat Basin financial operations and continue as well as build upon the excellent success in growing revenues and services.

#3: Ensure that all Boat Basin documents-to include seasonal agreements, transient agreements, parking agreements, parking passes, and kayak and canoe storage agreements-are professionally printed and pre-numbered.

Parks Agrees. The Department will obtain such professionally printed and pre-numbered documents.

#4: Ensure that the Parks Purchasing Division orders Boat Basin Documents and keeps a record of all number sequences ordered.

Parks agrees. See response number 3.

#5: Maintain a physical inventory of all blank Boat Basin documents and independently verify the inventory annually, or more frequently.

Parks agrees. See response number 1.

#6: Ensure that the blank Boat Basin documents are controlled by an individual who does not use them and that the documents are appropriately secured.

Parks agrees. See response number 1.

#7: Keep a record of Boat Basin documents that includes sequences of numbers in use, dates issued, and name of individuals to whom they were issued.

Parks agrees. See response number 1.

#8: Ensure that all pre-numbered documents are used in sequential order and accounted for, and investigate any numbers not used or processed in a timely fashion.

Parks agrees. See response to number 1. Further staff will be directed to record whenever such documents are discarded.

#9: Ensure that transient agreements are not used for multiple transactions.

Parks disagrees. Transient customers often procure multiple services in short periods. Agreements are not the basis of accounting, receipts are, therefore these customers should not be required to execute multiple separate/repetitive agreements.

#10: Ensure that the Boat Basin uses a Dockmaster log to record all vessels entering and leaving the Boat Basin and their arrival and departure dates.

Parks disagrees. All customers are notified of the importance of reporting float plans to the marina; the Department will keep a log of these float plans.

#11: Consider installing and using a pre-packaged marina management software system that would provide marina management tools such as slip and mooring management and a reservation system, as well as a reliable accounting system.

Parks agrees. The Department will investigate the feasibility of installing such software to support management of the marina.

#12: Establish accountability for short-term landings and boater services.

Parks agrees. The Department will implement a basic agreement form for these short-term services, primarily for the purpose of recording boat information. Parks will use a signed monthly change report to show any changes in status to seasonal or year round customers.

#13: Develop and implement Standard Operating Procedures for the Boat Basin.

Parks agrees. The Department will implement such procedures and will train all staff with respect to them.

#14: Separate the responsibilities for authorizing transactions, processing, and recording transactions; reviewing transactions; and handling any related assets at both the Boat Basin and Revenue.

Parks partially agrees. The dockmasters and marina manager will continue to approve transactions. Other staff assigned to fiscal transactions at the marina will process and record this activity. The marina analyst will track agreements and receipts books, including blanks. Parks will also clarify which transactions should be conducted entirely through the Revenue office, and which at the marina.

#15: Ensure that cash receipts at the Boat Basin are appropriately safeguarded and secured in a locked safe or cash drawer.

Parks agrees. Cash will no longer be accepted. The new rules states that: "No cash will be accepted for transactions. All Boat Basin transactions must take place in the marina dockhouse. No financial transaction may take place on the piers or in a private boat."

#16: Ensure that all cash receipts received at the Boat Basin are deposited in the bank on the same or next business day, as required by Comptroller's Directive #11.

Parks agrees. The Department will attempt to make regular deposits.

#17: Ensure that the Boat Basin registers and records all transaction on a cash register or other income-recording device that registers each transaction sequentially and contains locked-in cumulative tapes and that the Boat Basin submits those tapes to Parks.

Parks partially agrees. We recognize the need to maintain sequential receipts of all transactions. However, since cash is no longer accepted at the marina, a cash register is not needed. Parks will prepare regular reports of all transactions through the marina analyst.

#18: Reconcile Boat Basin cash receipts, cash register, or other income-recording device tapes, and bank deposits.

Parks agrees See response numbers 1, 15 and 17

#19: Ensure that all vessels entering the Boat Basin are properly insured and registered.

Parks agrees. Parks will keep records of insurance and registrations for seasonal customers. However, for short-term (hourly or daily) transient visits, Parks does not currently require proof of insurance or registration. All vessels operating on open water are subject to Coast Guard inspection. However, Parks will assess the impact and viability of requiring insurance and registrations of hourly and daily customers. Parks agrees that all customers must keep insurance up to date.

#20: Ensure that all seasonal dockage agreement holders name Parks as an additional insured on their policies.

Parks agrees. Parks is working to ensure that customers keep their boat insurance up to date and name Parks as additional insured.

#21: Ensure that all seasonal and transient agreements are filled out completely and signed by customers and authorized Boat Basin employees.

Parks agrees. Each week, the marina analyst will verify that agreements are signed and filled out completely.

#22: Ensure that the Boat Basin maintains copies of insurance and registration for all seasonal agreement holders.

Parks agrees. See response number 20.

#23: Institute rates for charter and educational vessels for the Boat Basin.

Parks agrees and has instituted rates for charter and educational vessels.

#24: Ensure that the Boat Basin maintains copies of the appropriate licenses for non-recreational vessels.

Parks agrees and now maintains copies of appropriate licenses for non-recreational vessels.

#25: Ensure that Revenue receives copies of all agreements and uses them to post customer charges accurately and promptly.

Parks agrees. The Boat Basin is currently providing Revenue with copies of all agreements and will continue to do so.

#26: Ensure that Counsel's Office appropriately separates duties associated with the waiting list, systematically files and maintains all documentation pertaining to the Boat Basin waiting list, and removes from the waiting list applicants who defer two offers for dockage.

Parks disagrees with the audit report's characterization of this process as insufficiently segregated. Parks agrees that Counsel's Office will continue to systematically file and maintain all documentation pertaining to the Boat Basin waiting list and will remove from the list those that have deferred twice, as has been done in the past.

AUDIT IMPLEMENTATION PLAN
AUDIT TITLE: Audit Report of the Financial and Operating Practices
Of the NYC Department of Parks & Recreation for the West 79th Street Boat Basin
Office of the City of New York Comptroller
Audit Report FK06-123A
Date: December 14, 2007

| Findings | Recommendations/Agency Response | Corrective Action Plan/Date Implemented |
|---|--|--|
| <p>1) Lack of Control Over Agreements and Daily Parking Passes. Parks operations of the Boat Basin revealed a disregard for internal controls over its agreements for seasonal docking, seasonal mooring, transient docking or moorage, monthly parking and kayak and canoe storage, and transient parking passes. There were no controls that established accountability for agreements, parking passes and receipts. The Boat Basin did not use sequentially numbered agreements.</p> | <p>1) Establish and implement a system of internal controls over the financial operations of the Boat Basin to ensure that all fees are accounted for, collected, and reported to Parks. Agency response: DPR disagreed</p> <p>2) Closely supervise and monitor the Boat Basin's financial operations, including the collection, recording and reporting of gross receipts. Agency response: DPR agreed</p> <p>3) Ensure that all Boat basin documents-to include seasonal agreements, transient agreements, parking agreements, parking passes, and kayak and canoe storage agreements-are professionally printed and pre-numbered. Agency response: DPR agreed</p> | <p>1) Parks disagrees with the auditors' assertion about the lack of internal controls. However, Parks recently filled a vacancy for a marina analyst. Among other duties, the analyst will prepare regular reports with backup on marina transactions, insurance, and other required records. The analyst will also track and hold receipt books and agreements and spot check the slips and moorings. The analyst will report outside the marina chain of command and is not involved in sales. Implementation: September 2007</p> <p>2) Parks will continue to closely monitor Boat Basin financial operations and continue as well as build upon the excellent success in growing revenues and services. Implementation: Ongoing</p> <p>3) Parks will separately obtain such professionally printed and pre-numbered documents. Implementation: December 2007</p> |

| Findings | Recommendations/Agency Response | Corrective Action Plan/Date Implemented |
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| <p>2) Lack of Control Over Receipt Books. The Boat Basin could not account for receipts, uses duplicate receipt numbers, and does not use receipts sequentially. The Boat Basin orders its own printed receipts and does not maintain an inventory of those receipts. A physical inventory of all receipts should be maintained. Parks should prescribe controls that record receipt sequences issued, dates issued, and names of the individuals receiving the receipts. Copies of all receipts should be retained.</p> | <p>4) Ensure that Parks purchasing Division orders Boat Basin Documents and keeps a record of all number sequences ordered. Agency response: DPR agreed</p> <p>5) Maintain a physical inventory of all blank Boat Basin documents and independently verify the inventory annually, or more frequently. Agency response: DPR agreed</p> <p>6) Ensure that the blank Boat Basin documents are controlled by an individual who does not use them and that the documents are appropriately secured. Agency response: DPR agreed</p> <p>7) Keep a record of the Boat Basin documents that includes sequences of numbers in use, dates issued, and name of individuals to whom they were issued. Agency response: DPR agreed</p> <p>8) Ensure that all pre-numbered documents are used in sequential order and accounted for, and investigate any numbers not used or processed in a timely fashion. Agency response: DPR agreed</p> | <p>4) See Response # 3 Implementation: December 2007</p> <p>5) See Response # 1 Implementation: December 2007</p> <p>6) See Response #1 Implementation: May 2008</p> <p>7) See Response #1 Implementation: May 2008</p> <p>8) See Response # 1. Further staff will be directed to record whenever such documents are discarded. Implementation: May 2008</p> |

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| <p>3) Transient Package or Mooring Agreements. Since the Boat Basin failed to record all vessels entering and leaving the Boat Basin and their arrival and departure dates, there is no way to verify that all vessels that were kept at the Boat Basin had either seasonal or transient or mooring agreements in place or to verify the accuracy of related cash receipts. Further, the Boat Basin does not maintain a Dockmaster log or employ marina management software to record all vessels entering and leaving the Boat Basin.</p> | <p>9) Ensure that transient agreements are not used for multiple transactions. Agency response: DPR disagreed</p> <p>10) Ensure that the Boat Basin uses a Dockmaster log to record all vessels entering and leaving the Boat Basin and their arrival and departure dates. Agency response: DPR disagreed</p> <p>11) Consider installing and using a pre-packaged marina management software system that would provide the marina management tools such as slip and mooring management and a reservation system, as well as a reliable accounting system. Agency response: DPR agreed</p> | <p>9) Transient customers often procure multiple services in short periods. Agreements are not the basis of accounting, receipts are, therefore these customers should not be required to execute multiple separate/repetitive agreements</p> <p>10) All customers are notified of the importance of reporting float plans to the marina; the Department will keep a log of these float plans.</p> <p>11) The Department will investigate the feasibility of installing such software to support management of the marina. Implementation: May 2008</p> |
| <p>4) No Documentation for Short Term Landings and Vessel Services. The Boat Basin does not record and track short term landings and services performed on vessels. The Boat Basin did not enter agreements or issue passes to vessels for short term landings-passenger pickup or drop off, dock and dine, and commercial landing. The Boat Basin did not issue work orders for vessel services, which include harbor, sanitation waste system pump-out, water pump-out and towing.</p> | <p>12) Establish accountability for short term landings and boater services. Agency response: DPR agreed</p> | <p>12) Parks will implement a basic agreement for these short term services, primarily for the purpose of recording boat information. Parks will use a signed monthly change report to show any changes to seasonal or year round customers. Implementation: May 2008</p> |

| Findings | Recommendations/Agency Response | Corrective Action Plan/Date Implemented |
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| <p>5) Boat Basin Lacks Standard Operating Procedures. Although Parks has been operating the Boat Basin for more than 10 years, it has never implemented Standard Operating Procedures (SOP's). The documentation proffered as "operational guidelines" is not akin to SOP's. The documents submitted. Were largely governmental rules, regulations, and safety guidelines for boaters.</p> | <p>13) Develop and implement Standard Operating Procedures for the Boat Basin. Agency response: DPR agreed</p> | <p>13) Parks will implement such procedures and will train all staff with respect to them Implementation: May 2008</p> |
| <p>6) Boat Basin Lacks Segregation of Duties over Financial Operations. The Boat Basin failed to install basic internal control functions over it cash receipts collection, accounting, and reporting activities. There was no segregation of duties between the collection of cash receipts and the recording and reporting of Boat Basin transactions.</p> | <p>14) Separate the responsibilities for authorizing transactions, processing and recording transactions; reviewing transactions; and handling any related assets at both the Boat Basin and Revenue. Agency response: DPR partially agreed</p> | <p>14) The dockmasters and marina manager will continue to approve transactions. Other staff assigned to fiscal transactions at the marina will process and record this activity. The marina analyst will track the agreements and receipt books, including blanks. Parks will also clarify which transactions should be conducted entirely through our Revenue Office, and which at the marina. Implementation: May 2008</p> |
| <p>7) Boat Basin lacks Control over Cash Receipts. The Boat Basin failed to institute controls that would establish accountability for and safeguard cash receipts. Parks officials initially told us that currency was not accepted at the Boat Basin, subsequently, they informed us that the Boat Basin did accept currency, but stopped doing so in June 2006- shortly after our audit began.</p> | <p>15) Ensure that cash receipts at the Boat Basin are appropriately safeguarded and secured in a locked safe or cash drawer. Agency response: DPR agreed</p> | <p>15) Cash is no longer accepted. The new rules state that: "No cash will be accepted for transactions. All Boat Basin transactions must take place in the marina dockhouse. No financial transaction may take place on the piers or in a private boat." Implementation: June 2006</p> |

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| <p>8) Boat Basin Cash Receipts Not Deposited in a Timely Manner. Boat Basin customers can make payments on site or send payments to Parks. The Boat Basin does not deposit payments it receives-it submits its cash receipts to Parks, which in turn deposits them in the bank. Parks generally deposited Boat Basin payments that it received directly from customers promptly. However, payments received at the Boat Basin were not deposited promptly because they were held at the Boat Basin.</p> | <p>16) Ensure that all cash receipts received at the Boat Basin are deposited in the bank on the same or next business day, as required by Comptroller's Directive # 11. Agency response: DPR agreed</p> <p>17) Ensure that the Boat Basin registers and records all transactions on a cash register or other income-recording device that registers each transaction sequentially and contains locked-in cumulative tapes and that the Boat Basin submits those tapes to Parks. Agency response: DPR partially agreed</p> <p>18) Reconcile Boat Basin cash receipts, cash register, or other income-recording device tapes, and bank deposits. Agency response: DPR agreed</p> | <p>16) Parks will attempt to make regular deposits. Implementation: May 2008</p> <p>17) Parks recognizes the need to maintain sequential receipts of all transactions. However, since cash is no longer accepted at the marina, a cash register is not needed. Parks will prepare regular report of all transactions through the marina analyst. Implementation: May 2008</p> <p>18) See Response #'s 1, 15 and 17 Implementation: May 2008</p> |
| <p>9) Boat Basin Failed to Ensure that Customers Maintained Proper Insurance and Registration. The Boat Basin failed to ensure that vessels are properly insured and registered as required by Boat Basin seasonal agreements and the Rules of the City of New York. Additionally, dockage customers are required to name Parks as an additional insured on their policies.</p> | <p>Agency response: DPR agreed</p> <p>19) Ensure that all vessels entering the Boat Basin are properly insured and registered. Agency response: DPR agreed</p> <p>20) Ensure that all seasonal dockage agreement holders name Parks as an additional insured on their policies. Agency response: DPR agreed</p> | <p>19) Parks will keep records of insurance and registrations for seasonal customers. However, for short term (hourly or daily) transient visits, Parks does not currently require proof of insurance or registration. All vessels operating on open water are subject to Coast Guard inspection. Parks will assess the impact and viability of requiring insurance and registrations of hourly and daily customers. Parks agrees that all customers must keep their insurance up to date. Implementation: May 2007</p> <p>20) Parks is working to ensure that customers keep their boat insurance up to date and list Parks as additional insured. Implementation: October 2007</p> |

| Findings | Recommendations/Agency Response | Corrective Action Plan/Date Implemented |
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| <p>10) Parks Did Not Institute Rates for Charter and Educational Vessels. Parks failed to establish rates for charter and educational vessels for the Boat Basin. We identified 5 charter vessels and a private school vessel in 2006. These vessels were charged the same as recreational vessel owners.</p> | <p>21) Ensure that all seasonal and transient agreements are filled out completely and signed by customers and authorized Boat Basin employees. Agency response: DPR agreed</p> <p>22) Ensure that the Boat Basin maintains copies of insurance and registration for all seasonal agreement holders. Agency response: DPR agreed</p> <p>23) Institute rate for charter and educational vessels for the Boat Basin. Agency response: DPR agreed</p> <p>24) Ensure that the Boat Basin maintains copies of the appropriate licenses for non-recreational vessels. Agency response: DPR agreed</p> | <p>21) Each week, the marina analyst will verify that agreements are signed and filled out completely. Implementation: October 2007</p> <p>22) See Response # 20</p> <p>23) Parks has instituted rates for charter and educational vessels. Implemented May 2007</p> <p>24) Parks now maintains copies of appropriate licenses for non-recreational vehicles. Implemented October 2007</p> |
| <p>11) Revenue Division Lacks a Reliable Accounts Receivable System for the Boat Basin. Revenues accountants do not post charges based on customer agreements because they do not receive copies of them. Charges are posted based on customer payments or copies of Applicant Information Sheets provided by the Boat Basin.</p> | <p>25) Ensure that Revenue receives copies of all agreements and uses them to post customer charges accurately and promptly. Agency response: DPR agreed</p> | <p>25) The Boat Basin is currently providing Revenue with copies of all agreements and will continue to do so. Implemented October 2007</p> |

| Findings | Recommendations/Agency Response | Corrective Action Plan/Date Implemented |
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| <p>12) Counsel's Office Lacks Controls over the Waiting List. Counsel's Office does not have adequate controls over the Boat Basin waiting list because it has no written policies and procedures. Furthermore, Counsel's Office violates segregation of duties because only one employee is responsible for all aspects of the list. Additionally, applications and payments are accepted at the Boat Basin, which in turn forward them to Counsel's Office. Consequently, these applicants may not be placed on the waiting list in the proper order.</p> | <p>26) Ensure that Counsel's office appropriately separates duties with the waiting list, systematically files and maintains all documentation pertaining to the Boat Basin waiting list, and removes from the list applicants who defer two offers for dockage.</p> <p>Agency response: DPR partially agreed</p> | <p>26) The Counsel's Office will continue to systematically file and maintain all documentation pertaining to the Boat Basin waiting list and will remove those that have deferred twice, as has been done in the past.</p> <p>Implementation: January 2007</p> |