

AUDIT REPORT



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

Audit Report on the Financial and Operating Practices of the Times Square Business Improvement District

MG03-099A

MARCH 21, 2003

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 examined the financial and operating practices of the Times Square Business Improvement District.

The results of our audit, which are presented in this report, have been discussed with BID officials, and their comments have been considered in the preparation of this report.

Audits such as this provide a means of ensuring that the BIDs are providing the services they are required to deliver to their districts and that they have adequate internal controls over their funds.

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 212-669-8945.

Very truly yours,

William C. Thompson, Jr.

Report: MG03-062A
Filed: March 21, 2003

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

**Audit Report on the
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AUDIT REPORT IN BRIEF

This audit of the Times Square Business Improvement District (BID) covered the organization's provision of services, compliance with its City contract, and adequacy of internal controls over funds and operations. The Times Square BID is funded by special assessments levied against district property owners and uses these moneys to enhance and promote the district. The City Department of Business Services (DBS) supervises and oversees the Times Square BID.

Audit Findings and Conclusions

The Times Square BID provides supplemental services, such as sanitation, security, social services and promotion, as well as additional services, as called for in its District Plan. The BID generally complies with the key provisions of its contract with DBS. The BID maintains complete and accurate financial records, submits annual reports to DBS, and has its annual financial statements certified by an independent certified public accountant. The BID also complies with the procurement procedures of its contract with DBS.

In addition, the BID maintains adequate accountability over its receipts and disbursements, has an adequate segregation of duties, and properly records and authorizes transactions. The BID had no major weaknesses in corporate governance. However, there was a weakness in the BID's internal control system concerning the safeguarding of assets. Specifically, the BID had funds on deposit that were not covered by FDIC insurance, and it did not maintain an inventory of its equipment. In addition, during Fiscal Year 2001, the BID did not maintain daily time records for its central staff. Consequently, we were unable to determine the number of hours that these employees worked. As of January 2002, central staff are required to fill out and hand in weekly timesheets.

Audit Recommendations

To address these issues, we make three recommendations, namely, that the Times Square BID:

- Place its funds in collateralized accounts.
- Maintain inventory records and perform physical inventories periodically.
- Continue to require its central staff to submit weekly timesheets.

Times Square BID Response

The matters covered in this report were discussed with officials from the Times Square BID during and at the conclusion of this audit. A preliminary draft report was sent to Times Square BID officials on January 31, 2003, and was discussed at an exit conference on February 13, 2003. We submitted a draft report to BID officials on February 25, 2003, with a request for comments. We received a written response from BID officials on March 11, 2003. The BID generally agreed with our findings and observations.

INTRODUCTION

Background

In 1981, the New York State Legislature passed legislation allowing cities to independently establish Business Improvement Districts (BIDs). BIDs are geographic areas in which property owners and tenants band together to use a municipality's tax collection powers to assess themselves to create a fund used for improvements within the geographic area (the district). In 1982, New York City passed Local Law 2, which authorized the creation of BIDs in the City. The Times Square Business Improvement District (Times Square BID), the subject of this audit, was established in 1991.

BIDs are funded by special assessments levied against properties within the district. BID assessments are collected by the City and returned to the BID. These moneys are used to enhance and promote the district by providing services and improvements supplemental to the services already provided by the City. By law, these services and improvements can include the following:

- Capital improvements, such as lighting, sidewalk paving, pedestrian malls and walkways, tree plantings, signs, bus stop shelters, and landscaping;
- Enhanced sanitation services;
- Enhanced security services for people and property within the district;
- Promotional services to advertise activities within the district; and
- Seasonal and holiday decorations and lighting.

The Mayor's Office and the City Council approve the formation of all BIDs, and the Department of Business Services (DBS) supervises and oversees the BIDs. The BIDs must sign a contract with DBS, renewable from one to four years (depending on how the BID is rated by DBS), and submit to DBS budgets and audited financial reports each year.

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

BIDs have become increasingly important for raising funds for capital improvements and service enhancements. According to DBS, by January 2002 there were 44 BIDs operating in the City, with combined BID assessments totaling \$53 million. The majority of these districts have modest budgets: the annual operating budgets of 29 districts are each less than \$500,000 (16 of those are less than \$200,000). Six districts have annual budgets ranging between \$500,000 and \$1,000,000, and nine districts have annual budgets exceeding \$1,000,000. Measured by revenue

from assessments, the Times Square BID was the fourth largest of the 44 districts in New York City in January 2002.

As required by the BID legislation, the majority of the Times Square BID's Board of Directors consists of property owners and commercial and residential tenants within the district. The Board also consists of representatives from Manhattan Community Boards 4 and 5 and three members, one each appointed by the Mayor, the Comptroller, and the Manhattan Borough President. Geographically, the Times Square BID is located in the western portion of the mid-Manhattan central business district. Its boundaries are west of Avenue of the Americas and west of Eighth Avenue; West 53rd Street and West 40th Street on the north and south. The District includes the area on the north side of 40th Street, both sides of Eighth Avenue, the south side of 53rd Street, 100 feet west of Avenue of the Americas, and both sides of 42nd Street, just west of Avenue of the Americas to Eighth Avenue. Times Square is known as the "Crossroads of the World." It is the tourist and commuter gateway to the City and the center of theater activity. Within its boundaries are 39 Broadway theaters, 33 hotels, 10 cinemas, approximately 200 restaurants, and approximately 30 million square feet of office space.

As required of all City BIDs, the Times Square BID presented to the City Council and the Office of the Mayor a District Plan detailing the proposed improvements for the district, how the improvements would be implemented, and the total annual expenditures anticipated. To implement the District Plan, the BID entered into a contract with DBS in January 1992, which was most recently renewed in 2001. This contract incorporates the agreements between the BID and the City regarding requirements for its supplemental services and capital improvements.

As shown in Table I, in Fiscal Year 2001, the Times Square BID reported revenues of \$7,928,454 and expenditures of \$7,792,671.

TABLE I
Times Square BID Revenue and Expenses for Fiscal Year 2001

Support and Revenue	
Assessment Revenue	\$5,935,801
Grants	\$14,204
Contributions and Sponsorships	\$702,764
Contributions, In-Kind	\$240,500
Visitors Center License Revenue	\$688,707
Program Service Revenue	\$202,170
Royalties	\$0
Interest Income	\$144,308
Total Support and Revenue	\$7,928,454
Expenses	
Program Expenses:	
Marketing	\$1,872,539
Visitors Center	\$911,700
Public Safety	\$2,203,285
Sanitation	\$1,445,807
Community Services	\$210,339
Public Improvements	\$131,672
Total Program Expenses	\$6,775,342
Management and general	\$998,749
Fundraising	\$18,580
Total Expenses	\$7,792,671

Objectives

The objectives of this audit were to:

- determine whether the Times Square BID has provided the services called for in its District Plan;
- assess the Times Square BID's compliance with key terms in its contract with the Department of Business Services; and
- evaluate the adequacy of the Times Square BID's internal controls over its funds and operations.

Scope and Methodology

The scope of our audit was Fiscal Year 2001. We reviewed the current contract between the BID and DBS, renewed on August 8, 2001, to assess compliance. We interviewed members of the

Board of Directors, the President and Chairman, the Co-Chairs of the Finance Committee, the Treasurer, and the Secretary. We reviewed the District Plan to determine declared objectives of the Times Square BID and the services and programs it proposed to accomplish those objectives. To gain an overview of its sanitation program, we toured the District and observed personnel on the job.

To familiarize ourselves with work done by the BID and with various issues in the District, we reviewed the minutes of meetings of the Board of Directors and various Board committees from January 1999 through June 2002. For Fiscal Year 2001, we reviewed assessment receipts, cash disbursements, and the general ledger. We examined all cash disbursements (excluding payroll) for the months of October, November, and December totaling \$1,630,730, including related receipts, invoices, and other supporting documents. In addition, we reviewed the certified financial statements and related Management Letters for Fiscal Years 1999 through 2001. To determine whether the BID received the products and services paid for, we reviewed the Fiscal Year 2001 contracts, invoices, and canceled checks.

To assess internal controls, we compared policies, procedures, and practices to internal control standards set forth in the New York City Comptroller's Directives and the BID contract with DBS. To assess the level of satisfaction with the services provided by the BID, we reviewed a report prepared by Clark, Martire, and Bartolomeo, Inc., which was hired by the BID to conduct a member survey in the District.

Independence Disclosure

The Comptroller is a member of the Board of Directors of the Times Square BID. The Comptroller maintains this position pursuant to New York State General Municipal Law §980-m, which requires that the Comptroller, as the City's chief fiscal officer, be a member of the board of directors of any City BID. Accordingly, the bylaws of the Times Square BID specify that the Comptroller be a member of the Board. The Comptroller participates on the Board of the Times Square BID through a designee. The Comptroller's designee was not involved in planning or conducting this audit, or in writing or reviewing the audit report.

Our 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 City Comptroller's audit responsibilities 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 officials from the Times Square BID during and at the conclusion of this audit. A preliminary draft report was sent to Times Square BID officials on January 31, 2003, and was discussed at an exit conference on February 13, 2003. We submitted a draft report to BID officials on February 25, 2003, with a request for comments. We received a written response from BID officials on March 11, 2003. The BID

generally agreed with our findings and recommendations. In her response, the Times Square BID Vice President of Administration and Finance further stated:

“We appreciate the time and effort expended by the staff of the Comptroller’s Office over the past six months to thoroughly examine the operations and internal controls of the Times Square Business Improvement District.”

The full text of the Times Square BID comments is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

The BID has provided supplemental services and special events as required in its District Plan. The BID maintains complete and accurate financial records, submits annual reports to DBS, and has its annual financial statements certified by an independent certified public accountant. The transactions we reviewed appeared to be ordinary and reasonable.

In addition, the BID had no weaknesses in corporate governance and maintains an adequate segregation of duties. However, there was a weakness in the BID's internal control system concerning the safeguarding of assets: the BID had uninsured deposits and did not maintain an inventory listing of its equipment.

The BID Provides the Services Called For in Its District Plan

The Times Square BID provides the services called for in its District Plan. The BID's District Plan set forth a series of proposed services aimed at the "promotion and enhancement" of the District, namely:

- A supplementary security presence throughout the district.
- A sanitation program to sweep curbs, gutters and sidewalks, to empty litter receptacles, and to remove posters.
- Work collaboratively with area social service providers to ensure that appropriate and adequate services are provided to the homeless and other persons in need.
- A marketing program designed to attract visitors and new businesses to the district.
- Administration of the district by a salaried staff.

In November 2000, the BID hired Clark, Martire, and Bartolomeo, Inc., (Clark survey) to conduct a survey of its district members. Clark received 129 responses (22%) out of the 571 surveys sent out. Of the 129 member responses, 56 were from restaurant and retail stores, 52 from property owners, 17 from the top 100 businesses in the area, and four from civic leaders.

The district members' response to the Clark survey question concerning the overall performance by the BID was positive. Eighty-three percent of the district members surveyed felt that the BID is doing an excellent or very good job. Seventy-eight percent responded that they are extremely familiar or very familiar with the Times Square BID and the work that it does in the area.

Sanitation Services

The Times Square BID supplements City sanitation services with a staff of more than 50 sanitation workers working in two eight-hour shifts, seven days a week. The Times Square BID hires its own sanitation program staff of 34 workers, including four supervisors and four assistant supervisors, and accordingly provides them with the necessary uniforms and equipment. In addition, the BID contracts with Project Renewal and Earn Fair for approximately 30 additional sanitation workers. The BID spent \$1,445,807, of which \$198,372 was paid to Project Renewal in Fiscal Year 2001 to provide sanitation services—19 percent of its total expenditures for the fiscal year.

The duties of the sanitation personnel include cleaning and sweeping sidewalks, bagging litter, emptying trash receptacles, steam cleaning sidewalks, removing graffiti, and scraping and painting light poles, wastebaskets, and fire hydrants. The BID also uses a self-powered mechanical vacuum/sweeper to clean sidewalks.

The BID efforts to improve cleanliness in the district through supplemental street sweeping and litter pick-up operations have had a positive effect on the area, according to “Project Scorecard.” “Project Scorecard” is a quarterly report, issued by the Mayor’s Office of Operations, that rates the level of cleanliness of most streets throughout the City. For the quarter ending June 2002, 95.3 percent of the district’s streets and 98.8 percent of its sidewalks were rated “acceptably clean.” Our review of the district’s scorecard for each quarter since July 2001 found that the ratings fluctuated from quarter to quarter. However, overall the ratings have been positive and indicate that there is a greater percentage of streets and sidewalks classified as “acceptably clean” than the percentage classified as “filthy.”

We also conducted unannounced spot checks of the district and observed sanitation personnel on their designated rounds. The streets and sidewalks all appeared satisfactory.

Furthermore, 65 percent of the participants responding to the Clark survey of the district members felt that the area is clean, and 82 percent responded that they are aware that the BID provides additional sanitation workers for the area.

Security Services

The Times Square BID supplements City police service with 54 security officers. The BID hires, trains, and supervises the officers. The security officers operate on three tours of duty, which allows for security coverage of the district from 9:30 A.M. to 12:00 A.M. The security officers patrol the district and assist the police in making arrests, discouraging and removing ticket scalpers, three-card monte dealers, pickpockets, and illegal peddlers from the area. They also help sick, injured, or lost persons, and give travel directions and information for special events taking place in the area. The officers are equipped with radios that are linked to the dispatchers in the BID office who can contact police. In Fiscal Year 2001, the BID spent \$2,203,285 for its security program. This was 28 percent of its total Fiscal Year 2001 expenditures.

The BID security services have contributed to a safer district, based on New York City Police Department (NYPD) crime statistics for seven major categories of crime. According to the Times Square BID crime statistics analysis, which uses NYPD data, there was a 57 percent decrease in district crime between 1993, the BID's first full year in operation, and 1998. In addition, the BID reported that three-card monte games have decreased by 98 percent since 1993.

Furthermore, 84 percent of the participants responding to the Clark survey of the district members felt that the BID is doing an excellent job with public safety.

Visitor Center

The BID operates the Times Square Visitor Center at 1560 Broadway, between 46th and 47th Streets. The Visitor Center is staffed by six full-time employees, two tourist counselors, and 10 part-time tourist counselors. The Center is open seven days a week from 8:00 A.M. to 8:00 P.M. and serves about 5,000 visitors daily. The BID has a circular help desk in the middle of the Center, and the BID staff, who are usually multi-lingual, answer visitors' questions and hand out maps and brochures of the shows, restaurants, and shops in the area. They also provide information on sightseeing in the City and offer a free tour of the area every Friday at 12:00 P.M. The BID spent \$911,700, or 12 percent of its total Fiscal Year 2001 expenditures, to operate the Visitor Center. However, the cost of operating the Times Square Visitor Center was offset by \$688,707 in licensing revenue.

Community Development

The BID works with Project Renewal, a program that administers the Times Square Consortium for the Homeless. The Consortium was designed to reach the core population of homeless people, who are extremely resistant to assistance, by establishing relationships over time and offering a multi-disciplinary staff to attend to the needs of these people. Originally funded by a HUD Innovative Homeless Program grant administered by the BID, the program is now funded solely by the City and the BID has no fiduciary relationship to the program. However, the BID continues to consult with the Consortium for the Homeless and assist in administering the program. The Consortium has a respite center with beds for seven to 11 homeless people and reaches out to the homeless in the district. Between 1997 and 2000, the Consortium staff placed 46 homeless people in permanent housing and provided 550 people with other services, such as counseling, referrals for drug, alcohol, and mental health treatment, job training and placement, and assistance with benefits. In Fiscal Year 2001, the BID also awarded Neighborhood Enhancement Grants to area social service organizations for projects that contribute to an improved physical infrastructure, encourage collaboration between businesses and community organizations, or provide benefits beyond a single organization to better the neighborhood as a whole. The BID spent \$210,339, or three percent of its total Fiscal Year 2001 expenditures, to administer the community development programs.

Marketing and Promotion

The BID participates in three major marketing and promotional special events each year:

- Taste of Times Square – an outdoor food and entertainment festival showcasing the restaurants of Times Square;
- “Broadway on Broadway” – produced by the BID in partnership with The League of American Theatres and Producers, excerpts from current and upcoming Broadway shows are performed as a free outdoor event; and
- New Year’s Eve – the BID co-produces in partnership with Countdown Entertainment the Times Square New Year’s Eve Celebration, which includes the lowering of “the Ball” at midnight, confetti, fireworks, etc.

In addition, the BID prints promotional materials, such as maps, restaurant guides, and entertainment guides. It prepares the Purple Pages, a listing of all businesses in the Times Square area. The BID also informs the community of BID events through publications, surveys, meetings, newsletters, and its Web site. The BID spent \$1,872,539, or 24 percent of its total Fiscal Year 2001 expenditures, to help fund the projects. These marketing expenses were offset by \$702,764 in sponsorship revenue.

Public Improvements

The BID facilitates several public improvement projects, such as sidewalk widening, planters to beautify the area, new lighting on lampposts, cleaner signs, and holiday lighting. During Fiscal Year 2001, the BID replaced defective lights with new weatherproof lights and installed new floodlights on 83 poles. In addition, the BID is exploring ways to alleviate pedestrian congestion. The BID’s Pedestrian Passageways program tries to identify mid-block passages to the next street—for example, passages through buildings—and highlights them as alternatives to overcrowded avenue intersections. The BID also monitors street and sidewalk conditions and notifies the appropriate authorities about potholes, loose sidewalk grates, clogged catch basins, malfunctioning traffic signals, and missing signs. The BID spent \$131,672, or two percent of its total fiscal year expenditures, on public improvements.

Corporate Governance Is Adequate

We found no major weaknesses in corporate governance. The bylaws of the Times Square BID require that it be managed by a Board of Directors. The Board’s key responsibility is to manage the business of the BID. At its discretion, the Board may create standing committees and delegate to them the authority to take action on specific matters. The chief executive officer for the Times Square BID is its president, who has the authority to direct and supervise the activities of all employees.

Under law, the Board is responsible for the activities of the BID, regardless of how much authority the Board delegates to the staff or to any committee. Thus, it is in the Board's best interest to be fully informed about the activities of the BID as well as the activities of the BID management.

We found that the BID is operating in compliance with its bylaws. The Board members created a Capital Committee, a Public Policy Committee, a Program Committee, a Finance Committee, and an Audit Committee to help manage the business of the BID. These committees are in addition to the Executive Committee and the Board of Directors. The BID holds quarterly Board meetings, and all of the Board meetings are well attended. The Executive Committee meets monthly. The Finance Committee reviews and approves the BID budget, which is then presented to the Executive Committee for approval. The BID annual budgets are then reviewed and approved by the Board of Directors. The Executive Committee and the full Board of Directors receive and review monthly financial statements at each meeting.

The various Board and committee members whom we interviewed informed us that they receive copies of the BID's audited financial statements and annual reports and are fully informed about the operations of the BID. In addition, the members told us that they believe that the Times Square BID is a well-governed organization and is responsive to the needs and views of its members. We found no major weaknesses in the areas that we reviewed, all of which related to the Board's oversight and management of the BID.

The BID Generally Complied with Key Terms of Its Contract with DBS

The BID generally complied with the key provisions of its contract with DBS. As mentioned previously, the BID provides supplemental services, such as sanitation, security, social services, and promotion, as well as additional services, as proposed in its contract with DBS.

The BID maintains complete and accurate records, submits annual reports to DBS, and has its annual financial statements certified by an independent accountant. The BID also complied with the procurement procedures of its contract with DBS. The contract between DBS and the BID states that when awarding contracts, the BID should choose the lowest responsible bidder from at least three competitive bidders, unless the BID can justify to the satisfaction of its Board of Directors or a committee the selection without competition of a contractor from a single source, or the selection of a contractor from less than three bidders. We reviewed six of the 23 BID contracts for Fiscal Year 2001 and found that the BID complied with the procurement procedures of the contract and with its own procurement procedures. For one contract, the BID solicited the required three bids. For three of the contracts, the BID did not solicit three bids, but in letters to its Finance Committee and DBS, it justified the selection of the vendors as a unique or sole source contract. The last two of the six contracts reviewed were "open orders." In these cases, the BID solicited bids to maintain open orders for certain goods or services. These open

orders are re-bid every three years. Again, for these two contracts, the BID justified the selection of these vendors in a letter to the Finance Committee and DBS.

The BID contract with DBS also states that any contract in excess of \$100,000 cannot be awarded until a full background investigation has been conducted through the City Vendor Information Exchange System (VENDEX). Three of the six contracts that the BID awarded were for more than \$100,000. The BID ensured that the required VENDEX information was submitted for each of these contracts and the required VENDEX approvals were received.

Internal Controls Generally Adequate Except in One Area

Our audit evaluated the adequacy and effectiveness of the BID internal controls and accountability over the expenditures of its funds. The transactions that we reviewed appeared to be ordinary and reasonable.

The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management authorization, and are properly recorded.

The BID maintained adequate accountability over its receipts and disbursements, had an adequate segregation of duties, and properly recorded and authorized transactions. However, we found a weakness in the BID internal control system concerning the safeguarding of assets.

Inadequate Safeguarding of Assets

Uninsured Deposits

BID financial statements reported that the BID had large dollar amounts on deposit that were not covered by FDIC insurance. FDIC insurance covers up to \$100,000 in deposits for each banking institution; any balance exceeding \$100,000 is not insured. FDIC regulations provide that the custodian of public money in a depository be insured for each additional \$100,000 on deposit. The BID had balances that exceeded \$100,000 and were uninsured. The portion of the BID balances that were uninsured was \$1,529,984 in 1998, \$1,394,982 in 1999, \$1,633,883 in 2000, and \$1,949,587 in 2001. These amounts were the equivalent of 42 percent, 36 percent, 59 percent, and 67 percent respectively of the BID net assets at the end of each fiscal year.

In the event of a bank failure, federal deposit insurance protects deposits that are payable in the United States. A large amount of BID funds are unprotected. When deposits of public money exceed the recognized deposit insurance limit, a request can be made that the depositing entity pledge eligible collateral to secure the uninsured amount. The BID should ensure that deposits exceeding \$100,000 are placed in collateralized accounts.

Lack of Inventory Records

The Times Square BID does not maintain an inventory of its equipment. The BID equipment includes items such as computers, monitors, telephones, radios, a television, and office furniture. BID officials supplied us with a schedule of fixed assets, which included total cost by category, the method of depreciation, and the amount of depreciation. For example, the June 2002 list recorded the computers as \$15,822, but did not list the individual items purchased.

When equipment is not accounted for, it is more likely that thefts will go undetected, that equipment will be disposed of improperly, or that duplicate equipment may be unnecessarily purchased. Therefore, it is necessary for the BID to account for all of its equipment on an inventory listing.

Good internal controls require that inventory be protected from unauthorized use or removal, and that property should be properly controlled. According to Comptroller's Directive #1, agencies should maintain accurate and complete inventory records for all assets and should conduct physical inventories periodically.

Recommendations

The Times Square BID should:

1. Place its funds in collateralized accounts.

BID Response: "The Times Square BID shall provide a full copy of the Final Audit Report on the Financial and Operating Practices of the Times Square Business Improvement District to its full Board of Directors. The Times Square Business Improvement District shall seek the guidance of, and follow the directives of, its Finance Committee with respect to insuring its deposits."

2. Maintain inventory records and perform physical inventories periodically.

BID Response: "We understand that inventory records are required of city agencies, which we are not. However, we recognize that an inventory list can be a useful management tool and shall begin to compile one."

Timekeeping

During Fiscal Year 2001, the BID did not maintain daily time records for its central staff. The sanitation, security and visitor center personnel had to clock in and out every day, but the central staff were not required to record the time they worked. Consequently, we were unable to determine the number of hours these employees worked.

Although these employees were paid on a bi-weekly basis, the lack of a daily time recording system prevented BID management from verifying the time worked by the central staff. In cases where an employee failed to submit a leave request form when taking annual or sick leave, absent a daily time record, there was no way to determine whether the employee's leave balances were accurately adjusted. A daily time recording system substantiates the accuracy of the employee's annual and sick leave use.

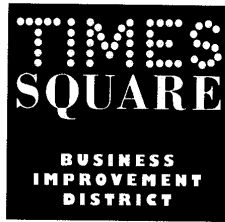
BID officials informed us that as of January 2002, central staff are required to fill out and hand in weekly timesheets. The BID Central Staff Personnel Policies state, "Each day, the time the employee starts and finishes work must be recorded on a time record." Section 4.1 of Comptroller's Directive #13 states, "A fundamental timekeeping principle is that attendance, absence and tardiness be recorded promptly on a daily basis. Time and attendance must be recorded for all employees, including managerial and non-managerial salaried staff, and those who are paid on a daily or hourly basis." The BID should continue to require its central staff to submit weekly timesheets.

Recommendation

The Times Square BID should:

3. Continue to require its central staff to submit weekly timesheets.

BID Response: "We appreciate your acknowledging that the Times Square Business Improvement District implemented the practice of requiring its Central Staff to submit weekly timesheets in January 2002. We have every intention of continuing to do so.



March 10, 2003

Mr. Greg Brooks
Deputy Comptroller
The City of New York
Office of the Comptroller
One Centre Street
New York, New York 10007-2341

Re: Audit Number: MG03-099A

Dear Mr. Brooks:

Thank you for forwarding to us a copy of the Draft Audit Report on the Financial and Operating Practices of the Times Square Business Improvement District – Audit Number MG03-099A. We appreciate the time and effort expended by the staff of the Comptroller's Office over the past six months to thoroughly examine the operations and internal controls of the Times Square Business Improvement District. We are also grateful for the courtesy, cooperation and professionalism exhibited by your audit team.

As you know, the Times Square Business Improvement District is a private, non-profit corporation and is not a city agency. The By-Laws, Fiscal, Personnel and Procurement Policies adopted by our Board of Directors govern the manner in which we operate. Recognizing that, we acknowledge that we share the mutual objective of ensuring that the operation of the Times Square Business Improvement District is conducted in accordance with the highest standards of accountability and transparency.

The Times Square Business Improvement District takes great pride in the manner in which we conduct our business, and we strive to ensure that we are accountable to our members and to the public at large. Your findings have validated our efforts and have confirmed that the procedures we have in place and policies to which we adhere meet the highest possible standards. We will consider your recommendations and findings as we continue to strengthen and enhance our operations.

Generally we agree with your findings and observations. Following are brief comments in the order in which they appear in the draft of the audit report.

Jeffrey Gural, Chairman Newmark & Company • Robert E. Wankel, Secretary The Shubert Organization, Inc. • Rocco Landesman, Treasurer Jujamcyn Theaters • David Arena Morgan Stanley & Co. Francis P. Barron, Esq. Cravath, Swaine & Moore • Joseph Benincasa The Actors' Fund of America • Jed Bernstein The League of American Theaters and Producers, Inc. • Cora Cahán The New 42nd Street • Madeline Castellotti John's Brick Oven Pizzeria • Robert Cohen R.A. Cohen and Associates, Inc. • Marvin Davis Davis Realty • Cynthia Dial Project FUND • Douglas Durst The Durst Organization • Matthew Duthie Reckson Associates • Alan Eisenberg Actors' Equity Association • Elisabetta Fabri The Michelangelo • Edith Fisher Manhattan Borough President's Office • Cedrick Fulton Port Authority Bus Terminal • Michael Golden The New York Times Company • Rosanne Haggerty Common Ground Community • Todd Halmes Roundabout Theatre Co. • Per Hellman Millennium Hotel • Caroline Hirsch Caroline's Comedy Club • Jeffrey Katz Sherwood Equities • Robert M. Kaufman, Esq. Proskauer Rose LLP • Dr. Judith S. Lee Resident • Nicki Livanos The Equitable Life Assurance Society • Laura Maloglio Barbetta Restaurant • Janeen McDonald Bertelsmann, Inc. • Kyle Merker Community Board 5 • Virginia Millhiser Millhiser & Company • Robert Nederlander Nederlander Productions • Hon. Christine Quinn New York City Councilmember • Rick Roth Ogilvy & Mather Worldwide • Eric Rudin Rudin Management • Rev. Paul Schmiele St. Luke's Lutheran Church • Stephen Schofel Cornerstone Real Estate Advisors • Hon. Simone Sindin Community Board 4 • Michael J. Stengel New York Marriott Marquis • George Stobely Clear Channel Spectacolor • Ken Sullivan Viacom International • Virginia Sullivan Mayor's Office of Midtown Enforcement • Dawn Tamarit Cash Rx Plus • William C. Thompson, Jr. Comptroller of the City of New York • Joseph G. Tucker Times Square Studios Ltd. • Elliott Wahle Toys "R" Us • Robert Walsh Department of Business Services • Stephen F. Wilder Resident • Tim Tompkins, President

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Recommendations of the City Comptroller's Audit

The Times Square BID should:

- Place its funds in collateralized accounts

Response:

The Times Square BID shall provide a full copy of the Final Audit Report on the Financial and Operating Practices of the Times Square Business Improvement District to its full Board of Directors. The Times Square Business Improvement District shall seek the guidance of, and follow the directives of, its Finance Committee with respect to insuring its deposits.

The Times Square BID should:

- Maintain inventory records and perform physical inventories periodically

Response:

We appreciate your acknowledging that the Times Square Business Improvement District furnished to you a scheduled of fixed assets, which included total costs by category, the method of depreciation, and the amount of depreciation. We understand that inventory records are required of city agencies, which we are not. However, we recognize that an inventory list can be a useful management tool and shall begin to compile one.

The Times Square BID should:

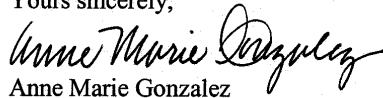
- Continue to require its central staff to submit weekly timesheets.

Response:

We appreciate your acknowledging that the Times Square Business Improvement District implemented the practice of requiring its Central Staff to submit weekly timesheets in January 2002. We have every intention of continuing to do so.

Thank you again for the professional manner in which this audit was performed. We look forward to receiving a final report from you.

Yours sincerely,


Anne Marie Gonzalez

cc: Jeffrey Gural, Chairman
Tim Tompkins, President
Stephen Schofel, Co-Chair of the Finance Committee
Nicki Livanos, Co-Chair of the Finance Committee
George Glatter, Department of Business Services