

# 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 Jerome-Gun Hill Business Improvement District**

*MG08-105A*

**February 25, 2009**



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 examined the financial and operating practices of the Jerome-Gun Hill Business Improvement District (BID) in the Bronx.

A BID is a geographic area in which commercial property owners and tenants band together to use a municipality's tax collection powers to assess additional funds to be used for improvements within the district. The funds are used to purchase services and make improvements supplemental to the services already provided to the area by the City, and to enhance and promote the district. Audits such as this provide a means of ensuring that BIDs are providing the services they are required to deliver to their districts and that they have adequate internal controls over their funds.

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. Their complete written response is attached to this report as an addendum.

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](mailto:audit@comptroller.nyc.gov) or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in black ink, appearing to read "William C. Thompson, Jr.", written in a cursive style.

William C. Thompson, Jr.  
WCT/ec

**Report:** MG08-105A  
**Filed:** February 25, 2009

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

**Audit Report on the  
Financial and Operating Practices of the  
Jerome-Gun Hill Business Improvement District**

**MG08-105A**

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**AUDIT REPORT IN BRIEF**

The audit determined whether the Jerome-Gun Hill Business Improvement District (BID) has adequate internal controls over its funds, provided services called for in its District Plan, and complied with key terms of its contract with the New York City Department of Small Business Services (DSBS).

The Jerome-Gun Hill BID<sup>1</sup> includes a business district in the Bronx along Jerome Avenue between Mosholu Parkway and East Gun Hill Road, and East Gun Hill Road between Jerome and Webster Avenues. In 1996, the BID entered into its first contract<sup>2</sup> with DSBS. The BID is governed by a Board of Directors consisting mainly of property and business owners within the district and is managed by a not-for-profit corporation, the Mosholu Preservation Corporation (MPC)<sup>3</sup>. In Fiscal Year 2008, the BID received assessments amounting to \$209,000, in addition to supplemental income of \$34,473 from its annual street fair (\$19,473) and a grant receivable (\$15,000), for total revenues of \$243,473.

**Audit Findings and Conclusions**

The BID's internal controls over funds appear to be adequate, the BID provided the services stated in its District Plan, and it complied with most terms of its DSBS contract. However, our audit found that the BID did not adequately separate its funds from those of MPC, did not adequately communicate with members, lacked the required number of members on its Board of Directors, had inadequate oversight of contracts, and often did not make prompt payments for purchases.

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<sup>1</sup> The BID is also known as the Mosholu-Jerome-East Gun Hill Road District Management Association (DMA).

<sup>2</sup> In 2004, the Jerome BID's contract was most recently renewed for five years.

<sup>3</sup> Started in 1981, the MPC is a not-for-profit affiliate of Montefiore Medical Center that was formed and funded by Montefiore to promote the safety and vitality of the neighborhoods around its facilities, particularly in the northwest Bronx. According to a management agreement with the MPC, the BID pays \$29,000 annually for the MPC to (1) provide a part-time salaried district manager to implement its District Plan, and (2) maintain required insurance. The MPC Director of Economic Development serves as the BID's Executive Director.

### **Audit Recommendations**

To address these issues, we make twelve recommendations, including that the BID should ensure that:

- Funds are adequately separated between the BID and the MPC so that BID purchases are paid for with BID funds and MPC purchases are paid for with MPC funds.
- Members are fully informed of BID meetings, promotions, and advertising.
- Recruitment efforts are increased to encourage members to join its Board of Directors.
- At least two elected officers of the corporation review and sign all agreements.
- Payments to vendors are made within 30 days of receipt of the vendor's invoice.

### **BID Response**

In their response, BID officials agreed with all 12 recommendations.

## **INTRODUCTION**

### **Background**

A BID is a geographic area in which commercial property owners and tenants band together to use a municipality's tax collection powers to assess additional funds to be used for improvements within the district. Under City legislation, BID assessments are levied upon each property in the district; the funds are then collected by the City and returned in their entirety to the BID. The funds are used to purchase services and make improvements supplemental to the services already provided to the area by the City, and to enhance and promote the district.

The Mayor's Office and the City Council approve the formation of all BIDs, and DSBS supervises and oversees them. Each BID has Corporation Bylaws and a District Plan. The Corporation Bylaws stipulate BID membership, required meetings, the makeup of a Board of Directors, and the appointment of officers, as well as their powers and duties. The District Plan details supplemental services for the district, including: sanitation, security, holiday and seasonal decorations, promotions, and administration; how services would be provided; and total anticipated annual expenditures. In addition, each BID must sign a contract with DSBS and submit budgets and certified financial reports each year.

The Jerome-Gun Hill BID includes a business district in the Bronx along Jerome Avenue between Mosholu Parkway and East Gun Hill Road, and East Gun Hill Road between Jerome and Webster Avenues. This area is located within Bronx Community Board 7 and the 52<sup>nd</sup> Police Precinct. In 1996, the BID entered into its first contract with DSBS. The BID is governed by a Board of Directors consisting mainly of property and business owners within the district and is managed by a not-for-profit corporation, the MPC. Both the BID and the MPC are exempt organizations under Section 501(c)(3) of the Internal Revenue Code and each has its own Board of Directors. The BID is headquartered in MPC's building and has no staff (the MPC provides a part-time Executive Director and Bookkeeper). An outside vendor provides a sanitation crew of three workers and eight outside cameras provide increased security in the district.

BIDs have become increasingly important in the city for raising funds for capital improvements and service enhancements. According to DSBS, in Fiscal Year 2008 there were 56 BIDs in the city with combined assessments totaling \$77 million, up from 48 BIDs with combined assessments of \$63 million just three years earlier. In Fiscal Year 2008, the majority of BIDs were modest in scope; annual assessments were less than or equal to \$350,000 each for 33 BIDs (59%), \$400,000 to \$1 million each for 10 BIDs (18%), and more than \$1 million each for 13 BIDs (23%).

The Jerome-Gun Hill BID received assessments totaling \$209,000 in Fiscal Year 2008 in two equal payments of \$104,500: one in July and the other in January. In addition, according to its general ledger, the BID supplemented its assessments with \$34,473 in income from its annual street fair (\$19,473) and a grant receivable (\$15,000).

## **Objectives**

The primary objectives of this audit are to determine to what extent the BID has:

- Adequate internal controls over its funds;
- Provided the services called for in its District Plan; and
- Complied with key terms in its contract with DSBS.

## **Scope and Methodology**

We conducted this performance audit in accordance with generally accepted government auditing standards, except for organizational independence as disclosed in the following paragraph. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

We are issuing a modified GAGAS compliance statement because of the Comptroller's mandated non-audit responsibility regarding the BID. The Comptroller is a member of the Board of Directors of the 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 BID specify that the Comptroller be a member of the Board. The Comptroller participates on the Board of the 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.

The scope period of this audit is Fiscal Year 2008.

To achieve our audit objectives and to evaluate the BID's internal controls, we used the following sources as audit criteria:

- Corporation Bylaws;
- District Plan;
- Contract with DSBS (2004-2009);
- BID-MPC Management Agreement; and
- Procurement Policy Board (PPB) rules.

To gain an understanding of the BID's activities and internal control procedures, we interviewed the Executive Director and Bookkeeper (from the MPC), as well as the three BID Directors (President, Secretary, and Treasurer) with check-signing authority. We walked through the entire district with the Executive Director and met local merchants. Also, we attended the Board of Director's meeting on May 5, 2008, and the annual general membership meeting on June 25, 2008.

To evaluate controls over its funds, we reviewed the budgets and certified financial statements for Fiscal Years 2006 and 2007, as well as the general ledger for Fiscal Year 2008. We tested 17 (19%) of the 89 payments made in Fiscal Year 2008 for goods and services to determine whether the amount paid was correct, supported by approved invoices or other documentation, and paid in a timely manner. We also reviewed its four largest vendor contracts, including two for sanitation services (\$96,995 and \$9,750), one for BID management by the MPC (\$29,000), and one for auditing services (\$5,085).

To determine whether the BID provided the services called for in its District Plan, we reviewed its sanitation, security, holiday and seasonal decorations, promotions, and administration. Then, we assessed the satisfaction of members with these services.

Specifically, to assess sanitation services in the BID, we conducted eight observations of the district between March 5 and July 16, 2008, on various days of the week and at various times of day, during which we observed the sanitation personnel and noted the general cleanliness of the district. In addition, we looked at the most recent Sanitation Project Scorecards<sup>4</sup> for Community Board 7.

To assess security services in the BID, we observed the location of all eight cameras in the district, as well as the two monitoring computers, one at its headquarters and the other at the 52<sup>nd</sup> Police Precinct. We also met with precinct officials and reviewed the most recent crime statistics.

To determine whether the BID provided holiday and seasonal decorations, we confirmed payment to a vendor for holiday lights and observed BID-sponsored banners throughout the district. To evaluate its promotion of BID businesses, we tested a May 2008 newspaper BID advertisement promoting 226 businesses in the district to determine whether the listing was correct and whether all business were located within the district.

To determine the satisfaction of members with the services provided by the BID, on June 2-3, 2008, we conducted a survey of 68 systematically selected businesses throughout the district, in which our teams interviewed merchants to document their opinions and comments concerning the BID and the supplemental services it provides.

We reviewed documents and financial records to assess the BID's compliance with key terms of its current contract with DSBS, including whether it provided the required supplemental services, maintained accurate records, submitted annual reports to DSBS, maintained required insurance, and had its annual financial statements certified.

While the results of our samples were not projected to the populations from which they were drawn, they provided a reasonable basis for our findings and conclusions in accordance with our audit objectives.

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<sup>4</sup> The Sanitation Project Scorecard is a quarterly report issued by the Mayor's Office of Operations that rates the level of cleanliness of most City streets.



## **Discussion of Audit Results**

The matters covered in this report were discussed with BID officials during, and at the conclusion of, this audit. A preliminary draft report was sent to BID officials on October 14, 2008 and was discussed at an exit conference on November 19, 2008. On December 12, 2008, we submitted a draft report to the BID with a request for comments.

We received a written response from the BID, dated January 7, 2009. In its response, the BID agreed with all 12 recommendations stating that “the BID’s Executive Director and members of its Board of Directors would first like to thank the staff of the NYC Comptroller’s Office for their observations and suggestions as detailed in the audit. The BID will utilize the findings and recommendations stated in the audit ... in order to assure that we are in compliance with all contract term requirements and continue to properly provide the services as detailed in our district plan.” The full text of the BID’s response is included as an addendum to this report.

## FINDINGS AND RECOMMENDATIONS

The BID's internal controls over funds appear to be adequate in that the BID maintains a general ledger and supporting accounting records, and the financial transactions reviewed appeared to be ordinary and reasonable. In addition, the BID has an adequate segregation of duties regarding payments.

The BID provided the services stated in the District Plan: sanitation, security, holiday and seasonal decorations, promotions, and administration. The Mayor's Sanitation Project Scorecards for Fiscal Year 2008 show the district achieved a 98 percent rating on the cleanliness of its sidewalks. In addition, according to our survey, merchants are generally satisfied with the BID's services.

The BID complied with most terms of its DSBS contract. The BID provided the prescribed services, maintained accurate financial records, submitted annual reports to DSBS, maintained required insurance, and had its annual financial statements certified.

However, the BID did not adequately separate its funds from those of the MPC, did not adequately communicate with members, lacked the required number of members on its Board of Directors, had inadequate oversight of contracts, and often did not make prompt payments for purchases.

These conditions were not sufficiently material to affect our overall opinion on the audit. The following sections of this report present our findings in more detail.

### **BID and MPC Are Not Adequately Separated**

The MPC and the BID each have separate Boards of Directors but share office space, staff, and vendors. Since the BID is managed by the MPC and has no employees of its own,<sup>5</sup> the Executive Director may purchase, receive, and approve invoices for goods and services obtained for both the MPC and the BID. The Bookkeeper prepares checks for two BID officers to sign<sup>6</sup>, mails out payments, files copies of signed checks along with the approved supporting documentation, and enters transactions in separate general ledgers for both the MPC and the BID. The Executive Director reviews all BID bank statements and the Bookkeeper prepares monthly reconciliations of bank accounts.

The BID must obtain the written approval of the DSBS Commissioner and its Board of Directors prior to incurring any indebtedness, according to §2A.04 (d) of its contract with DSBS. In addition, §7.2 of the BID's Corporation Bylaws states: "All checks or demands for money and notes of the corporation shall be signed by such officer or such person or persons as the Board of Directors may from time to time designate."

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<sup>5</sup> As stated earlier in the report, MPC provides a part-time Executive Director and Bookkeeper.

<sup>6</sup> According to the BID's Bylaws, two signatures of BID officers are required on each check.

While the goals of the BID and the MPC are often similar, there may be instances where their missions diverge, since BID activities are supposed to be for the benefit of the businesses in a specific bounded area, while the MPC serves a larger community of businesses, organizations, and residents in Norwood and surrounding areas of the Bronx. Since both the Executive Director and Bookkeeper are employees of the MPC, there is the possibility that funds may be borrowed from the MPC without the formal authorization of the BID's Board of Directors and DSBS as required by its contract with the City or that its assessments may be inappropriately used to pay for MPC purchases.

For example, the BID obtained a \$5,000 "loan" from the MPC without the written approval of its Board of Directors or DSBS, while awaiting a \$104,500 assessment payment. On January 3, 2008, the Executive Director sent a memo to the MPC requesting \$5,000 to be advanced to the BID for current expenses. He confirmed that while he advised the BID's President, he did not get written approval from the Board or from DSBS. In this case, the check from the MPC for \$5,000 was deposited in the BID's account on January 8, 2008 and then the "Loan from MPC" was repaid three weeks later, on January 28, 2008, after the BID had received its January assessment.

In another example, the MPC issued ten checks, and in effect loaned the BID a total of \$15,370, to pay vendor invoices addressed to the BID between September 5 and September 28, 2007, prior to its annual Street Fair. There was no evidence that these specific transactions had been approved by the BID Board of Directors until September 30, 2007, when the BID issued a check to reimburse the MPC. The Executive Director explained that the BID needed money quickly to pay vendors prior to the Street Fair, so bills were paid through the MPC. However, since the BID had sponsored this Street Fair in previous years, it could have anticipated the expenditures and lined up BID officers to sign checks as needed for this event.

In addition, on November 15, 2007, the BID paid a \$1,500 invoice to a vendor for holiday lights hung for the MPC. When asked about this payment, the Executive Director acknowledged that this charge was for an area outside the district and should have been reimbursed by the MPC; however, as of the fiscal year-end, the BID had not yet been reimbursed, nor was there any adjusting entry in the general ledger indicating that it was due money from the MPC. At a meeting with the auditors in November 2008, the BID stated that it was reimbursed by MPC on October 29, 2008, nearly a year after it had paid out the money.

Should it fail to obtain written approval from the DSBS Commissioner and the BID Board of Directors prior to incurring any indebtedness, as its contract requires, funds could be borrowed without the knowledge of the Board, and the BID would be liable for them. Should it not adequately separate its funds from those of the MPC, the BID may inappropriately pay for goods and services that are not for the benefit of its members.

## **Recommendations**

The BID should ensure that:

1. Written approval of the DSBS Commissioner and the BID Board of Directors is obtained prior to incurring any indebtedness.
2. Funds are adequately separated between the BID and the MPC so that BID purchases are paid for with BID funds and MPC purchases are paid for with MPC funds.

***BID Response:*** BID officials agreed with these recommendations stating that “we will ensure that written approval of the DSBS Commissioner and the BID Board of Directors is obtained prior to incurring any indebtedness and that funds are adequately separated between the BID and MPC so that BID purchases are paid for with BID funds and MPC purchases are paid with MPC funds.”

## **Inadequate Communication With Members**

The BID is only required to survey its members concerning their satisfaction with services when its contract comes up for renewal, according to §5.06 of its contract with DSBS. Since the most recent 5-year contract had been renewed in 2004, we conducted our own survey of 68 businesses (nearly one third of the businesses in the BID) in June 2008 and found that 54 (79%) were happy overall with the services provided. However, 27 (40%) told us that the BID does not let them know what’s going on in the district. In addition, only 26 (38%) had seen any of its advertising and only 18 (26%) had ever attended a meeting.

On a related matter, we found that the BID inaccurately promoted businesses in its advertising in that of the 226 businesses listed in a May 2008 newspaper advertisement, only 194 (86%) were listed correctly. Of the remaining 32 businesses, 20 (9%) had different names or were different businesses than were advertised, 6 (3%) were closed, and 6 (3%) were located outside the district.

The Executive Director interacts with merchants in the district under the auspices of both the MPC and the BID. He told us that all businesses are given a package containing an explanation of what the BID does and the services it provides when they first move into the district and are sent update letters periodically.

However, without additional communication, merchants may not support BID activities or join its Board of Directors. If their businesses are not promoted accurately, merchants may perceive that the BID is not serving them well. If the BID does not advertise an up-to-date and accurate listing of businesses, shoppers may come to the district looking for a specific business only to be disappointed when they find that the store has closed or is at a different address than advertised, and may choose to shop in another business district in the future.

## **Recommendations**

The BID should ensure that:

3. Members are fully informed of BID meetings, promotions, and advertising.
4. Business listings, especially those in its advertising, are up-to-date and accurate.

***BID Response:*** BID officials agreed with these recommendations stating that “the BID will redouble our outreach efforts in order to keep our members fully informed of BID meetings, promotions, and advertising efforts. We will also utilize a new mapping/database computer program to better keep track of business listings in order to advertise and promote the BID accurately.”

## **Board of Directors Lacks**

### **Required Members**

The BID currently has 12 members on its Board, composed of seven property owners (Class A), one tenant of commercial space (Class B), no tenants of dwelling properties (Class C) and four appointees of the Mayor, the Comptroller, the Bronx Borough President, and the Council Member representing its District (Class D). However, §4.1 of its Corporation Bylaws requires that the BID Board shall have no less than 15 members and that there be at least a minimum number of Directors from each of four classes, as follows: eight from Class A; two from Class B; one from Class C; and four from Class D. Therefore, the BID overall has three fewer members than required and is short one member from each of Classes A, B, and C.

The Executive Director told us that he has asked many members to join the BID’s Board but it has been difficult to fill Board vacancies because of the unwillingness of many members to assume the responsibility. Lacking the minimum number of Board members is a violation of the BID’s Bylaws. Without a full Board of Directors, there is less oversight of the BID’s finances and activities, as well as missed opportunities to improve communications with businesses in the district and to increase their involvement in projects.

## **Recommendation**

5. The BID should increase its recruitment efforts to encourage members to join its Board of Directors.

***BID Response:*** BID officials agreed stating that “the BID will increase its effort in recruiting and encouraging members to join our Board of Directors through additional one-on-one outreach and mailings.”

## **Inadequate Oversight of Contracts**

Of the BID's four largest contracts with vendors,<sup>7</sup> totaling \$140,830, none appeared to have been reviewed or signed by the required number of BID officers. According to §7.4 of the BID Bylaws, "All agreements concerning the corporation must be executed by two of the following duly elected officers of the corporation ... President, Vice President, Secretary and Treasurer." In fact, three of the four contracts were unsigned and the remaining contract for auditing services was signed by the BID Secretary and its Executive Director, an employee of the MPC.

In addition, with the exception of its sanitation contract, the BID did not provide evidence that it sought bids from multiple vendors for these contracts. According to §3-08 of the PPB rules, these contracts are defined as small purchases because each was for less than \$100,000. This section of the rules states that for a small purchase over \$5,000 in value "at least five vendors shall be solicited at random from the appropriate small purchases bidder list for the particular goods, services ... being purchased" and that the purchase should be made from "the lowest responsive and responsible bidder." It further states that "for small purchases more than \$25,000, a written solicitation" should be used.

While the BID received two proposals for sanitation services, it did not provide any evidence that it solicited bids from at least five vendors for this contract. The sanitation vendor awarded a \$96,995 contract by the BID appears to be doing a satisfactory job, based upon our June 2008 survey of 68 businesses in which we found that 61 (90%) thought the sidewalks were kept clean. However, this one contract accounts for nearly half of the BID's assessments and it may be possible that similar sanitation services are obtainable from other responsible vendors at a lower price.

Similarly, soliciting additional bids from auditing services and graffiti removal vendors could lead to more favorable contracts for the BID in these areas as well. While the BID appears to consider the \$29,000 management contract with the MPC to be a sole source contract, the BID did not prepare a written determination justifying the awarding of such a contract to the MPC, as required by §3-05 of the PPB rules for all purchases over \$2,500.

The BID is required by §5.04(c) of its contract with DSBS to send DSBS an audited annual report for the prior fiscal year, certified by an independent Certified Public Accountant (CPA). This CPA audits the BID and prepares financial statements for the MPC. Since there could be a conflict of interest between the BID and the MPC, especially when funds are not adequately separated between the organizations, as detailed earlier in this report, the CPA should report directly to the BID's Board of Directors, not to the BID's Executive Director, an MPC employee.

The agreement with the CPA states that "fees for these services will be based on the actual time spent at our standard hourly rates, plus travel and other out-of-pocket costs. ... Our invoices for these fees will be rendered periodically as work progresses and are payable on presentation. Based on my preliminary estimates, the fee will be \$5,085.00."

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<sup>7</sup> The BID's four largest vendor contracts include: one for sanitation (\$96,995), one for BID management by the MPC (\$29,000), one for graffiti removal (\$9,750), and one for auditing services (\$5,085).

On October 17, 2007, the CPA issued his report on the BID's financial statements for Fiscal Year 2007. On January 14, 2008, the CPA met with the Board of Directors and obtained a letter signed by the Executive Director and two officers of the Board to complete the audit.

On January 28, 2008, the BID paid \$5,085 based upon one invoice that was dated and faxed on January 4, 2008, and that only stated: "Final audit fee F/Y/E 6/30/07 \$5,085.00." However, the CPA had not provided any time sheets, expense reports, or documentation to support his billings nor did he provide any details concerning the specific work performed, hourly rate(s) charged, days worked, or even the total number of hours worked. At a meeting with the auditors in November 2008, the CPA provided a detailed listing of time billed, which was dated July 16, 2008.

The selection of the CPA and resulting agreement for services does not appear to have had sufficient oversight in that the agreement was not signed by at least two BID officers and the CPA received payment in full without first submitting supporting documentation of his fees as stated in the agreement. While the Executive Director may set up and manage an agreement for the BID, the Bylaws require that two officers from the Board of Directors sign the agreement. Having at least two BID officers review and sign each agreement helps ensure additional oversight of BID activities.

### **Recommendations**

The BID should ensure that:

6. At least two elected officers of the corporation review and sign all agreements.
7. Written solicitations are used for purchases valued at more than \$25,000 and that the lowest responsive and responsible bidder is selected for purchases over \$5,000.
8. For sole source procurements of more than \$2,500, a written determination justifying the awarding of the contract is prepared and filed with the executed contract.
9. The CPA auditing the BID should report directly to the BID's Board of Directors.
10. Contract provisions, such as the one relating to the basis for calculating the CPA's fee, are fulfilled prior to paying for services.

***BID Response:*** BID officials agreed with these recommendations stating that "the BID will ensure that at least two elected officers of the corporation review and sign all agreements. Obtain written solicitations for purchases valued at more than \$25,000 and that the lowest responsive and responsible bidder is selected for purchases over \$5,000. For the sole source procurements of more than \$2,500, we will provide and file a written determination justifying the awarding of such contract. Also, the BID will solicit new proposals from CPA's to provide accounting services for the coming fiscal year. The CPA will report directly to the BID's Board of Directors and the board will review CPA's timesheets prior to paying for services."

## **Purchases Not Paid Promptly**

All checks are prepared by the Bookkeeper after invoices and supporting documentation are approved by the Executive Director. This approved documentation and the checks are sent to two BID officers for their signatures usually once a month. Section 7.01 of its contract states that this contract is subject to PPB rules, and §4-06 of the PPB Rules<sup>8</sup> requires that payments to vendors be made within 30 days of the receipt of an invoice from the vendor.

The BID often did not make timely payments to vendors. Of the 27 invoices totaling \$35,012 that we reviewed, we found that it did not pay vendors within 30 days for 12 (44%) of those invoices totaling \$6,326 (18%). Payments were mailed between two and 139 days late, but none of the vendors charged late fees to the BID. Included in the late payments were two instances of duplicate payments for monthly fees, each \$812.50, to the same vendor, paid months apart, for the same invoices.

By not paying its vendors within 30 days of receipt of an invoice, the BID is not in compliance with its contract with DSBS. In addition, since it does not always pay its monthly fees on time, it is more likely that an invoice may be erroneously paid twice.

### **Recommendations**

The BID should ensure that:

11. Payments to vendors are made within 30 days of receipt of the vendor's invoice.
12. Duplicate payments are identified and funds are credited back to its accounts, such as in the instances of the two duplicate payments totaling \$1,625.

***BID Response:*** BID officials agreed with these recommendations stating that “the BID will ensure to make payments to all vendors within 30 days of receipt of the vendor's invoice. We will also put additional check points in place to ensure that duplicate payments are not made to vendors and if identified, be credited back to the BID's account.”

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<sup>8</sup> Section 4-06 states: “The period available to an agency to make a timely payment of an invoice without incurring an interest penalty . . . 30 days.”





Managed By:  
**Mosholu-Jerome-East  
Gun Hill  
District Management  
Association, Inc.**

January 7, 2009

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Councilman, 11th  
District

**Executive Director**  
Roberto S. Garcia

This letter serves as a response to the recent Audit Report (MG08-105A) conducted by the Office of New York City Comptroller on the financial and operating practices of the Mosholu-Jerome-East Gun Hill Road Business Improvement District (BID) in the Bronx.

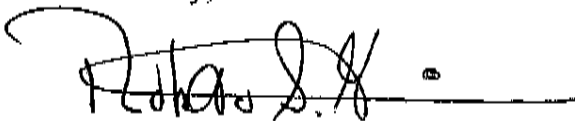
After reviewing the final version of the audit report, the BID's Executive Director and members of its Board of Director's would first like to thank the staff of the NYC Comptroller's Office for their observations and suggestions as detailed in the audit. The BID will utilize the findings and recommendations stated in the audit and implement the following steps in order to assure that we are in compliance with all contract term requirements and continue to properly provide the services as detailed in our district plan. Listed below is our response to the audits findings and recommendations (1-12).

- (1-2) BID and MPC are not adequately separated: We will ensure that written approval of the DSBS Commissioner and the BID Board of Directors is obtained prior to incurring any indebtedness and that funds are adequately separated between the BID and MPC so that BID purchases are paid for with BID funds and MPC purchases are paid with MPC funds.
- (3-4) Inadequate communication with members: The BID will redouble our outreach efforts in order to keep our members fully informed of BID meetings, promotions and advertising efforts. We will also utilize a new mapping/database computer program to better keep track of business listings in order to advertize and promote the BID accurately.

- (5) Board of Directors lacks required members: The BID will increase its effort in recruiting and encouraging members to join our Board of Directors through additional one-on-one outreach and mailings.
- (6-10) Inadequate oversight of contracts: The BID will ensure that at least two elected officers of the corporation review and sign all agreements. Obtain written solicitations for purchases valued at more than \$25,000 and that the lowest responsive and responsible bidder is selected for purchases over \$5,000. For those sole source procurements of more than \$2,500, we will provide and file a written determination justifying the awarding of such contract. Also, the BID will solicit new proposals from CPA's to provide accounting services for the coming fiscal year. The CPA will report directly to the BID's Board of Directors and the board will review CPA's timesheets prior to paying for services.
- (11-12) Purchases not paid promptly: The BID will ensure to make payments to all vendors within 30 days of receipt of the vendor's invoice. We will also put additional check points in place to ensure that duplicate payments are not made to vendors and if identified, be credited back to the BID's account.

On behalf of the Board of Director's, staff and members of the Mosholu-Jerome-East Gun Hill Road BID, we would like to once again like to thank the staff of the Office of New York City Comptroller William C. Thompson, Jr., for the work conducted during this audit and for the recommendations provided which will be implemented on order for us to continue to provide quality programming and services for our members.

Sincerely,

A handwritten signature in black ink, appearing to read 'Roberto S. Garcia', is written over a horizontal line. The signature is stylized and cursive.

Roberto S. Garcia  
Executive Director  
Mosholu-Jerome-East Gun Hill BID