



CITY OF NEW YORK  
**OFFICE OF THE COMPTROLLER**  
BRAD LANDER

MAURA HAYES-CHAFFE  
DEPUTY COMPTROLLER FOR  
AUDIT

BUREAU OF AUDIT

June 15, 2022

**By Electronic Delivery**

Commissioner Ydanis Rodriguez  
NYC Department of Transportation  
55 Water Street, 9<sup>th</sup> Floor  
New York, NY 10041

**Re: Final Audit Letter Report on the Compliance of JCDecaux North America Inc. with Its Coordinated Street Furniture Franchise Agreement with the New York City Department of Transportation (FP21-088AL)**

Dear Commissioner Rodriguez:

This Final Audit Letter Report concerns the New York City (City) Comptroller's audit of the compliance of JCDecaux North America Inc. (JCDecaux) with its Coordinated Street Furniture Franchise Agreement with the New York City Department of Transportation (DOT).<sup>1</sup> The objective of the audit was to determine whether JCDecaux accurately reported its advertising revenue to the City and remitted timely payments, both monetary and in non-monetary "alternative compensation," due to the City as stipulated in the agreement.

**Background**

On May 19, 2006, DOT entered into a \$1.397 billion 20-year franchise agreement with Cemusa, Inc. to design, construct, install, and maintain coordinated street furniture throughout the City for at least 3,300 bus stop shelters and 330 newsstands. DOT is responsible for overseeing the franchise agreement.

On March 17, 2014, JCDecaux Europe Holding and JCDecaux SA purchased Cemusa, Inc., and all shares in Cemusa Inc. were transferred to JCDecaux North America, Inc. On September 30, 2015, the New York City Franchise and Concession Review Committee held a meeting during which they voted on and approved the change in control. The Committee also approved various amendments, clarifications, and provisions to update the 2006 Agreement, and on October 1, 2015, an amended agreement was executed (Amended Agreement).

Under the Amended Agreement, the total revenue to be paid to DOT (the "franchise fee") increased to approximately \$1.415 billion over the remaining 11-year term of the agreement. This

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<sup>1</sup> As per Section 1.18 of the agreement, "Coordinated Franchise Structure(s) means Bus Shelters ... and Newsstands and any associated equipment, wiring, and/or cables that are attached to such Coordinated Franchise Structures ... and the advertising panels, installed on, over and under the Inalienable Property of the City."

consists of a minimum cash component of nearly \$999 million, and a non-cash component (alternative compensation) valued at approximately \$416 million in the form of advertising to promote the City in JCDecaux's markets, nationally and abroad. The Amended Agreement increased the alternative compensation by \$17.56 million.

In addition to the franchise fee, for each year of the agreement, JCDecaux agreed to provide — at no cost to the City or its marketing partner and agent, New York City and Company (NYC & Co.) — up to 22.5% of the inventory of all advertising panels citywide to NYC & Co. for advertising purposes and public-service advertising.<sup>2</sup>

The scope of this audit consisted of Contract Years 13 and 14 which ran from July 1, 2018 to June 30, 2020.<sup>3</sup> In Contract Year 13, JCDecaux paid DOT the minimum cash component of \$55,682,000 and \$20,971,392 in alternative compensation. In Contract Year 14, it paid \$57,295,000 in cash and \$20,048,939 in alternative compensation. The alternative compensation component in both years was at least 85% of the agreed-upon value — \$22,396,008 and \$22,996,008 — respectively.<sup>4</sup>

### **Audit Findings**

The auditors determined that JCDecaux paid the correct cash component of the franchise fee, in both years. JCDecaux also accurately recorded and reported advertising revenue, with the exception of coin revenue that it deducted from the revenue it reported to the City. The auditors determined that JCDecaux provided up to 22.5% of its inventory of advertising panels to NYC & Co. as required by the agreement. However, only limited assurance could be obtained by the auditors about the extent and value of the alternative compensation provided.

The two findings related to coin revenue and alternative compensation are detailed below.

### **Coin Revenue Deducted from Reported Revenue**

Coin revenue is revenue from fees charged to use public toilet facilities. Coin revenues deducted during Contract Years 13 and 14 totaled \$6,699 and \$3,763, respectively. These amounts should have been reported. The agreement pertains to “bus stop shelters, automatic public toilets, newsstands and other public service structures,” and defines Gross Revenues, per Section 9.1(c), as “all revenues (from whatever source derived, and without any deduction whatsoever for commissions, fees, brokerage, labor charges or other expenses or costs) . . . as a result of the installation of the Coordinated Franchise Structures and, including without limitation, the display of advertising thereon.”

JCDecaux officials stated that this revenue is immaterial. While the coin revenue is small, JCDecaux should comply with the reporting requirements, particularly as they relate to public funds. Coin revenue should be included in the revenue JCDecaux reports to the City.

### **Limited Assurance on Extent and Value of Alternative Compensation Provided**

Alternative compensation is handled through NYC & Co. Before the start of each contract year, NYC & Co. and JCDecaux work together to develop a plan (Media Plan) for alternative

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<sup>2</sup> NYC & Co. is the City's official marketing, tourism, and partnership organization, which functions to maximize tourism and promote the City around the world.

<sup>3</sup> In order to conduct observations of panels the audit team requested the list of advertising panels for June 2021.

<sup>4</sup> The agreement requires JCDecaux to provide alternative compensation valued equal to at least 85% of the stated amount in the agreement.

compensation. The Media Plan consists of a list of all advertisements outside of the City provided to DOT by JCDecaux. The value of the advertisements provided shall equal the required alternative compensation amount listed in the agreement. The agreement further states, “Alternative Compensation shall be valued at the prevailing market rates actually charged to commercial customers buying comparable amounts of the Company’s advertising space in the applicable JCDecaux In-Kind Market.” The value of alternative compensation is determined solely by JCDecaux; DOT does not have any procedures in place to independently confirm or evaluate the value of advertisements outside of New York City. DOT only ensures that JCDecaux follows the Media Plan throughout the year and reviews the advertising book provided by JCDecaux at the end of each contract year.<sup>5</sup> DOT and NYC & Co. have relied solely on the value provided by JCDecaux to determine the value of alternative compensation.

The agreement provides that NYC & Co.<sup>6</sup> “shall notify the Company if [it] believes that the value of the Media Plan for the following year of the Term is less than the amount set forth on Schedule C for such year. In such event, [NYC & Co.] may retain an international media agency reasonably acceptable to the Company ... with expertise in media buying and planning in each of the JCDecaux In-Kind Markets to determine the value of the Media Plan.” Officials from DOT and NYC & Co. stated that they have never questioned or attempted to independently verify the value provided. Retaining an international media agency to determine the value of the Media Plan would provide the City with further assurance that it is receiving the agreed-upon value of alternative compensation.

## Recommendations

1. JCDecaux should include and report all gross revenues including coin revenue generated from public toilets facilities, as required by the agreement.

*JCDecaux Response:* JCDecaux agreed with this recommendation.

2. DOT and NYC & Co. should, during the life of the contract, consider hiring an independent media agency to review the value of alternative compensation.

*DOT Response:* DOT agreed with this recommendation.

## Audit Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. 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 City Charter.

The scope of this audit was July 1, 2018 through June 30, 2020.

To obtain an understanding of JCDecaux’s responsibilities and obligations regarding the accounting and reporting of gross revenues and the payment of franchise fees to the City, the auditors read and abstracted relevant provisions of the franchise agreement, which formed the basis of the

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<sup>5</sup> The advertising book contains pictures of alternative compensation advertisements.

<sup>6</sup> The original agreement refers to the “New York City Marketing Development Corporation, or successor thereto, acting as agent for the City.” NYC & Co. is the successor of NYCMDC.

audit criteria. The auditors also reviewed prior audit and compliance reports issued by the Comptroller's Office and DOT.

To understand and evaluate JCDecaux's operations, practices, and controls regarding the recognition, accounting, and reporting of gross revenue, the auditors interviewed key JCDecaux officials, conducted walkthroughs of its sales and accounting functions, and requested books and records on its revenue and reporting of the franchise agreement.

To understand DOT's responsibilities and oversight role related to the franchise agreement with JCDecaux, the auditors met with officials from DOT and NYC & Co.

To determine if JCDecaux had provided the required advertising spaces to the City as per the franchise agreement, the auditors conducted an observation of 170 advertising panels out of 1,515 panels throughout the 5 boroughs based on the list of advertising campaigns for the month of June 2021.

To determine whether JCDecaux had accurately reported their advertising revenue in Contract Year 13 and Contract Year 14, the auditors traced and reconciled JCDecaux revenue journal entries to general ledger and then to the recorded revenue in its books. The auditors then identified and questioned any deductions taken by JCDecaux to the revenue received and matched the revenue to the amount reported to the City. The auditors also conducted analytical procedures on the advertising revenues on Contract Years 13 and 14 to identify any outliers.

To verify the accuracy and validity of the revenue ledger, the auditors randomly selected a sample of 50 transactions out of 21,405 during the scope period and verified the supporting documentations including contracts, invoices and supporting documentation for deferred revenue transactions.

To verify accuracy and completeness of the revenue ledger, the auditors obtained the list of sales contracts for Calendar Years 2018 – 2020, randomly selected 50 unique booking numbers out of 4,399, totaling \$1,371,673, and verified the supporting documentation including contracts and invoices. To further verify completeness of the revenue reported to the City, the auditors selected a sample of 50 bank statement transactions out of 314 which only comprise single clients for the scope period Contract Years 13 and 14. The auditors then traced the amounts to the journal ledger to ensure that the amounts were reported to the City.

To verify whether the barter transactions were reported to the City, the auditors reviewed the list of barter transactions during the scope period. The auditors then traced the barter transactions to the journal ledger to ensure that the amounts were reported to the City. The auditors also traced from journal ledger to the list of barter transactions to ensure that all the barter transactions were accounted for in the list.

To verify whether JCDecaux tracked the bonus panels<sup>7</sup> provided to clients, the auditors requested and reviewed the list of bonus panels provided by JCDecaux to vendors.

To determine if JCDecaux provided alternative compensation to the City in the form of advertising panels outside the City, the auditors obtained and reviewed the Media Plan for Contract Year 13 and Contract Year 14, then selected a judgmental sample of the top five countries from each

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<sup>7</sup> JCDecaux provides free bonus panels to its clients as an incentive.

Commissioner Rodriguez

June 15, 2022

Page 5 of 5

scope period which had the highest value in terms of advertising space provided for promoting the City and obtained site lists and photographic evidence of advertisements for those countries. The auditors reviewed and compared the Media Plan to the site lists to determine whether the advertisements were posted as decided between JCDecaux and NYC & Co.

To determine if JCDecaux remitted monetary compensation due to the City in a timely manner, the auditors reviewed the Department of Transportation's disbursement request letter and deposit dates via the City's Financial Management System.

Finally, the auditors reviewed the JCDecaux certificates of insurance for Calendar Years 2018, 2019, and 2020 to ensure that it maintained the required coverage as per the franchise agreement.

While the results of the tests are not projectable, they do provide sufficient and appropriate evidence to support the findings and conclusions as to whether JCDecaux accurately reported its advertising revenue to the City and remitted timely payments, both monetary and in non-monetary "alternative compensation," due to the City as stipulated in the agreement.

The matters covered in this final audit letter report were discussed with JCDecaux and DOT officials during and at the conclusion of this audit. A preliminary audit letter report was sent to JCDecaux and DOT on May 11, 2022, and discussed with JCDecaux and DOT officials at an exit conference held on May 25, 2022. On May 26, 2022, we submitted a draft audit letter report to JCDecaux and DOT with a request for written comments. We received a written response from JCDecaux on June 1, 2022, and a written response from DOT on June 13, 2022.

The full text of JCDecaux's and DOT's responses are included as addenda to this report.

Sincerely,



Maura Hayes-Chaffe

Cc: Alan Sullivan, Co-Chief Executive Officer – JCDecaux Street Furniture, LLC  
Gabrielle Brussel, Chief Development Officer – Cities, JCDecaux North America, Inc.  
Michelle Craven, Assistant Commissioner, Cityscape and Franchises, DOT  
Rogene Livermon, Director, Audit Bureau, DOT  
Daniel Steinberg, Director, NYC Mayor's Office of Operations  
Doug Giuliano, Associate Director, NYC Mayor's Office of Operations

**JCDecaux**

**By email and overnight delivery**

June 1, 2022

Commissioner Ydanis Rodriguez  
NYC Department of Transportation  
55 Water Street, 9<sup>th</sup> Floor  
New York, NY 10041

**Re: Draft Audit Letter Report on the Compliance of JCDecaux North America Inc. with Its Coordinated Street Furniture Franchise Agreement with the New York City Department of Transportation (FP21-088AL)**

Dear Commissioner Rodriguez,

I am writing to confirm that JCDecaux New York Street Furniture, LLC (f/k/a Cemusa NY, LLC, "JCDecaux") is in receipt of the draft letter report, dated May 26, 2022 ("Letter Report") of Deputy Comptroller Hayes-Chaffee, which included findings regarding the audit conducted by the Office of the Comptroller in connection with Contract Years 13 and 14 of the coordinated street furniture program, pursuant to the Amended and Restated Franchise Agreement, dated October 1, 2015 ("Franchise Agreement"), between the City of New York and JCDecaux.

I also confirm that JCDecaux has already implemented the recommendation that coin revenue derived from Automatic Public Toilets be included in our gross revenue reports. We note that the amounts involved had no impact on payments to the City which, as stated in the Letter Report, were correct.

As for valuations of in-kind advertising, we will, of course, cooperate with any valuation process undertaken in accordance with the provisions of the Franchise Agreement, should your agency determine that such process should be undertaken.

Very truly yours,

  
Gabrielle Brussel  
Chief Development Officer – Cities

Copy by email:           The Attached Distribution List

***Distribution List***

Office of the Comptroller

Maura Hayes-Chaffe – Deputy Comptroller for Audit

Faige Hornung – Assistant Comptroller

Yasmin Fernandez – Audit Manager

Department of Transportation

Michelle Craven, Assistant Commissioner – Cityscape and Franchises

Rogene Livermon, Director – Audit Bureau

Dom Carpentieri – Finance Director

NYC Mayor’s Office of Operations

Daniel Steinberg, Director

Doug Giuliano, Associate Director

JCDecaux Street Furniture New York, LLC

Alan Sullivan, Co-Chief Executive Officer

Martha Bailey, General Counsel

Clément Tesniere



June 13, 2022

Brad Lander  
Office of the Comptroller  
1 Centre Street  
New York, NY 10007

Re: Draft Audit Letter Report (FP21-088AL) on the “Compliance of JCDecaux North America Inc. with Its Coordinated Street Furniture Franchise Agreement with the New York City Department of Transportation.

Dear Mr. Lander,

The New York City Department of Transportation is in receipt of the New York City Comptroller’s draft Audit Letter Report (FP21-088AL), dated May 26, 2022: “Compliance of JCDecaux North America Inc. with Its Coordinated Street Furniture Franchise Agreement with the New York City Department of Transportation”.

Please accept the following as the Agency’s written response to the draft Audit Letter Report:

On behalf of Ydanis Rodriguez, Commissioner of the New York City Department of Transportation (“NYC DOT”), NYC DOT is very pleased that the Comptroller’s Office found that JCDecaux paid the correct cash component of the franchise fee and with the exception of the coin revenue, accurately recorded and reported advertising revenue.

This letter is in response to the recommendation reflected in the referenced Draft Audit Letter Report. The Draft Audit Letter Report contained two recommendations. Recommendation 1 was issued to JCDecaux and recommendation 2 was issued to NYC DOT and New York City & Company. NYC DOT’s response to recommendation 2 is presented below. We agree with the results of the Draft Audit Letter Report’s findings, conclusions and recommendation as they relate to DOT.

**Recommendation 2**

DOT and NYC & Co. should, during the life of the contract, consider hiring an independent media agency to review the value of alternative compensation.

**Response:**

Agree - Thank you for your recommendation regarding the hiring of an independent media agency to review the value of alternative compensation. We agree to take this recommendation into consideration in the near future. This recommendation will assure DOT and NYC & Co. that we are getting our accurate in-kind value.





Department of Transportation

Ydanis Rodriguez, Commissioner

Sincerely,

A handwritten signature in blue ink, appearing to read "Michelle Craven".

Michelle Craven  
Assistant Commissioner for Cityscape & Franchises

Cc: **NYC DOT**  
Commissioner Rodriguez  
M. Forgione  
S. Pondish  
M. McDonnell  
R. Livermon  
J. Economos

**Mayor's Office of Operations**  
D. Giuliano