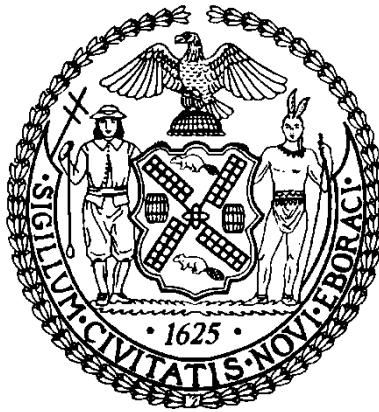


# **CITY OF NEW YORK OFFICE OF THE COMPTROLLER**

**John C. Liu  
COMPTROLLER**

## **FINANCIAL AUDIT**

**H. Tina Kim  
Deputy Comptroller for Audit**



## **Audit Report on the Department of Parks and Recreation's Monitoring of and New York One's Compliance with Its Contracts Covering City Carousels**

*FK10-108A*

**April 14, 2011**

<http://comptroller.nyc.gov>



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

John C. Liu  
COMPTROLLER

April 14, 2011

**To the Residents of the City of New York:**

My office has audited the Department of Parks and Recreation's (Parks) monitoring of and New York One's compliance with its agreements to operate City carousels. We audit oversight agencies and entities such as New York One as a means of ensuring that they comply with the terms of their agreements.

New York One was authorized to manage and operate pushcarts or a snack bar and carousels in Central Park, Flushing Meadow Corona Park, and Forest Park, under separate multiple-year license agreements with Parks. Under the terms of these agreements, New York One was required to: pay the higher of a percentage of gross receipts or a minimum fee; maintain and retain specified sales records in a form suitable for audit; and make them available to the Office of the Comptroller and Parks on demand. The agreements also stipulated that New York One comply with or fulfill other agreement provisions.

The audit found that New York One lacked sales records and sound and effective internal controls over the collecting, recording, and reporting of revenues generated at the Central Park, Flushing Meadows Corona Park, and Forest Park Carousels. These deficiencies were so severe that we could not determine total gross receipts or the corresponding total payments due the City. However, based on the limited records available, we found that, at minimum, New York One understated Central Park Carousel special events gross receipts by \$58,424 or approximately 141 percent. Consequently, we have serious concerns about the accuracy of New York One's reported gross receipts for its carousels' operations and thus, New York One's payments to Parks.

New York One also failed to: perform capital improvements, repairs, and maintenance with an estimated value of \$564,325; submit required security deposits totaling \$100,000; maintain pushcarts, snack bars, and surrounding areas in a sanitary and safe manner; and comply with other agreement provisions. New York One largely did not comply with or fulfill its contractual obligations, and Parks failed to adequately monitor several critical areas of New York One's performance and failed to use all tools available to enforce in a timely manner agreement terms and conditions, as required by the New York City Charter, Chapter 14, §365.

Additionally, Parks largely failed to charge and collect fees from New York One for Central Park Carousel operations from January through September 2008. Parks failed to contract timely with New York One, allowed it to operate under an expired contract, and did not consistently charge it fees during this period. Consequently, we estimate that Parks did not collect minimum concession revenues of between \$124,375 and \$151,375. Parks also failed to incorporate minimum capital expenditures tendered in New York One's proposals to operate the Flushing Meadows Corona Park and Forest Park Carousels in executed agreements in accordance with the Rules of the City of New York Title 12 § 1-13.

The results of the audit have been discussed with New York One and Parks officials, and their comments have been considered in preparing this report. Their complete written responses are attached to this report.

If you should have any questions concerning this report, please email my audit bureau at [audit@comptroller.nyc.gov](mailto:audit@comptroller.nyc.gov).

Sincerely,

John C. Liu

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

**Audit Report on the Department of Parks and Recreation's  
Monitoring of and New York One's Compliance with Its  
Contracts Covering City Carousels**

**FK10-108A**

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**AUDIT REPORT IN BRIEF**

New York One, LLC was authorized to manage and operate pushcarts or a snack bar and carousels in Central Park, Flushing Meadows Corona Park, and Forest Park under separate multiple-year agreements with the Department of Parks and Recreation (Parks). Under the terms of these agreements, New York One was required to: pay the higher of a percentage of gross receipts or a minimum fee; submit monthly certified, properly segregated statements of gross receipts to Parks; maintain specified sales records in a form suitable for audit; and retain these records for at least six years and make them available to the Office of the Comptroller and Parks on demand.

Additionally, the agreements stipulated that New York One perform specified capital improvements, sell only authorized items at Parks-approved prices, and maintain pushcarts or snack bars, restrooms, and surrounding areas. New York One was also required to obey all relevant laws and regulations, obtain all necessary permits and licenses, maintain certain types and amounts of insurance coverage, submit and maintain security deposits with the City, and pay utility charges.

**Audit Findings and Conclusions**

New York One lacked sales records and sound and effective internal controls over the collecting, recording, and reporting of revenues generated for its carousel operations. New York One did not provide us *any* admission, food, souvenir, and special events sales records for the Flushing Meadows Corona Park Carousel and provided us only limited records for the Forest Park Carousel. As a result, we could not determine whether New York One accurately and completely reported gross receipts and properly calculated fees due the City for the Flushing Meadows Corona Park and Forest Park Carousels.

Additionally, New York One sales reports for Central Park Carousel admissions, food, and souvenirs were not supported by detailed sales transaction and inventory records. Therefore, we could not determine the total gross receipts or the corresponding total payments due the City

for these activities. New York One provided us special events sales records. However, we could not determine whether these records accurately and completely reflected special events sales. Nevertheless, we calculated minimum special events gross receipts based on agreements, credit card slips and merchant statements, and related records. For the period October 2008 to December 2009, we determined that, *at minimum*, New York One understated special events gross receipts by \$58,424 or approximately 141 percent. Consequently, we have serious concerns about the accuracy of New York One's reported gross receipts for its carousels' operations and thus, New York One's payments to Parks.

The audit also revealed that New York One failed to comply with other agreement provisions. For example, New York One did not perform capital improvements, repairs, and maintenance with an estimated value of \$564,325; submit required security deposits totaling \$100,000; and maintain pushcarts, snack bars, and surrounding areas in a sanitary and safe manner. New York One largely did not comply with or fulfill its contractual obligations, and Parks failed to adequately monitor several critical areas of New York One's performance and failed to use all tools available to enforce in a timely manner the terms and conditions of its agreement, as required by the New York City Charter, Chapter 14, §365.

Additionally, Parks largely failed to charge and collect fees from New York One for revenues generated from Central Park Carousel admissions, food, souvenir, and special events sales from January through September 2008. The initial Parks contract with New York One for the Central Park Carousel expired on December 31, 2007. However, Parks did not enter into a new contract with New York One until August 20, 2008, and did not consistently charge it fees until October 1, 2008. Consequently, we estimate that Parks did not collect minimum concession revenues of between \$124,375 and \$151,375.

Parks also failed to incorporate minimum capital expenditures tendered in New York One's proposals to operate the Flushing Meadows Corona Park and Forest Park Carousels in executed agreements in accordance with the Rules of the City of New York Title 12 § 1-13.

### **Audit Recommendations**

To address these issues, we make 22 recommendations to New York One. As New York One's agreements for the Central Park and Forest Park Carousels have either expired or were terminated, we generally address our recommendations solely to the Flushing Meadows Corona Park Carousel, still under an existing agreement. These recommendations include that New York One should:

- Record separately admission, food, and souvenir sales activities on cash registers or other income-recording devices.
- Issue and maintain copies of pre-numbered, sequential special events agreements and gift certificates.
- Retain all records for at least six years and make them available to the Office of the Comptroller and Parks on demand.

- Accurately and completely report gross receipts generated from all operations in accordance with its agreement.
- Perform all stipulated capital improvements and expend at least \$110,000 as proposed.
- Immediately remit and maintain its security deposit of \$20,000.
- Properly maintain pushcarts and surrounding areas.

With regard to the Central Park and Forest Park Carousels, we recommend only that New York one should immediately remit capital investments of \$454,325 to the City as additional fees.

Additionally, we make 17 recommendations to Parks. With regard to its concession properties, Parks should:

- Charge and collect fees from all entities operating concessions.
- Contract with all entities operating concessions and do so in a timely manner.
- Ensure that agreements are consistent with winning proposals and incorporate all material proposal terms.

With regard to New York One's overall performance for the Central Park, Flushing Meadows Corona Park, and Forest Park Carousels, Parks should:

- Consider issues identified by Parks and the Comptroller if and when New York One submits proposals to operate concessions on City-owned properties.
- Issue Notices to Cure, assess liquidated damages when permissible, and follow up on noncompliance.
- Complete Performance Evaluations and issue Advices of Caution in VENDEX.

With regard to the Central Park and Forest Park Carousels, Parks should:

- Seek legal remedies for New York One's default on its capital investment commitments totaling \$454,325.

With regard to the Flushing Meadows Corona Park Carousel, we made recommendations to Parks, including that it should:

- Ensure that New York One maintains sales records at the Flushing Meadows Corona Park Carousel in a form suitable for audit and retain sales records for at least six years.

- Ensure that New York One completes and submits the necessary documentation of capital improvements performed at the Flushing Meadows Corona Park Carousel.
- Immediately require New York One to submit a security deposit of \$20,000, as stipulated in its agreement.
- Refer health and sanitation issues to the Department of Health and Mental Hygiene.

### **Responses**

New York One generally refuted the audit findings and maintained that it provided sales records, performed required capital improvements, and complied with and fulfilled other contractual obligations. Nevertheless, New York One generally agreed to implement the audit recommendations with the exception of remitting the value of required capital improvements to the City as additional fees.

With the exception of findings and recommendations related to capital improvements, Parks generally agreed with the audits findings and recommendations, and directed New York One to implement recommendations addressed to it.

## INTRODUCTION

### **Background**

New York One, LLC was authorized to manage and operate pushcarts or a snack bar and carousels in Central Park<sup>1</sup>, Flushing Meadows Corona Park<sup>2</sup>, and Forest Park<sup>3</sup>, under separate multiple-year agreements with Parks<sup>4</sup>. Under the terms of these agreements, New York One agreed to pay the higher of stated percentages of gross receipts or stated, escalating, minimum fees. To substantiate reported gross receipts, New York One was required to submit monthly certified, properly segregated statements of gross receipts to Parks and maintain specified sales records in a form suitable for audit. New York One was also required to retain these records for at least six years and make them available to the Office of the Comptroller and Parks on demand. For each of the carousels, New York One reported gross receipts and paid fees for its last full operating years as follows,

**Table I**

Reported Gross Receipts and Fees Paid

<b>Carousel</b>	<b>Contract End Date</b>	<b>Operating Year Ended</b>	<b>Reported Gross Receipts</b>	<b>Specified Percentage</b>	<b>(A) Percentage of Gross Receipts</b>	<b>(B) Minimum Fees</b>	<b>Fees Paid (Higher of A or B)</b>
Central Park	Feb. 22, 2010	Sept. 30, 2009	\$886,496	20%	\$177,299	\$248,500	\$248,500
Flushing Meadows Corona Park	March 30, 2012	March 30, 2010	\$328,373	10%	\$32,837	\$80,000	\$80,000
Forest Park	May 26, 2009	May 26, 2009	\$60,212	10%	\$6,021	\$20,000	\$20,000

<sup>1</sup> New York One was authorized to manage and operate four pushcarts and the carousel in Central Park under two separate agreements with terms of January 1, 2001—December 31, 2007, and October 1, 2008—September 30, 2018. Effective February 22, 2010, Parks terminated its agreement with New York One for the Central Park Carousel.

<sup>2</sup> New York One was authorized to manage and operate five pushcarts and the carousel in Flushing Meadows Corona Park from April 1, 2004—March 30, 2012.

<sup>3</sup> New York One was authorized to manage and operate a snack bar and the carousel in Forest Park from May 27, 2004—May 26, 2009.

<sup>4</sup> According to the Annual Concession Report of the City Chief Procurement Officer September 2010, New York One and its related entities operated 25 concessions for which the City received gross revenues of approximately \$5 million in fiscal year 2010. This audit pertains only to New York One's financial and operating practices for the Central Park, Flushing Meadows Corona Park, and Forest Park Carousels.

In addition, the agreements required New York One to perform specified capital improvements, sell only authorized items at Parks-approved prices, and maintain pushcarts or snack bars, restrooms, and surrounding areas. It was also required to obey all relevant laws and regulations, obtain all necessary permits and licenses, maintain certain types and amounts of insurance coverage, submit and maintain security deposits with the City, and pay utility charges.

## **Objectives**

The objectives of this audit were to determine whether:

- New York One accurately and completely reported gross receipts, properly calculated fees due the City, and paid fees on time;
- New York One complied with other major non-revenue-related requirements of its agreements; and
- Parks adequately monitored New York One's performance and enforced the terms and conditions of its agreements with New York One as required by the New York City Charter, Chapter 14, §365.

## **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 except for our inability to obtain sufficient, appropriate evidence to determine whether New York One accurately and completely reported gross receipts and properly calculated fees due the City for the Flushing Meadows Corona Park and Forest Park Carousels. This issue is more fully disclosed in the subsequent paragraph. 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.

To conduct our audit of the New York One's compliance with its City contract, we requested specific cash receipts data and detailed documentation to verify the accuracy of the gross receipts reported to the City for the audit scope period January 1, 2008, to December 31, 2009. However, New York One did not have adequate sales records and internal controls over the collection, recording, and reporting of cash receipts for the Flushing Meadows Corona Park and Forest Park Carousels. For example, New York One did not provide us any admission, food, souvenir, or special events sales records for the Flushing Meadows Corona Park Carousel. With regard to the Forest Park Carousel, New York One provided us only Daily Recap Sheets for April–September 2008, on which it manually recorded starting and ending carousel admission ticket numbers sold and daily admission, food, and souvenir sales totals. However,

these sales figures were not supported by detailed sales transaction and inventory records because New York One did not:

- Record admission, food, and souvenir sales activities on cash registers or other income-recording devices. Instead, New York One placed cash received in a till.
- Retain carousel admission tickets, maintain an inventory of carousel tickets purchased and issued, or use turnstile counter devices to support reported carousel admission sales.
- Reconcile reported food and souvenir sales with its inventory records.

As a result, we were not able to determine whether New York One accurately and completely reported gross receipts and properly calculated fees due the City for the Flushing Meadows Corona Park and Forest Park Carousels.

The scope of this audit covered the period January 1, 2008, through December 31, 2009. (We conducted tests outside this period to expand on the effects of certain audit findings.) To obtain an understanding of the policies, procedures, and regulations governing the operation of the Central Park, Flushing Meadows Corona Park, and Forest Park Carousels, we reviewed the agreements between New York One and Parks and *New York City Comptroller's Internal Control and Accountability Directives*, Directive #9, "General Procedures for the Administration of Cash and Securities Held as Collateral for Performance on Contracts, Franchises, Revocable Consents and Concessions and Other Agreements." We also interviewed New York One officials to obtain an understanding of and to evaluate procedures for recording and reporting gross receipts for the Central Park, Flushing Meadows Corona Park, and Forest Park Carousels.

To determine whether New York One accurately and completely reported gross receipts, properly calculated fees due the City, and paid fees on time, we performed the following tests of the various Central Park, Flushing Meadows Corona Park, and Forest Park Carousel operations.

### **Admission, Food, and Souvenir Sales**

We purchased Central Park Carousel admission tickets and food to evaluate the controls over the receiving and recording of cash and determine whether these sales were accurately and completely recorded and reported to Parks. However, New York One did not record sales activities on cash registers or other income-recording devices. Instead, we observed that cash received for admission, food, and souvenirs sales was placed in cash drawers. New York One officials confirmed that they did not record Central Park Carousel sales activities on cash registers or other income-recording devices. New York One informed us that this was also the practice at the Flushing Meadows Corona Park and Forest Park Carousels.

As an alternative audit procedure, we requested New York One invoices and inventory records to determine the quantities of food and souvenir items sold at each carousel and calculate revenue earned from the sale of these items. However, New York One did not maintain separate purchasing and inventory records for its carousel operations. Instead, New York One commingled purchasing and inventory records for its carousels and pushcart operations.

### **Special Events Revenue**

To determine whether New York One accurately and completely reported Central Park Carousel special events gross receipts, we calculated gross receipts based on special event agreements, credit card slips and merchant statements, and related records including reservation forms, confirmation letters, and invoices. We then compared this amount to special events gross receipts reported to Parks.

To ascertain whether the fees for the three carousels were paid on time, we reviewed New York One's reported gross receipts and determined whether percentage fees or stated minimum fees were applicable. Because New York One had not paid Parks percentage fees in any prior operating years, stated minimum fees were applicable and fees were due on or before the first of the month. We reviewed the Parks Revenue Division concessionaire ledgers and determined whether New York One paid Parks stated minimum fees on or before the first of each month as required. If New York One did not do so, we determined whether Parks assessed and collected late fees and interest charges.

To determine whether New York One complied with other major non-revenue-related requirements of its agreements, we reviewed agreement provisions related to capital improvements, scope of operations, authorized products and merchandise, price lists, sanitation, permits and licenses, security deposits, insurance, and utility costs. We reviewed Parks Inspection Reports, Notices to Cure, and related correspondence and documentation, and conducted the following tests to determine whether New York One complied with and fulfilled these provisions.

### **Capital Improvements**

We determined whether New York One expended required amounts and performed required capital improvements at the three carousels by reviewing purchase and payment documentation provided by New York One and vendors, and by reviewing Parks Project Tracking Sheets and related documentation and correspondence.

### **Scope of Operations and Vending Space**

We observed Central Park Carousel and Flushing Meadows Corona Park Carousel operations and determined whether they were authorized and confined to the locations specified in the agreements.

### **Authorized Products and Merchandise and Pricing**

For the Central Park and Flushing Meadows Corona Park Carousels, we documented admission, food, souvenir, and special event pricing and obtained price lists on file at Parks. We then compared pricing documented by auditors to that on file with and approved by Parks and identified discrepancies.

## **Sanitation**

We reviewed Parks' inspection reports and related correspondence and determined whether New York One maintained the carousels and surrounding areas in a sanitary manner.

## **Permits and Licenses**

To determine whether New York One obtained and maintained all necessary permits and licenses for the Central Park, Flushing Meadows Corona Park, and Forest Park Carousels, we reviewed permits, licenses, and certificates provided by New York One, Parks, the Department of Health and Mental Hygiene, the Department of Consumer Affairs, and the Department of Buildings.

## **Security Deposit**

To determine whether New York One complied with Comptroller's Directive #9 and submitted and maintained required security deposits for the Central Park, Flushing Meadows Corona Park, and Forest Park Carousels, we requested Parks Security Deposit Transmittal Forms. Parks instead provided us a standby Letter of Credit that it accepted in lieu of cash deposits as well as a schedule of concession security deposits. We compared security deposit amounts indicated on the schedule of concession security deposits to security deposits required by New York One's agreements.

## **Insurance and Utility Costs**

We reviewed New York One's insurance policies, declarations, and certificates and determined whether it maintained required amounts and types of insurance for each of the three carousels and named primary and additional insured parties as specified in the agreements. We also reviewed utility bills and verified that New York One paid utility costs for the three carousels.

To determine whether Parks adequately monitored New York One's performance and enforced the terms and conditions of its agreements with New York One, as required by the New York City Charter, Chapter 14, §365, we reviewed Parks' inspection reports, Notices to Cure, and related correspondence and documentation to determine whether Parks monitored New York One's performance and noted New York One's failure to comply with and fulfill provisions of its agreements. When Parks noted New York One's failure to comply, we determined whether Parks took enforcement and subsequent follow-up action.

## **Discussion of Audit Results**

The matters covered in this report were discussed with New York One and Parks officials during and at the conclusion of this audit. A preliminary draft report was sent to New York One and Parks officials and discussed at an exit conference held on December 7, 2010. On February

25, 2011, we submitted a draft report to New York One and Parks officials with a request for comments. We received written responses from New York One and Parks on March 11, 2011.

In its response, New York One stated:

“We have maintained records that were turned over to the auditors for their review. At the very basic level, every day records were maintained which broke down the starting and ending transaction numbers of tickets sold. Breakdowns of food, toys and souvenirs were also provided. All records were maintained according to industry standards for all inventories, purchasing and sales. All purchases were documented and inventoried before sales occurred, and these transactions were double checked on a weekly and monthly basis.”

“For the period October 2008 - December 2009 you determined that New York One understated special events gross receipts by \$58,424.00. This error was discovered during our own internal audit and was an error in our reporting of gross sales. The department was informed accordingly. Furthermore may we point out that our fee offer was structured and accepted by the department as based on the minimum guaranteed fee which was always far higher than the percentage of the gross sales. At no time did the minimum percentage factor into the life of these permits. In other words the department was never owed additional monies due to the percentage kicking in. ***The guaranteed fee was always the higher of the two.*** Based upon this the \$58,424.00 was never a factor that created additional revenues for the city.”

“We have repeatedly stated that we have performed maintenance on both the Central Park and Forest Park Carousels in house. Payments have been made to Central Park Carousel Inc., and we have submitted payroll records for our tenure of the Forest Park Carousel to verify the same....”

“We operated and fulfilled all of our obligations under the Concession Contractual Agreement.”

Although New York One generally refuted the audit findings and maintained that it provided sales records, performed required capital improvements, and complied with and fulfilled other contractual obligations, New York One generally agreed to implement the audit recommendations.

In its response, Parks stated:

“Parks has issued a follow-up letter to New York One (“NYO”) directing it to comply with nearly all of the Report’s Recommendations that were directed to NYO.”

“... in light of the poor internal controls and other operational deficiencies raised in the Report, we want to highlight our oversight efforts to help improve the compliance of our concessionaires. In 2008 the New York City Department of Parks & Recreation (“Parks”) instituted an extensive outreach strategy to educate our concession operators.

We began compliance mailings and numerous individual meetings with concessionaires to assess the requirements of their contract and address emerging issues or questions regarding proper compliance. Parks has also undertaken a number of internal reviews of concessionaires' books and records. These efforts are in addition to our routine inspections, capital inspections, internal meetings regarding follow-up on non-compliance and coordination with other City agencies when appropriate."

"Our goal is to ensure that our concessionaires understand what is expected of them and recognize the necessity of effective internal controls, as well as the potential consequences of weak controls. As you know, before the Comptroller's audit began, Parks had already performed its own internal review of NYO's operation of the Central Park Carousel. We subsequently terminated the agreement due, in part, to a lack of internal controls identified by our review."

"As indicated earlier in this response, we have directed NYO to implement nearly all of the Recommendations addressed to NYO in the Report, including all internal control and operational related Recommendations. We have not directed NYO to comply with certain Recommendations concerning capital improvements, please see our response to Recommendation 30."

Specific New York One and Parks comments and our rebuttals are contained in the relevant sections of this report.

The full text of the responses received from New York One and Parks are included as addenda to this report.

## FINDINGS AND RECOMMENDATIONS

New York One lacked sales records and sound and effective internal controls over the collecting, recording, and reporting of revenues generated for its carousel operations. New York One did not provide us *any* admission, food, souvenir, and special events sales records for the Flushing Meadows Corona Park Carousel and provided us only limited records for the Forest Park Carousel. As a result, we could not determine whether New York One accurately and completely reported gross receipts and properly calculated fees due the City for the Flushing Meadows Corona Park and Forest Park Carousels.

Additionally, New York One sales reports for Central Park Carousel admissions, food, and souvenirs were not supported by detailed sales transaction and inventory records. Therefore, we could not determine the total gross receipts or the corresponding total payments due the City for these activities. New York One provided us special events sales records. However, we could not determine whether these records accurately and completely reflected special events sales. Nevertheless, we calculated minimum special events gross receipts based on agreements, credit card slips and merchant statements, and related records. For the period October 2008 to December 2009, we determined that, *at minimum*, New York One understated special events gross receipts by \$58,424 or approximately 141 percent. Consequently, we have serious concerns about the accuracy of New York One's reported gross receipts for its carousels' operations and thus, New York One's payments to Parks.

The audit also revealed that New York One failed to: pay its minimum fees on time; perform capital improvements, repairs, and maintenance with a minimum estimated value of \$564,325; and submit required security deposits totaling \$100,000. Further, New York One: expanded the scope of its operations; charged customers more than approved amounts for food and souvenirs; did not maintain pushcarts, snack bars, and surrounding areas in a sanitary and safe manner; did not obtain Department of Health and Mental Hygiene licenses; and did not maintain required fire insurance and designate insured parties as specified.

New York One largely did not comply with or fulfill its contractual obligations, and Parks failed to adequately monitor several critical areas of New York One's performance and failed to use all tools available to enforce in a timely manner the terms and conditions of its agreement, as required by the New York City Charter, Chapter 14, §365. With regard to the Central Park Carousel, Parks conducted inspections and a compliance review, identified significant issues regarding sales records and internal controls, and followed up by issuing Notices to Cure and working with New York One to correct identified issues. Parks ultimately terminated New York One's agreement when New York One failed to demonstrate a good faith effort or comply with its agreement and Parks directives. However, Parks did not reflect these deficiencies and enter cautionary information in the City's Vendor Information Exchange System (VENDEX). Nor did Parks identify or follow up on other significant agreement violations regarding sales records, capital improvements, security deposits, scope of operations, pricing, maintenance, permits and licenses, and insurance.

Additionally, Parks largely failed to charge and collect fees from New York One for revenues generated from Central Park Carousel admissions, food, souvenir, and special events

sales from January through September 2008. The initial Parks contract with New York One for the Central Park Carousel expired on December 31, 2007. However, Parks did not enter into a new contract with New York One until August 20, 2008, and did not consistently charge it fees until October 1, 2008. Consequently, we estimate that Parks did not collect minimum concession revenues of between \$124,375 and \$151,375.

Parks also failed to incorporate minimum capital expenditures tendered in New York One's proposals to operate the Flushing Meadows Corona Park and Forest Park Carousels in executed agreements in accordance with the Rules of the City of New York Title 12 § 1-13.

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

### **New York One Lacked Sales Records and Sound and Effective Internal Controls**

New York One lacked sales records and sound and effective internal controls over the collecting, recording, and reporting of revenues generated from Central Park, Flushing Meadows Corona Park, and Forest Park Carousel admissions, food, souvenir, and special events sales. In fact, the deficiencies were so severe that we could not perform detailed testing to determine the total gross receipts or the corresponding total payments due the City for each of the carousels. Under the terms of its agreements, New York One was required to maintain sales records in a form suitable for audit, record separately sales activities from each cart or stand, and reconcile its daily cash collections with physical inventory records. New York One was also required to retain such records for at least six years and make them available to the Office of the Comptroller and Parks on demand. However, no adequate sales records and controls were in place to ensure that all carousel revenues were properly recorded and reported to Parks for calendar years 2008 and 2009. Most notably, New York One:

- Provided no admission, food, souvenir, and special events sales records for the Flushing Meadows Corona Park Carousel.
- Provided no special events sales records and only limited admission, food, and souvenir sales records for the Forest Park Carousel.
- Provided us only Daily Recap Sheets for the Central Park and Forest Park Carousels (for the period April–September 2008) on which it manually recorded starting and ending carousel admission ticket numbers sold, and daily admission, food, and souvenir sales totals. However, these sales figures were not supported by detailed sales transaction and inventory records because New York One did not:
  - Record admission, food, and souvenir sales activities on cash registers or other income-recording devices. Instead, New York One placed cash received in a till.

- Retain carousel admission tickets, maintain an inventory of carousel tickets purchased and issued, or use turnstile counter devices to support reported carousel admission sales.
- Reconcile reported food and souvenir sales with its inventory records.

Moreover, a Parks audit of New York One found its Central Park Carousel Daily Recap Sheets to be unreliable. On September 14, 2009, Parks purchased Central Park Carousel admission tickets and recorded admission ticket numbers. Parks subsequently reviewed the Central Park Carousel Daily Recap Sheet for September 14, 2009, and determined that the Daily Recap Sheet did not accurately reflect the sequence of tickets sold.

- Did not issue press-printed, pre-numbered, sequential agreements for Central Park Carousel special events. Instead, New York One generated agreements on a computer and inputted agreement numbers. Consequently, agreement numbers may have been used multiple times; therefore, we do not know how many agreements were issued for Central Park Carousel special events. New York One did not provide us at least four agreements within agreement number sequences.

Central Park Carousel special events records also evidenced discrepancies regarding services provided and service charges. Seventeen of 139<sup>5</sup> agreements provided by New York One did not include photography and entertainment service charges although such charges were included on related records such as reservation forms, confirmation letters, or invoices. Therefore, we do not know whether Central Park Carousel special events agreements provided accurately and completely represented special events charges.

- Did not issue sequentially numbered gift certificates and did not maintain any gift certificate sales records for the Central Park Carousel. Therefore, we could not determine the total number of gift certificates sold and related gross receipts.
- Did not maintain separate books and records, bank accounts, and credit card terminals for each of its carousel operations. Although Parks repeatedly cited New York One for not maintaining a separate bank account for the Central Park Carousel and ordered New York One to do so, New York One did not comply.

***New York One Response:*** “We have maintained records that were turned over to the auditors for their review. At the very basic level, every day records were maintained which broke down the starting and ending transaction numbers of tickets sold. Breakdowns of food, toys and souvenirs were also provided. All records were maintained according to industry standards for all inventories, purchasing and sales. All purchases were documented and inventoried before sales occurred, and these transactions were double checked on a weekly and monthly basis.”

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<sup>5</sup> New York One provided us 149 agreements for Central Park Carousel special events—139 of which were held and 10 of which were canceled.

**Auditor Comment:** Contrary to New York One's response, the records New York One claims it maintained and turned over to the auditors for review were below the minimum standards of the industry, and more importantly, did not meet standards stipulated in the City agreements. Again, the level of deficiencies identified prevented us from obtaining any level of assurance with respect to the accuracy of the revenue New York One reported to the City for calendar years 2008 and 2009.

### **Recommendations**

As New York One's agreements for the Central Park and Forest Park Carousels have either expired or were terminated, we generally address our recommendations solely to the Flushing Meadows Corona Park Carousel, still under an existing agreement.

With regard to the Flushing Meadows Corona Park Carousel, New York One should:

1. Record separately admission, food, and souvenir sales activities on cash registers or other income-recording devices.

**New York One Response:** "Registers have been installed at the Flushing Meadows Corona Park Carousel to record admissions, food sales and souvenir sales. These tapes are reconciled daily and maintained in consecutive order. They are kept in a secure location in our main offices."

2. Maintain an inventory of carousel admission ticket numbers to include a record of sequences used, in use, and unused.

**New York One Response:** "An inventory of Carousel admission ticket numbers will be maintained."

3. Retain carousel admission tickets sold.

**New York One Response:** "Carousel admission tickets will be returned to the main office with daily recap sheets for verification."

4. Maintain discrete food and souvenir inventory records and reconcile them with reported gross receipts.

**New York One Response:** "All food purchased for sale at the Flushing Meadows Corona Park Carousel is purchased from our commissary and all sales records are maintained and verified."

**Auditor Comment:** New York One should also maintain discrete souvenir inventory records and reconcile them with reported gross receipts. Under the terms of its agreement, New York One is required to: maintain copies of paid invoices for merchandise purchased for resale, maintain a record of the physical inventory of products

for sale, record the beginning and ending inventory of items sold at each stand on a regular basis, and reconcile daily cash collections with inventory records.

5. Issue and maintain copies of pre-numbered, sequential special events agreements and gift certificates.

**New York One Response:** “Special events at the Flushing Meadows Coronal Park Carousel are minimal in number, averaging 3-4 per year; nonetheless we will insure that pre numbered sequential agreement forms are used. We will no longer issue gift certificates....

“All special events agreements and gift certificates will be given control numbers, which will be used sequentially.”

6. Ensure that pre-numbered agreements and gift certificates are used sequentially and accounted for.

**New York One Response:** “All agreements will be used sequentially, and will be issued from our main office for use at the Flushing Meadows Corona Park Carousel.”

**Auditor Comment:** If New York One issues gift certificates, it should ensure they are used sequentially. Additionally, New York One should also account for all agreements and gift certificates to ensure that related gross receipts are accurately reported to Parks.

7. Maintain a separate bank account, deposit gross receipts generated from all Flushing Meadows Corona Park Carousel operations in this account, and reconcile bank account and sales records.

**New York One Response:** “The separate bank account has been operating since December of 2009.”

**Auditor Comment:** New York One should also reconcile bank account and sales records.

8. Retain all records for at least six years and make them available to the Office of the Comptroller and Parks on demand.

**New York One Response:** “Records are being maintained at our offices at 349 West 37th Street, and will be retained for at least 6 years from 2010.”

**Auditor Comment:** New York One should retain all records for at least six years from the related operating year and make those records available to the Office of the Comptroller and Parks on demand.

### **New York One Failed to Report Central Park Carousel Gross Receipts of at Least \$58,424**

New York One failed to report Central Park Carousel gross receipts of at least \$58,424 for the period October 2008 to December 2009. As noted, New York One lacked sales records and internal controls over the collecting, recording, and reporting of revenues generated from admissions, food, souvenir, and special events sales. Consequently, we could not determine the total gross receipts or the corresponding total payments due the City. Nevertheless, we calculated *minimum* gross receipts for Central Park Carousel special events based on New York One agreements, credit card slips and merchant statements, and related records including reservation forms, confirmation letters, and invoices. Although these agreements and records evidenced gross receipts of \$99,814, New York One reported gross receipts of only \$41,390 to Parks—an *understatement of \$58,424 or approximately 141 percent*.

These unreported special events gross receipts—in and of themselves—did not cause New York One to exceed its minimum payment threshold. However, we have serious concerns about the accuracy of New York One’s reported gross receipts generated from carousel admission, food, souvenir, and special events sales, and thus, New York One’s payments to Parks.

***New York One Response:*** “For the period October 2008 - December 2009 you determined that New York One understated special events gross receipts by \$58,424.00. This error was discovered during our own internal audit and was an error in our reporting of gross sales. The department was informed accordingly. Furthermore may we point out that our fee offer was structured and accepted by the department as based on the minimum guaranteed fee which was always far higher than the percentage of the gross sales. At no time did the minimum percentage factor into the life of these permits. In other words the department was never owed additional monies due to the percentage kicking in. ***The guaranteed fee was always the higher of the two.*** Based upon this the \$58,424.00 was never a factor that created additional revenues for the city.”

***Auditor Comment:*** Contrary to New York One’s assertion, it did not inform Parks that it understated special events gross receipts. Further, New York One only informed us of its internal audit findings just prior to granting us access to special events documentation.

While unreported special events gross receipts did not cause New York One to exceed its minimum payment threshold, we have serious concerns about the accuracy of New York One’s reported gross receipts generated from carousel admission, food, and souvenir sales. These sales accounted for the vast majority—nearly 96 percent—of reported gross receipts for operating year 2009. If New York One similarly understated admission, food, and souvenir sales, New York One could have exceeded its minimum payment threshold and owe the City additional fees.

### **Recommendation**

With regard to the Flushing Meadows Corona Park Carousel, New York One should:

9. Accurately and completely report gross receipts generated from all operations in accordance with its agreement.

***New York One Response:*** “We will accurately and completely report gross receipts generated from all operations in accordance with our agreement.”

### **New York One Did Not Pay Fees on Time**

New York One did not pay Parks on time. Under the terms of its agreements, New York One was required to pay minimum fees on or before the first of each month and applicable percentage fees on or before the 15<sup>th</sup> or 20<sup>th</sup> day of the following month.<sup>6</sup> Based on New York One’s reported gross receipts for the Central Park, Flushing Meadows Corona Park, and Forest Park Carousels, its percentage fees did not exceed its stated minimum fees. Therefore, New York One was required only to pay minimum fees and to do so on or before the first of each month. However, New York One did not do so in each carousel’s last operating year. In fact, New York One never paid fees on the first of the month, and its fees remained outstanding for up to 50 days. Parks deemed this as a failure to substantially comply with agreement terms and assessed New York One 2 percent late fees on charges outstanding for more than 10 days.

### **Recommendations**

With regard to the Flushing Meadows Corona Park Carousel, New York One should:

10. Pay minimum fees on or before the first of each month in accordance with its Fee Payment Schedule.

***New York One Response:*** “Minimum fees will be paid on or before the first of each month in accordance with the Fee Payment Schedule.”

11. Pay applicable percentage fees on or before the 15<sup>th</sup> day of the following month.

***New York One Response:*** “We will continue to pay minimum fees as opposed to applicable percentage fees.”

***Auditor Comment:*** If Flushing Meadows Corona Park Carousel gross receipts exceed the minimum payment threshold, New York One should pay applicable percentage fees on or before the 15<sup>th</sup> day of the following month.

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<sup>6</sup> New York One was required to pay Flushing Meadows Corona Park and Forest Park Carousel percentage fees on or before the 15<sup>th</sup> day of the following month and Central Park Carousel percentage fees on or before the 20<sup>th</sup> day of the following month.

**New York One Failed to Perform Capital Improvements, Repairs, and Maintenance Valued at \$564,325**

New York One failed to perform required capital improvements, repairs, and maintenance for the Central Park, Flushing Meadows Corona Park, and Forest Park Carousels. Our review indicated that New York One was to perform capital improvements, repairs, and maintenance with a minimum estimated value of \$580,000 as follows.

**Table II**

**Capital Improvements, Repairs, and Maintenance**

<b>Carousel</b>	<b>Agreement Term</b>		<b>Minimum Estimated Value</b>
Central Park	January 1, 2001	December 31, 2007	\$210,000 on carousel and \$210,000 on surrounding area
Central Park	October 1, 2008	September 30, 2018	Agreement terminated*
Flushing Meadows Corona Park	April 1, 2004	March 30, 2012	\$110,000
Forest Park	May 27, 2004	May 26, 2009	\$50,000
<b>Total Minimum Required Investment</b>			<b>\$580,000</b>

\* New York One was required to expend at least \$100,000 on capital improvements for the Central Park Carousel over the first seven years of its agreement. However, effective February 22, 2010, Parks terminated its agreement with New York One for the Central Park Carousel.

Based on New York One and vendor purchase and payment documentation, and Parks inspection and tracking reports, we determined that New York One expended only \$15,675 for the Central Park Carousel and did not substantiate that it performed any stipulated capital improvements for the Flushing Meadows Corona Park and Forest Park Carousels. As noted, New York One's agreements for the Central Park and Forest Park Carousels have either expired or were terminated. Consequently, New York One should immediately remit the value of the required capital improvements for these sites to the City as additional fees. New York One should commence performing specified capital improvements with a minimum estimated value of \$110,000 for the Flushing Meadows Corona Park Carousel. Further, New York One should ensure that improvements are completed, and inspected and approved by Parks before its contract expires on March 30, 2012.

At our exit conference, New York One informed us that it did not use outside vendors to perform capital improvements, repairs, and maintenance. Rather, New York One maintained that this work was performed by in-house staff. Subsequently, New York One provided us a list of work performed by its manager and copies of canceled checks. The restoration of the Central Park Carousel organ and figures was a significant component of this work. However, the Central Park Conservancy provided us contracts and invoices evidencing that it paid for these same

services. Consequently, we could not ascertain that work detailed on New York One's list was, in fact, performed by its in-house staff.

### **Recommendations**

With regard to the Central Park and Forest Park Carousels, New York One should:

12. Immediately remit \$454,325—the value of the required capital improvements—to the City as additional fees.

**New York One Response:** “We have repeatedly stated that we have performed maintenance on both the Central Park and Forest Park Carousels in house. Payments have been made to Central Park Carousel Inc., and we have submitted payroll records for our tenure of the Forest Park Carousel to verify the same. We once again state that payments were made for work at both Carousels to Central Park Carousel Inc. We also submitted itemized listings of all work performed by Central Park Carousel for the years 2001-2010. During our tenure at the Friedsam Memorial Carousel, 2 major capital improvements occurred: a new drive unit installed by Carousel Works and paid for by New York One; and the Organ was restored by BAB Organ Works. The Central Park Conservancy paid Central Park Carousel and they in turn paid BAB Organ Works. Both of these improvements may be verified by your offices as your approval was required and obtained. Not only was this was agreed to by the Department of Parks, they also approved the expenditures as well as the actual improvements themselves....

“With regard to the Central Park and Forest Park Carousels and your recommendation that we remit capital investments of \$454,325, we strongly disagree with this. At the exit conference at the Department of Parks and Recreation that took place on December 7, 2010, the Department of Parks and Recreation and ourselves were in agreement that we cannot be held accountable for a figure that was indicated in the RFP (Request for Proposals) but not included in our contract. The contract is the binding agreement, and not the RFP.”

**Auditor Comment:** We agree with New York One that it paid for the drive unit installation and credited New York One with expending \$15,675 for the Central Park Carousel. Additionally, we agree with New York One that the Central Park Conservancy paid for the Central Park Carousel organ restoration. Accordingly, we did not credit New York One for the performance of this capital improvement.

Although New York One now acknowledges that the Central Park Conservancy paid for the organ restoration, New York One previously maintained that it paid for this work. At our exit conference, New York One provided us itemized lists of work that New York One maintained it paid a third-party vendor, Central Park Carousel, Inc., to perform. The restoration of the Central Park Carousel organ and figures was a significant component of these lists. However, the Central Park Conservancy provided us contracts, invoices, purchase orders, and payment documentation evidencing that it—and not New York

One—paid \$172,258 to Central Park Carousel, Inc. for restoration work. Consequently, we questioned the veracity of these lists and can place no reliance on them.

New York One was required to expend \$420,000 on Central Park Carousel restoration, repairs, and maintenance. However, New York One substantiated expending only \$15,675. Therefore, New York One should immediately remit \$404,325 to the City as additional fees. Further, since New York One did not substantiate that it performed any capital improvements for the Forest Park Carousel, New York One should immediately remit the value of required capital improvements. As reported below, Parks failed to incorporate the dollar value of required capital improvements in New York One's contract. Parks advised proposers that "the cost estimates provided in the proposer's submission will become a *minimum* required expenditure." In turn, New York One submitted a capital improvements cost estimate of \$50,000. As New York One tendered this offer and Parks accepted it, we consider this to be a reasonable minimum estimated value of required capital investments.

With regard to the Flushing Meadows Corona Park Carousel, New York One should:

13. Perform all stipulated capital improvements with a value of at least \$110,000 as proposed.

**New York One Response:** "At the exit conference at the Department of Parks and Recreation that took place on December 7, 2010, the Department of Parks and Recreation and ourselves were in agreement that we cannot be held accountable for a figure that was indicated in the RFP (Request for Proposals) but not included in our contract. The contract is the binding agreement, and not the RFP.

"We will continue to perform all capital investments to the Flushing Meadows Corona Park Carousel, however we take exception to the arbitrary amount of \$110,000 indicated by the audit."

**Auditor Comment:** Again, this is not an arbitrary amount. Rather, it is New York One's own capital improvements cost estimate submitted in its proposal to operate the Flushing Meadows Corona Park Carousel.

14. Ensure that capital improvements are completed, and inspected and approved by Parks before its contract expires on March 30, 2012.

**New York One Response:** "All work at the Flushing Meadows Corona Park will be completed before the end of our contract date of March 2012."

**Auditor Comment:** New York One should also ensure that capital improvements are inspected and approved by Parks before its contract expires on March 30, 2012.

### **New York One Failed to Submit Security Deposits Totaling \$100,000**

New York One failed to submit and maintain security deposits totaling \$100,000 as required under the terms of its agreements. Instead, New York One submitted, and Parks accepted, a standby letter of credit. Upon signing agreements, New York One was required to submit to Parks security deposits of: \$75,000 for the Central Park Carousel; \$20,000 for the Flushing Meadows Corona Park Carousel; and \$5,000 for the Forest Park Carousel. In turn, Parks was to submit these security deposits to the Comptroller's Office for deposit in the City's General Fund. The City holds deposits to ensure the full, faithful, and prompt performance of and compliance with agreement terms and retains all interest earned. Parks may seize deposits to compensate the City for fees, late charges, and liquidated damages as well as other sums due under agreements.

Although New York One submitted and Parks accepted a standby letter of credit, these funds are not controlled by or immediately available to the City. Under Comptroller's Directive #9, only "(a) bonds or notes of the United States of America, or obligations, the payment of which is guaranteed by the United States of America, or (b) bonds or notes of the State of New York, or (c) bonds of any political subdivision in the State of New York, with a par value at least equal to. . .the Cash Deposit required" may be substituted for cash deposits.

As noted, New York One defaulted on its Central Park Carousel and Forest Park Carousel capital commitments. Further, New York One has yet to substantiate that it performed any stipulated capital improvements for the Flushing Meadows Corona Park Carousel and its agreement expires on March 30, 2012. Therefore, it is imperative that New York One submit its security deposit of \$20,000 as required. Otherwise, Parks may not have proper remedies available to it should New York One fail to perform capital improvements or violate other agreement terms. Additionally, New York One's failure to submit and maintain required deposits deprives the City of interest revenue.

***New York One Response:*** "We take exception to the term 'interest revenue'. This implies that the Department of Parks anticipates concessionaires not paying on time and therefore providing an alternative means of revenue."

***Auditor Comment:*** The City holds security deposits to ensure full, faithful, and prompt performance, and retains all interest earned. Therefore, because New York One failed to submit and maintain required security deposits, Parks may not have proper remedies available to it should New York One fail to perform capital improvements or violate other agreement terms. Additionally, New York One's failure to submit and maintain required deposits deprives the City of interest revenue.

### **Recommendation**

With regard to the Flushing Meadows Corona Park Carousel, New York One should:

15. Immediately remit and maintain its security deposit of \$20,000.

***New York One Response:*** “All security deposits that are still required have been paid.”

**New York One Did Not Comply  
with Other Agreement Provisions**

New York One did not comply with other agreement provisions regarding scope of operations and vending space; authorized price lists; maintenance; permits and licenses; and insurance as follows.

**Scope of Operations and Vending Space**

New York One expanded the scope of its operations by operating more than the prescribed number of pushcarts, by failing to confine pushcarts to areas specified in the agreements, and by providing unauthorized or unapproved special events.

New York One’s agreements for the Flushing Meadows Corona Park and Forest Park Carousels authorized only the maintenance and operation of pushcarts or a snack bar, and carousels. However, New York One also provided special events including catered parties, entertainment, and photography. Additionally, New York One never submitted special events price lists to Parks for approval.

With regard to the Central Park Carousel, New York One failed to request and receive Parks’ approval to hold special events and for pricing of such events. New York One’s agreement stipulated that it “submit to Commissioner for his prior approval plans” for special events to be held at the Central Park Carousel. However, New York One did not do so. Further, New York One special events pricing was not included on the agreement’s Schedule of Approved Hours and Fees, and New York One did not subsequently request or receive Parks’ approval for its special events pricing.

***New York One Response:*** “We take exception to the statement that New York One provided special events including catered parties, entertainment and photography at the Flushing Meadows Corona Park Carousel and the Forest Park Carousel. The only event that ever took place at the Forest Park Carousel was one for carousel devotees from New England that was organized by the Forest Park administrators and attended by Commissioner Benepe. We were asked to provide food and beverages free of charge, which we did gladly in the spirit of promoting the facility and showcasing the city’s supervision of the carousel.

“With regard to the Central Park Carousel the overwhelming majority of special events and photography sessions that took place were referred to us by the Department of Parks and Recreation, with their knowledge and approval. Indeed these calls were referred to us after the callers had initially contacted the Department of Parks and Recreation to ascertain how to go about a special event at the facility. The Department’s only

requirement was that the proper insurance be obtained, indicating the City of New York Department of Parks and Recreation as the additional insured.”

**Auditor Comment:** New York One reported special events gross receipts for both the Flushing Meadows Corona Park and Forest Park Carousels on its monthly statements of gross receipts submitted to Parks. Therefore, we do not understand why New York One now maintains that no such events were held.

With regard to Central Park Carousel special events, as noted, New York One’s agreement stipulated that it “submit to Commissioner for his prior approval plans” for special events. However, New York One did not do so.

### **Recommendations**

With regard to the Flushing Meadows Corona Park Carousel, New York One should:

16. Operate no more than three food and two souvenir pushcarts, and confine pushcarts to areas specified in the agreement.

**New York One Response:** “We maintain 3 food and 2 souvenir carts at the Flushing Meadows Corona Park Carousel.”

**Auditor Comment:** New York One should also confine pushcarts to areas specified in the agreement.

17. Request Parks approval to hold special events and, if granted, request Parks’ approval for special events pricing.

**New York One Response:** “Should any special events take place at the Flushing Meadows Corona Parks Carousel we will refer the requests to Parks for their prior approval. We have in the past worked with the Assistant Commissioner of Parks for the Borough of Queens in this respect and will continue to do so.”

**Auditor Comment:** New York One should also request Parks’ approval for special events pricing.

### **Authorized Price Lists**

New York One charged Central Park and Flushing Meadows Corona Park Carousel customers more than approved amounts for food and souvenirs. Further, New York One was repeatedly cited by Parks for not displaying approved price lists at the Central Park Carousel. Under the terms of its agreements, New York One was required to submit to Parks lists of items offered for sale and the prices to be charged for such items, and to display approved lists.

## **Recommendations**

With regard to the Flushing Meadows Corona Park Carousel, New York One should:

18. Charge no more than Parks-approved prices for admission, food, souvenirs, and authorized special events.

***New York One Response:*** New York One did not address this recommendation.

***Auditor Comment:*** Again, New York One should charge no more than Parks-approved prices for admission, food, souvenirs, and authorized special events.

19. Display Parks-approved admission, food, souvenir, and special events price lists.

***New York One Response:*** “We have posted the approved menus at the Flushing Meadows Corona Park Carousel.”

## **Maintenance**

New York One did not maintain Central Park, Flushing Meadows Corona Park, and Forest Park Carousel pushcarts, snack bars, and surrounding areas in a sanitary and safe manner. Most notably, New York One employees constructed makeshift toilets in the Central Park Carousel machine room. In addition, Parks repeatedly cited New York One for conditions such as dirty food equipment, excess litter and garbage, and broken windows, benches, and picnic tables.

***New York One Response:*** “We take exception to the statement that the carousel pushcarts, snack bars and surrounding areas were not maintained satisfactorily. The pushcarts all undergo regular inspections for permit renewals. Yes there are normal issues of wear and tear, and inclement weather most certainly factors into any out door facility. The carts are regularly inspected by the Department of Health and Mental Hygiene as well as the Department of Parks and Recreation. When problems are observed they are brought to our attention and addressed as quickly as possible. May we point out that we have spent many hours attending ECB hearings regarding alleged violations and approximately 70% of the time the violations are dismissed. Surrounding areas are policed to the best of our ability.... May we also point out that all horticulture is maintained by the respective conservancies.”

***Auditor Comment:*** New York One did not maintain carousel pushcarts, snack bars, and surrounding areas in a sanitary and safe manner. As noted, Parks cited New York One for constructing makeshift toilets in the Central Park Carousel machine room and for conditions such as dirty food equipment, excess litter and garbage, and broken windows, benches, and picnic tables. These issues were not related to normal wear and tear and were not addressed quickly as New York One maintains. For example, Parks repeatedly cited New York One for dirty food equipment at the Central Park Carousel, and New

York One failed to address this issue. Consequently, Parks ultimately ordered New York One to “immediately cease the sale of food” at the Central Park Carousel.

Additionally, New York One’s agreements required it to provide, maintain, or improve landscaping for all three carousel locations.

### **Recommendation**

With regard to the Flushing Meadows Corona Park Carousel, New York One should:

20. Properly maintain pushcarts and surrounding areas.

***New York One Response:*** “Not only do we agree to maintain surrounding areas of the Carousel, but we remind the Comptroller's office that carts are regularly inspected by the Department of Health and Mental Hygiene....

“Push carts are regularly reviewed for repairs and maintenance. They are inspected by the Department of Health and Mental Hygiene at the beginning of each permit period. They are not allowed to operate unless they pass inspection.”

### **Permits and Licenses**

New York One did not obtain all necessary permits and licenses. Specifically, Central Park, Flushing Meadows Corona Park, and Forest Park Carousel food handlers, carts, and snack bar were not properly licensed by the Department of Health and Mental Hygiene. Parks repeatedly cited New York One for not having required food handler and cart licenses and characterized this as a serious violation of its agreements.

### **Recommendation**

With regard to the Flushing Meadows Corona Park Carousel, New York One should:

21. Ensure that all food handlers and carts are properly licensed by the Department of Health and Mental Hygiene.

***New York One Response:*** “For all three facilities copies of the cart permits have already been submitted. We also regularly obtained operating permits for the Carousels. We will assure that only licensed food vendors are operating our carts at the Flushing Meadows Corona Park Carousel.”

### **Insurance**

New York One did not maintain all appropriate types of insurance and did not designate insured parties as specified in its agreements. The agreements required that New York One

maintain an extended-coverage fire insurance policy naming Parks as the sole insured party. However, New York did not maintain an extended-coverage fire insurance policy for the period January 4, 2009, to December 31, 2009. And while New York One subsequently maintained such coverage, it did not name Parks as the sole insured as required. Instead, New York One named itself as the sole insured. By not maintaining extended-coverage fire insurance and not designating insured parties as specified, New York One exposed the City to potential liability.

### **Recommendation**

With regard to the Flushing Meadows Corona Park Carousel, New York One should:

22. Immediately name Parks as the sole insured party on its extended-coverage fire insurance policy.

***New York One Response:*** “Current insurance is in effect for the Flushing Meadows Corona Park Carousel naming the Department of Parks and Recreation as the sole insured on each policy.”

### **Parks Failed to Charge and Collect Fees for Operation of the Central Park Carousel**

Although Parks allowed New York One to operate the Central Park Carousel from January through September 2008, Parks failed to consistently charge and collect fees from New York One for revenues generated from Central Park Carousel admissions, food, souvenir, and special events sales during this period. The initial Parks contract with New York One for the Central Park Carousel expired on December 31, 2007. However, Parks did not enter into a new contract with New York One until August 20, 2008, and did not consistently charge New York One fees until October 1, 2008. In the interim, Parks issued New York One three Temporary Use Agreements covering approximately three months, for which it charged and collected fees totaling only \$35,000.<sup>7</sup> However, under the terms of the Parks contracts with New York One for operation of the Central Park Carousel, Parks should have charged and collected minimum fees of \$159,375<sup>8</sup> if it extended the terms of New York One’s expired contract, or \$186,375<sup>9</sup> if it contracted with New York One in a timely manner. Consequently, Parks did not collect minimum concession revenues of between \$124,375 and \$151,375.

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<sup>7</sup> Parks issued New York One three Temporary Use Agreements for the periods January 1, 2008, through January 29, 2008; April 1, 2008, through April 30, 2008; and June 20, 2008, through July 18, 2008. Parks charged and collected fees of \$5,000, \$10,000, and \$20,000 for these agreements, respectively.

<sup>8</sup> Under the terms of Parks’ contract with New York One that expired December 31, 2007, New York One was required to pay minimum monthly fees of \$26,562.50 for the six months of April through November 2007. It was not required to pay minimum fees for the four months of January through March, and December 2007.

<sup>9</sup> Under the terms of Parks’ contract with New York One signed August 20, 2008, New York One was required to pay minimum annual fees of \$248,500 in its first operating year. These minimum fees were due in equal monthly installments of \$20,708.33.

## **Recommendations**

With regard to its concession properties, Parks should:

23. Charge and collect fees from all entities operating concessions.

***Parks Response:*** “Parks agrees and will continue to collect fees from all entities operating concessions under a license or permit agreement.”

***Auditor Comment:*** Parks should also collect fees from all entities operating concessions under expired contracts or without contracts.

24. Contract with all entities operating concessions and do so in a timely manner.

***Parks Response:*** “Parks will continue to contract with all entities operating concessions as expediently as possible.”

## **Parks Failed to Incorporate Material Proposal Terms in Agreements**

Parks failed to incorporate minimum capital expenditures tendered in New York One proposals to operate the Flushing Meadows Corona Park and Forest Park Carousels in executed agreements. The Rules of the City of New York § 1-13 (r) (1) of Title 12 of states:

“The concession manager must ensure that the recommended proposal does not vary substantially from the RFP and that the resulting agreement will be consistent with the winning proposal. Upon approval by Agency Head, the concession manager may proceed to process the agreement.”

Further, Parks Requests for Proposals state that “the cost estimates provided in the proposer’s submission will become a minimum required expenditure.”

New York One Flushing Meadow Corona Park Carousel and Forest Park Carousel proposals specified capital improvements to be performed and provided for estimated capital expenditures of \$110,000 and \$50,000, respectively. Parks awarded New York One these concessions based in part on the proposed specified capital improvements and the value of such improvements. While Parks Concession Managers ensured that specified capital improvements were incorporated in agreements, they did not incorporate the capital expenditure amounts associated with these improvements. Nevertheless, Parks officials approved and executed these agreements.

## **Recommendation**

With regard to its concession properties, Parks should:

25. Ensure that agreements are consistent with winning proposals and incorporate all material proposal terms.

***Parks Response:*** “Parks agrees with this Recommendation. It is important to note that the permit agreements referenced in this Recommendation were prepared in early 2004 and the practices in place at that time do not reflect our current process for preparing permit agreements. Since 2004, Parks has instituted procedures with the City’s Law Department, as well as its own internal review within Parks, to ensure that all elements of a winning concessionaire’s proposal are incorporated into the executed agreement. The Law Department must approve the content of all permit agreements before they can be sent to the Comptroller for registration.”

## **Parks Did Not Adequately Monitor New York One’s Performance or Enforce Agreement Terms and Conditions**

Parks did not adequately monitor several critical areas of New York One’s performance and failed to use all tools available to enforce in a timely manner the terms and conditions of its agreements as required by the New York City Charter. Chapter 14, §365, of the Charter states that agencies responsible for concessions shall “monitor the performance of the grantee and enforce the terms and conditions of any franchise, revocable consent or concession under its jurisdiction.” With regard to the Central Park Carousel, Parks conducted inspections and a compliance review, identified significant issues regarding sales records and internal controls, and followed up by issuing Notices to Cure and working with New York One to correct identified issues. Parks ultimately terminated New York One’s agreement when New York One failed to demonstrate a good faith effort or comply with its agreement and Parks directives. However, Parks did not identify or follow up on agreement violations detailed below. Parks should have been more vigilant in monitoring New York One’s performance for the Central Park, Flushing Meadows Corona Park, and Forest Park Carousels, and taken enforcement and follow-up action against New York One, including issuing Notices to Cure and assessing liquidated damages when permissible. Moreover, Parks should complete Performance Evaluations which reflect deficiencies and enter cautionary information in VENDEX.

## **Recommendations**

With regard to New York One’s overall performance for the Central Park, Flushing Meadows Corona Park, and Forest Park Carousels, Parks should:

26. Consider issues identified by Parks and the Comptroller if and when New York One submits proposals to operate concessions on City-owned properties.

**Parks Response:** “Parks agrees and will consider all of the findings and Recommendations included in this Report if and when NYO submits any other proposals to operate concessions on City-owned properties.”

**Auditor Comment:** Parks should also consider issues that it identified.

27. Issue Notices to Cure, assess liquidated damages when permissible, and follow up on noncompliance.

**Parks Response:** “Parks agrees and will continue to issue Notices to Cure, assess liquidated damages when permissible, and follow-up on noncompliance issues with NYO. Indeed, during the terms of the permit agreements for FMCP and Forest Park we performed thirty (30) inspections and issued fourteen (14) Notices to Cure in addition to collecting liquidated damages from these seasonal operations. During the terms of the Central Park Carousel, we performed thirty-three (33) inspections and issued thirteen (13) Notices to Cure and, as the Report notes Parks “...identified significant issues regarding sales records and internal controls and followed up by issuing Notices to Cure and working with NYO to correct identified issues.”

28. Complete Performance Evaluations and issue Advices of Caution in VENDEX.

**Parks Response:** “Parks agrees and as demonstrated by the number of inspections, Notices to Cure and the internal review performed of the Central Park Carousel, Parks has routinely monitored the performance and compliance of NYO’s operation of the carousels. Based on the findings in this Report, and our own internal documents covering the performance of NYO, we will consider issuing an Advice of Caution in VENDEX.”

**Auditor Comment:** Again, Parks should complete Performance Evaluations in VENDEX documenting New York One’s performance and compliance. Parks generally agreed with the report findings. Further, Parks similarly identified significant issues regarding sales records, internal controls, and operational deficiencies. As a result, Parks issued New York One 27 Notices to Cure, assessed New York One liquidated damages, and terminated New York One’s Central Park Carousel contract. Consequently, Parks should issue, rather than consider issuing, Advices of Caution in VENDEX regarding New York One’s performance for all three carousels. Performance evaluations and cautionary information should be entered into VENDEX so that other agencies can make informed decisions when considering providers for additional City contracts.

### **Sales Records**

With regard to the Central Park Carousel, Parks conducted inspections and a compliance review, identified significant issues regarding sales records and internal controls, and followed up by issuing Notices to Cure and working with New York One to correct identified issues. However, Parks did not identify or follow up on such issues (detailed above) for the Flushing Meadows Corona Park and Forest Park Carousels. Consequently, New York One did not maintain adequate sales records for those carousels, and we could not determine total gross receipts or the corresponding payments due the City.

## **Recommendation**

With regard to the Flushing Meadows Corona Park Carousel, Parks should:

29. Ensure that New York One maintains sales records at the Flushing Meadows Corona Park Carousel in a form suitable for audit and retain sales records for at least six years.

***Parks Response:*** “Parks agrees and has directed NYO to maintain all sales records at the FMCP Carousel post audit, and to maintain the limited records NYO did have during the audit period.”

## **Capital Improvements**

Although Parks monitored whether New York One expended specified minimum amounts and performed required capital improvements, repairs, and maintenance for the Central Park, Flushing Meadows Corona Park, and Forest Park Carousels, and identified capital investment commitment breaches, Parks did not follow up on these breaches to ensure compliance. As noted, New York One’s agreements for the Central Park and Forest Park Carousels expired on December 31, 2007, and May 26, 2009, respectively. Parks allowed New York One to default on its capital investment totaling \$454,325 for these sites, did not seek any remedies for these defaults, and did not complete Performance Evaluations or issue Advices of Caution in VENDEX. Moreover, Parks subsequently awarded New York One several concession agreements—including one to operate the Central Park Carousel.

With regard to the Flushing Meadows Corona Park Carousel, New York One was required to perform stipulated capital improvements valued at \$110,000 within the first two seasons of operation. These improvements should have been completed by March 30, 2006. However, to date, New York One has failed to submit to Parks documentation of capital improvements performed at the Flushing Meadows Corona Park Carousel. As New York One’s capital investments represented a significant portion of its total commitment to the City, Parks should have ensured that New York One did, in fact, make these investments and perform these improvements.

## **Recommendations**

With regard to the Central Park and Forest Park Carousels, Parks should:

30. Seek legal remedies for New York One’s default on its capital investments totaling \$454,325.

***Parks Response:*** Parks does not believe that payment is due related to capital improvements. NYO undertook significant investments required to maintain all three carousels in working order throughout the terms of their agreements as well as

performing aesthetic improvements to the carousel structures and the surrounding landscape. Additionally, we disagree with the manner in which the Report calculated capital fees owed for the three carousels. Neither the permit agreement for the Forest Park Carousel nor the permit agreement for the FMCP Carousel included minimum capital investment amounts. These permit agreements only stated the capital work that was required to be completed; they did not state a required or estimated cost for this work. While the license agreement for the Central Park Carousel included a minimum capital investment amount, the license agreement did not require NYO to submit documentation to Parks to support its capital expenditures. Indeed, many of the qualifying capital items in the Central Park Carousel agreement were for in-house expenditures, such as the maintenance and repair, where staff is performing these tasks in addition to their other duties. Lastly, the Central Park Carousel agreement in question began on January 1, 2001 and expired on December 31, 2007. Holding NYO responsible for maintaining capital expenditure documentation, some of which is ten years old, goes beyond any interpretation of the requirements of this agreement because: (a) the agreement does not require NYO to submit capital expenditure documentation to Parks, and (b) the agreement only requires NYO to maintain the documentation it is required to maintain for six years.”

**Auditor Comment:** As we did, Parks repeatedly requested New York One to provide canceled checks and invoices to substantiate performance of Flushing Meadow Corona Park and Forest Park Carousel capital improvements. However, New York One did not provide Parks such documentation. Nevertheless, Parks now maintains that New York One “undertook significant investments” for these locations and disputes the manner in which we valued capital improvement breaches.

Because New York One did not substantiate that it performed Forest Park Carousel capital improvements, Parks should seek legal remedies for New York One’s default. As noted, Parks failed to incorporate the dollar value of required capital improvements in New York One’s contract. However, Parks advised proposers that “the cost estimates provided in the proposer’s submission will become a *minimum* required expenditure.” In turn, New York One submitted a capital improvements cost estimate of \$50,000. As New York One tendered this offer and Parks accepted it, we consider this to be a reasonable minimum estimated value of required capital investments.

With regard to the Central Park Carousel, Parks never requested canceled checks and invoices to substantiate performance of restoration, repairs, and maintenance because Parks Capital Division was unaware of capital improvement requirements. Because Parks failed to request, review, and maintain such documentation, we did. In turn, New York One provided us itemized lists of work that New York One maintained it paid a third-party vendor, Central Park Carousel, Inc., to perform. As noted, the restoration of the Central Park Carousel organ and figures was a significant component of these lists. However, the Central Park Conservancy provided us contracts, invoices, purchase orders, and payment documentation evidencing that it—and not New York One—paid

\$172,258 to Central Park Carousel, Inc. for restoration work. Consequently, we questioned the veracity of these lists and can place no reliance on them.

In light of this information, we do not understand how Parks can maintain that New York One “undertook significant investments” for the Central Park Carousel. Parks should recognize that New York One defaulted on its Central Park Carousel restoration, repairs, and maintenance commitment and immediately seek legal remedies totaling \$404,325.

With regard to the Flushing Meadows Corona Park Carousel, Parks should:

31. Ensure that New York One completes and submits the necessary documentation of capital improvements performed at the Flushing Meadows Corona Park Carousel.

**Parks Response:** “Parks agrees and will ensure that New York One completes all required capital improvements at the FMCP Carousel, including those requirements requiring ongoing work on an as needed basis throughout the term of the License Agreement.”

**Auditor Comment:** Parks should also ensure that New York One submits documentation of capital improvements performed at the Flushing Meadows Corona Park Carousel.

### **Security Deposits**

Parks failed to ensure that New York One submitted and maintained security deposits totaling \$100,000 as required under the terms of its agreements. Instead, Parks accepted a standby letter of credit. However, as noted, only federal, New York State, or New York City bonds may be substituted for cash deposits. Further, standby letters of credit are not controlled by and immediately available to the City. Because New York One defaulted on its Central Park Carousel and Forest Park Carousel capital commitments totaling \$454,325, it is imperative that Parks maintain security deposits as required. Otherwise, Parks may not have proper recourse should New York One fail to perform or violate capital improvements or other agreement terms. Additionally, Parks is depriving the City of interest revenue.

### **Recommendation**

With regard to the Flushing Meadows Corona Park Carousel, Parks should:

32. Immediately require New York One to submit a security deposit of \$20,000, as stipulated in its agreement.

**Parks Response:** “Parks has directed NYO to replace its letter of credit with a security deposit of \$20,000.”

### **Scope of Operations**

Parks failed to ensure that New York One operated within the scope of its operations. As noted, New York One operated more than its prescribed number of pushcarts, did not confine pushcarts to agreement-specified areas, and provided unauthorized or unapproved special events. Parks routinely inspected carousels and cited New York One for operating additional pushcarts or outside designated areas. However, Parks failed to note that New York One provided unapproved or unauthorized special events at the Central Park, Flushing Meadows Corona Park, and Forest Park Carousels. As New York One reported special events revenue to Parks monthly, Parks was aware of these events. However, Parks did not issue Notices to Cure, assess liquidated damages, or take any other action directing New York One to comply with its agreements. Parks also did not modify New York One's agreements to authorize special events.

### **Recommendation**

With regard to the Flushing Meadows Corona Park Carousel, Parks should:

33. Periodically inspect the Flushing Meadows Corona Park Carousel to ensure that New York One is operating within the scope of its operations.

***Parks Response:*** "Parks agrees and will continue to inspect NYO's operation of the FMCP Carousel to ensure there is not unauthorized expansion."

### **Authorized Price Lists**

Parks failed to ensure that New York One did not charge customers more than approved amounts for products and merchandise. As noted, we observed and documented prices for food and souvenir items that exceeded the prices that were approved by Parks. While Parks routinely inspected the Central Park, Flushing Meadows Corona Park, and Forest Park Carousels, it failed to note that New York One was selling items at prices not approved by Parks. Additionally, Parks did not ensure that New York One requested and received Parks approval for special events pricing.

### **Recommendation**

With regard to the Flushing Meadows Corona Park Carousel, Parks should:

34. Compare items sold and pricing posted at the Flushing Meadows Corona Park Carousel to those on file with and approved by Parks to ensure that New York One sells only Parks-approved items at Parks-approved prices.

***Parks Response:*** “We will also ensure that NYO is posting and charging approved prices for Parks-approved items.”

## **Maintenance**

Although Parks routinely inspected the Central Park, Flushing Meadows Corona Park, and Forest Park Carousels and cited New York One for not properly maintaining pushcarts, snack bars, and surrounding areas, Parks did not follow up on these issues. For example, on September 11, 2009, Parks sent New York One a letter ordering that it “must immediately cease the sale of food” at the Central Park Carousel because its cooking apparatuses were very dirty and in poor condition. Further, Parks stipulated that for New York One to sell food, “Parks must first inspect and approve any equipment that NY One intends to use prior to installation.” And Parks stated that its inspectors would return shortly. However, Parks did not do so, nor did it report New York One to the Department of Health and Mental Hygiene. As a result, New York One did not cease selling food and may have served contaminated food to the public.

## **Recommendations**

With regard to the Flushing Meadows Corona Park Carousel, Parks should:

35. Ensure that New York One maintains the Flushing Meadows Corona Park Carousel by issuing Notices to Cure and assessing liquidated damages for noncompliance.

***Parks Response:*** “Parks agrees and will continue to issue Notices to Cure and assess liquidated damages, when appropriate, for non-compliance issues at any of our concessions.”

36. Refer health and sanitation issues to the Department of Health and Mental Hygiene.

***Parks Response:*** “Parks agrees and will refer potential health issues to DOHMH.”

## **Permits and Licenses**

Parks did not ensure that New York One obtained all necessary permits and licenses for the Central Park, Flushing Meadows Corona Park, and Forest Park Carousels. As previously mentioned, food handlers, carts, and snack bars at all three carousels were not properly licensed by the Department of Health and Mental Hygiene. While Parks repeatedly cited New York One for not having required food handler and cart licenses and assessed it liquidated damages, Parks did not report New York One to the Department of Health and Mental Hygiene to ensure compliance.

## **Recommendation**

With regard to the Flushing Meadows Corona Park Carousel, Parks should:

37. Review and maintain copies of New York One's permits and licenses to ensure that it obtains all necessary permits and licenses.

**Parks Response:** "Our inspection reports note the existence (or absence) and expiration date of certain permits and licenses such as those issued by DOHMH, the New York State Liquor Authority or DCA and DOB—which respectively issue and inspect an amusement park device permit required for carousels. Parks does not, as a matter of course, maintain copies of every single permit and license possibly required by every concessionaire. Our agreements do not require concessions to submit copies of each permit or license they have. Our agreements require our concessionaires to obtain all permits and licenses necessary for lawful operation. However, we will continue to ensure that NYO's DOHMH licenses and permit and their DCA and DOB permits related to the operation of an amusement device are up to date."

**Auditor Comment:** Parks inspects concessions only a few times a year. Therefore, Parks should review and maintain copies of New York One's permits and licenses to ensure compliance in a timely manner. If Parks will not maintain copies of all permits and licenses, Parks should at least maintain copies of New York One's permits and licenses related to public health and safety.

38. Report New York One to the Department of Health and Mental Hygiene if its food handlers and carts are not properly licensed.

**Parks Response:** "Parks agrees and has in the past reached out to DOHMH regarding our concerns about NYO mobile food units and we will continue to do so in the future."

## **Insurance**

Although Parks maintained insurance certificates for the Central Park, Flushing Meadows Corona Park, and Forest Park Carousels, Parks failed to ensure that New York One maintained all required insurance and that insured parties were named in accordance with agreements. As noted, New York did not maintain an extended-coverage fire insurance policy for the period January 4, 2009, to December 31, 2009. And while New York One subsequently maintained such coverage, it did not name Parks as the sole insured as required. By not ensuring that insurance was maintained and insured parties were named as specified, Parks exposed the City to potential liability.

## **Recommendation**

With regard to the Flushing Meadows Corona Park Carousel, Parks should:

39. Review New York One's agreements and insurance certificates to ensure that it maintains required types and amounts of insurance and names insured parties as specified.

***Parks Response:*** “Parks agrees and will review NYO’s agreements and insurance certificates to ensure that they are appropriate.”

**NEW YORK ONE, LLC  
349 WEST 37<sup>TH</sup> STREET  
NEW YORK, NY 10018  
212 736 8700 FAX 917 338 0421**

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March 10, 2011

H. Tina Kim  
Deputy Comptroller  
City of New York  
Office of the Comptroller  
Bureau of Audit  
One Centre Street Room 1100  
New York, NY 10007-2341

**RE:     Audit Report on the Department of Parks and  
          Recreation's Monitoring of and New York One's  
          Compliance with Its Contracts Covering City Carousels  
          FK10-108A**

Dear Ms. Kim:

We would like to take this opportunity to respond to your draft report of February 25, 2011.

**AUDIT RESPONSE IN BRIEF**

We began operating the Friedsam Memorial Carousel in Central Park in November of 1995; the Flushing Meadows Corona Park Carousel in April of 2004, and we were *asked* by the Department of Parks and Recreation to take over operation of the Forest Park Carousel in May of 2004. Our contract for the Central Park Carousel was terminated in February of 2010, and our contract for the Forest Park Carousel expired in 2009. We currently continue to operate the Flushing Meadows Corona Park Carousel.

When we began operation of the Friedsam Memorial Carousel in Central Park in 1995, it was in an inoperable state. We immediately began repair work and had the facility up and running. During our entire time at the Carousel we never received any complaints and received numerous compliments and accolades regarding our operation.

In the very beginning of the Audit Report in Brief, it states that we were responsible for maintaining restrooms and surrounding areas. This is not true, as there are no public bathroom facilities at any of the Carousels. In addition, all landscaping at the Friedsam Memorial Carousel in Central Park was the prerogative as well as the responsibility of the Central Park Conservancy.

### Audit Findings and Conclusions

We have maintained records that were turned over to the auditors for their review. At the very basic level, every day records were maintained which broke down the starting and ending transaction numbers of tickets sold. Breakdowns of food, toys and souvenirs were also provided. All records were maintained according to industry standards for all inventories, purchasing and sales. All purchases were documented and inventoried before sales occurred, and these transactions were double checked on a weekly and monthly basis.

For the period October 2008 – December 2009 you determined that New York One understated special events gross receipts by \$58,424.00. This error was discovered during our own internal audit and was an error in our reporting of gross sales. The department was informed accordingly. Furthermore may we point out that our fee offer was structured and accepted by the department as based on the minimum guaranteed fee which was always far higher than the percentage of the gross sales. At no time did the minimum percentage factor into the life of these permits. In other words the department was never owed additional monies due to the percentage kicking in. ***The guaranteed fee was always the higher of the two.*** Based upon this the \$58,424.00 was never a factor that created additional revenues for the city.

We have repeatedly stated that we have performed maintenance on both the Central Park and Forest Park Carousels in house. Payments have been made to Central Park Carousel Inc., and we have submitted payroll records for our tenure of the Forest Park Carousel to verify the same.

We once again state that payments were made for work at both Carousels to Central Park Carousel Inc. We also submitted itemized listings of all work performed by Central Park Carousel for the years 2001-2010. During our tenure at the Friedsam Memorial Carousel, 2 major capital improvements occurred: a new drive unit installed by Carousel Works and paid for by New York One; and the Organ was restored by BAB Organ Works. The Central Park Conservancy paid Central Park Carousel and they in turn paid BAB Organ Works. Both of these improvements may be verified by your offices as your approval was required and obtained. Not only was this was agreed to by the Department of Parks, they also approved the expenditures as well as the actual improvements themselves. May we also point out that this was outside of the audit period.

During the period when we were governed by the temporary agreement we paid the agreed upon amount to the Department of Parks and Recreation as per the temporary contract, with their full knowledge and approval. This is the usual practice, which in fact was once again adhered to by the succeeding concessionaire, The Trump Organization, during their period of taking over the facility.

The Contract governed our relationship with the Department, and not the Request for Proposals. We operated and fulfilled all of our obligations under the Concession Contractual Agreement.

### Audit Recommendations

The following recommendations made by the Comptroller's Office will be implemented with regard to our operation of the Flushing Meadows Corona Park Carousel:

- **Record separately admission, food, and souvenir sales activities on cash registers or other income-recording devices.** This was implemented last year. May we point out that the registers purchased for last year have already been rendered inoperable by inclement weather conditions and new registers have been purchased. This is exactly how we had started operations originally; the hardships of maintaining electronic cash registers on carts out of doors during all types of weather conditions took a toll that created the situation we were in.
- **Issue and maintain copies of pre-numbered, sequential special events agreements and gift certificates.** This has been implemented for this season. The agreements will continue to be computer generated with the numbers issued in sequential, controlled order.
- **Retain all records for at least six years and make them available to the Office of the Comptroller and Parks on demand.** Better controls and records retention have been implemented beginning with the 2010 operating season. All records are being maintained in a secured location in our main office.
- **Accurately and completely report gross receipts generated from all operations in accordance with its agreement.** It goes without saying that we will comply with this recommendation.
- **Perform all stipulated capital improvements and expend at least \$110,000 as proposed.** We take exception to this recommendation. Our permit #Q99-B-CL effective April 1, 2004 indicates Capital *Investments* to be performed, which are specifically related to the day to day operations of the facility. These services are being and continue to be performed during our daily operations of the facility. *There is no dollar amount indicated in the contract for Capital Improvements.* As per the terms of our contract, we fulfilled our obligation to perform capital improvements. We continue to perform improvements and stand behind our commitment.
- **Immediately remit and maintain its security deposit of \$20,000.00.** This has been completed.
- **Properly maintain pushcarts and surrounding areas.** Not only do we agree to maintain surrounding areas of the Carousel, but we remind the Comptroller's office that carts are regularly inspected by the Department of Health and Mental Hygiene. If the carts are deemed to be inoperable they are closed down by that department. This has not occurred at the Flushing Meadows Corona Park Carousel and we will make our best efforts to assure that it never happens.

With regard to the Central Park and Forest Park Carousels and your recommendation that we remit capital investments of \$454,325, we strongly disagree with this. At the exit conference at the Department of Parks and Recreation that took place on December 7, 2010, the Department of Parks and Recreation and ourselves were in agreement that we cannot be held accountable for a figure that was indicated in the RFP (Request for Proposals) but not included in our contract. The contract is the binding agreement, and not the RFP.

*With regard to New York One's overall performance for the three Carousels we will consider it discriminatory that we are to in effect be penalized whenever submitting a response for any future Requests for Proposals. We will also consider Advices of Caution in VENDEX to be discriminatory.*

With regard to the Flushing Meadows Corona Park Carousel:

- All sales records will be maintained in a form suitable for audit and records retained for at least 6 years from 2010. These records are being maintained under secured conditions in our main office.
- The Department of Parks and Recreation has regularly asked us for lists of Capital Investments made and we will continue to provide them with this information. However, once again may we state that there is no dollar figure indicated in our contract for this.
- We have submitted the Security Deposit of \$20,000.00
- We have no health and sanitation issues at the Flushing Meadows Corona Park Carousel. The Department of Health and Mental Hygiene regularly inspects all pushcarts operating throughout the city and we have no control over their schedule of inspections.

**FINDINGS AND RECOMMENDATIONS (page 10 of your draft report)**

**New York One Lacked Sales Records and Sound and Effective Internal Controls**

Records of all sales were recorded onto daily recap sheets and these records were entered onto spread sheets. This has been the case since our initial operation at the Central Park Carousel in November of 1995. There have always been 3 distinct categories of daily income: admissions, food and toys. We have provided the auditors with detailed inventory records for all food and souvenir purchases which are industry standards for cost effectiveness.

When Parks requested that we obtain a point of sale system for the carousels we installed cash registers that record all sales and can be verified. This system is currently in place at the Flushing Meadows Corona Park Carousel, as it had been originally instituted at the Friedsam Memorial Carousel in Central Park. This is exactly how we had started operations originally; the hardships of maintaining electronic cash registers on carts out of doors during all types of weather conditions took a toll that created the situation we were in.

Admission tickets were issued in sequential pre numbered order and were not retained to prevent any incidence of reuse. While we find the recommendation that we retain every sales ticket for audit purposes tedious and adversely time consuming, we have no choice but to comply.

Parks also advised us to reconcile food and souvenir sales with inventory needs and this has also been put into effect by more closely monitoring food and souvenir purchases with food and souvenir sales.

Special events at the Flushing Meadows Coronal Park Carousel are minimal in number, averaging 3-4 per year; nonetheless we will insure that pre numbered sequential agreement forms are used.

We will no longer issue gift certificates.

A separate bank account was established for carousel usage in December of 2009 and has been in use ever since. All income from the Flushing Meadows Corona Park Carousel is deposited directly into this account.

**Recommendations:**

1. Registers have been installed at the Flushing Meadows Corona Park Carousel to record admissions, food sales and souvenir sales. These tapes are reconciled daily and maintained in consecutive order. They are kept in a secure location in our main offices.
2. An inventory of Carousel admission ticket numbers will be maintained. The suggestion that turn styles be installed is not feasible.
3. Carousel admission tickets will be returned to the main office with daily recap sheets for verification. While we find the recommendation that we maintain every ticket issued for audit purposes to be tedious and time consuming, we have no choice but to comply.

4. All food purchased for sale at the Flushing Meadows Corona Park Carousel is purchased from our commissary and all sales records are maintained and verified.
5. All special events agreements and gift certificates will be given control numbers, which will be used sequentially. ***They will continue to be computer generated in the interests of cost effectiveness as well as our efforts to reduce waste and paper.*** May we point out that while our agreements did not include such items as photography and entertainment these items were included based upon customer recommendations. These services were enthusiastically received by our patrons. As the number of special events (e.g. children's birthday parties, and photo shoots) at the Flushing Meadows Corona Park Carousel is minimal at best, we believe this will be much easier to control.
6. All agreements will be used sequentially, and will be issued from our main office for use at the Flushing Meadows Corona Park Carousel.
7. The separate bank account has been operating since December of 2009.
8. Records are being maintained at our offices at 349 West 37<sup>th</sup> Street, and will be retained for at least 6 years from 2010.

**New York One Failed to Report Central Park Carousel Gross Receipts of At Least \$58,424.**

For the period October 2008 – December 2009 you determined that New York One understated special events gross receipts by \$58,424.00. This error was discovered during our own internal audit and was an error in our reporting of gross sales. The department was informed accordingly. Furthermore may we point out that our fee offer was structured and accepted by the department as based on the minimum guaranteed fee which was always far higher than the percentage of the gross sales. At no time did the minimum percentage factor into the life of these permits. In other words the department was never owed additional monies due to the percentage kicking in. ***The guaranteed fee was always the higher of the two.*** Based upon this the \$58,424.00 was never a factor that created additional revenues for the city.

**New York One did not Pay Fees on Time**

9. We will accurately and completely report gross receipts generated from all operations in accordance with our agreement.
10. Minimum fees will be paid on or before the first of each month in accordance with the Fee Payment Schedule.
11. We will continue to pay minimum fees as opposed to applicable percentage fees.

**New York One Failed to Expend \$564,325 On and Perform Capital Improvements, Repairs, and Maintenance.**

We have repeatedly stated that we have performed maintenance on both the Central Park and Forest Park Carousels in house. Payments have been made to Central Park Carousel, Inc. and we have submitted payroll records for our tenure of the Forest Park Carousel to verify the same.

12. We once again state that payments were made for work at both Carousels to Central Park Carousel. We also submit itemized listings of all work performed by Central Park Carousel for the years 2001-2010. During our tenure at the Friedsam Memorial Carousel, 2 major capital improvements occurred: a new drive unit installed by Carousel Works and paid for by New York One; and the Organ was restored by BAB Organ Works. The Central Park Conservancy paid Central Park Carousel and they in turn paid BAB Organ Works. May we point out that both these improvements may be verified by your offices as your approval was required and obtained.

13. We will continue to perform all capital investments to the Flushing Meadows Corona Park Carousel, however we take exception to the arbitrary amount of \$110,000 indicated by the audit.

14. All work at the Flushing Meadows Corona Park will be completed before the end of our contract date of March 2012.

**New York One Failed to Submit Security Deposits totaling \$100,000.00**

The only contract still in effect is that of the Flushing Meadows Corona Park Carousel, and this deposit has been paid. The other contracts have expired. We take exception to the term 'interest revenue'. This implies that the Department of Parks anticipates concessionaires not paying on time and therefore providing an alternative means of revenue.

15. All security deposits that are still required have been paid.

**New York One Did Not Comply With Other Agreement Provisions.**

We take exception to the statement that New York One provided special events including catered parties, entertainment and photography at the Flushing Meadows Corona Park Carousel and the Forest Park Carousel. The only event that ever took place at the Forest Park Carousel was one for carousel devotees from New England that was organized by the Forest Park administrators and attended by Commissioner Benepe. We were asked to provide food and beverages free of charge, which we did gladly in the spirit of promoting the facility and showcasing the city's supervision of the carousel.

With regard to the Central Park Carousel the overwhelming majority of special events and photography sessions that took place were referred to us by the Department of Parks and Recreation, with their knowledge and approval. Indeed these calls were referred to us after the callers had initially contacted the Department of Parks and Recreation to ascertain how to go about a special event at the facility. The Department's only requirement was that the proper insurance be obtained, indicating the City of New York Department of Parks and Recreation as the additional insured.

Children's Birthday parties took place all during the popular summer months as a New York tradition, with the full knowledge of the Department. Long after our tenure ended we continued to receive calls regarding children's birthday parties and referred the calls to the department.

**Recommendations:**

16. We maintain 3 food and 2 souvenir carts at the Flushing Meadows Corona Park Carousel; however, 2 of the 3 food carts also vend ice cream. According to Department of Health and Mental Hygiene regulations ice cream carts must have separate permits and for this reason 5 permits are held for food vending, copies of which have been previously submitted to you.

17. Should any special events take place at the Flushing Meadows Corona Parks Carousel we will refer the requests to Parks for their prior approval. We have in the past worked with the Assistant Commissioner of Parks for the Borough of Queens in this respect and will continue to do so.

**Authorized Price Lists**

Price lists were regularly requested by and submitted to Parks.

**Recommendations:**

18. We have submitted and received back authorized price lists from Parks for their approval. These have been previously submitted to you.

19. We have posted the approved menus at the Flushing Meadows Corona Park Carousel.

**Maintenance**

We take exception to the statement that the carousel pushcarts, snack bars and surrounding areas were not maintained satisfactorily. The pushcarts all undergo regular inspections for permit renewals. Yes there are normal issues of wear and tear, and inclement weather most certainly factors into any out door facility. The carts are regularly inspected by the Department of Health and Mental Hygiene as well as the Department of Parks and Recreation. When problems are observed they are brought to our attention and addressed as quickly as possible. May we point out that we have spent many hours attending ECB hearings regarding alleged violations and approximately 70% of the time the violations are dismissed.

Surrounding areas are policed to the best of our ability. With particular regard to the Flushing Meadows Corona Park Carousel we have addressed the problem of illegal vendors operating with impunity at the very perimeter of the facility. We requested, and received permission, from Parks to place 2 of our own carts right outside of the concession area to act as a deterrent against such activity. We are pleased to report that this has had a positive effect. May we also point out that all horticulture is maintained by the respective conservancies.

**Recommendations**

20. Push carts are regularly reviewed for repairs and maintenance. They are inspected by the Department of Health and Mental Hygiene at the beginning of each permit period. They are not allowed to operate unless they pass inspection.

## Permits and Licenses

We find this issue somewhat troubling. We have spent literally days completing the application, renewal, and inspection processes. For all three facilities copies of the cart permits have already been submitted. We also regularly obtained operating permits for the Carousels. We will assure that only licensed food vendors are operating our carts at the Flushing Meadows Corona Park Carousel.

21. We have assured that all vending locations are operated by licensed food vendors.

## Insurance:

22. Current insurance is in effect for the Flushing Meadows Corona Park Carousel, naming the Department of Parks and Recreation as the sole insured on each policy.

## Parks Failed to charge and Collect Fees For Operation of the Central Park Carousel

23. *This issue to be addressed by Parks.*  
24. *This issue to be addressed by Parks.*

## Parks Failed to Incorporate Material Proposal Terms in Agreements

25. *This issue to be addressed by Parks.*

## Parks Did Not Adequately Monitor New York One's Performance or Enforce Agreement Terms and Conditions

*This issue to be addressed by Parks – HOWEVER we do have correspondence verifying that they were regularly in touch with us regarding many issues.*

26. *This issue to be addressed by Parks.*  
27. *This issue to be addressed by Parks.*  
28. *This issue to be addressed by Parks.*

## Sales Records

29. All sales records will be maintained in a form suitable for audit and records retained for at least 6 years from 2010. These records are being maintained in a secure location in our main offices.

## Capital Improvements

30. *This issue to be addressed by Parks.*  
31. *This issue to be addressed by Parks.*

## Security Deposits

32. *This issue to be addressed by Parks.*

**Scope of Operations**

33. *This issue to be addressed by Parks.*

**Authorized Price Lists**

34. *This issue to be addressed by Parks.*

**Maintenance**

35. *This issue to be addressed by Parks.*

36. *This issue to be addressed by Parks.*

**Permits and Licenses**

37. *This issue to be addressed by Parks.*

38. *This issue to be addressed by Parks.*

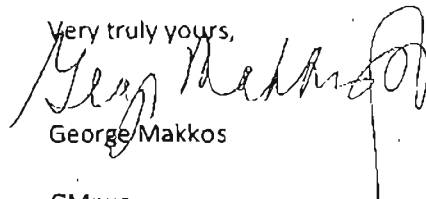
**Insurance**

39. *This issue to be addressed by Parks.*

In conclusion may we point out that acceptance of our proposals to operate the facilities was always based on submission of guaranteed income, that is to say the higher figure as opposed to the percentage of gross sales. We made every effort to keep the Friedsam Memorial Carousel in operation year round, to increase income for us as well as revenue for Parks. We consider ourselves to have been successful in this respect. Notwithstanding a less than favorable economic climate, the Carousel continued to generate income while we were operating it.

We will request, as is our right under the Freedom of Information Act, copies of the gross receipts for the current operators of the Friedsam Memorial Carousel, which, may we point out, has been closed since October 31, 2010. We wish to verify that the monies reported by us have been in excess of the current operator's income.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'George Makkos', is written over the typed name. The signature is fluid and cursive, with a long vertical stroke extending downwards from the end of the name.

George Makkos

GM:wc



City of New York  
Parks & Recreation

Adrian Benepe  
Commissioner

The Arsenal  
Central Park  
New York, New York 10065

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March 11, 2011

Tina Kim  
Deputy Comptroller for Audit  
City of New York Office of the Comptroller  
One Centre Street  
New York, NY 10007-2341

**Re: New York City Comptroller's Draft Audit Report on the Department of Parks & Recreation's Monitoring of and New York One's Compliance with Its Contracts Covering City Carousel / Audit Report FK10-108A**

Dear Deputy Comptroller Kim:

This letter addresses the findings and recommendations ("Recommendations") contained in the New York City Comptroller's ("Comptroller") Draft Audit Report ("Report"), dated February 25, 2011, on the above subject matter. Among other things, the Report found that New York One ("NYO") had a severe lack of internal controls over the carousels in Central Park, Flushing Meadows Corona Park ("FMCP") and Forest Park. The Report also noted the Central Park contract was terminated in January 2010 and the Forest Park contract expired in May 2009. NYO's sole remaining carousel contract, for FMCP, expires early next year. Parks has issued a follow-up letter to New York One ("NYO") directing it to comply with nearly all of the Report's Recommendations that were directed to NYO.

Before discussing the Report's Recommendations, and in light of the poor internal controls and other operational deficiencies raised in the Report, we want to highlight our oversight efforts to help improve the compliance of our concessionaires. In 2008 the New York City Department of Parks & Recreation ("Parks") instituted an extensive outreach strategy to educate our concession operators. We began compliance mailings and numerous individual meetings with concessionaires to assess the requirements of their contract and address emerging issues or questions regarding proper compliance. Parks has also undertaken a number of internal reviews of concessionaires' books and records. These efforts are in addition to our routine operational inspections, capital inspections, internal meetings regarding follow-up on non-compliance and coordination with other City agencies when appropriate.

Our goal is to ensure that our concessionaires understand what is expected of them and recognize the necessity of effective internal controls, as well as the potential consequences of weak controls. As you know, before the Comptroller's audit began, Parks had already performed its own internal review of NYO's operation of the Central Park Carousel. We subsequently terminated the agreement due, in part, to a lack of internal controls identified by our review.



As indicated earlier in this response, we have directed NYO to implement nearly all of the Recommendations addressed to NYO in the Report, including all internal control and operational related Recommendations. We have not directed NYO to comply with certain Recommendations concerning capital improvements, please see our response to Recommendation 30. Following are responses to each Recommendation directed to Parks.

The Report included the following Recommendations to Parks:

With regard to its concession properties, Parks should:

**Recommendation 23** - Charge and collect fees from all entities operating concessions.

**Recommendation 24** - Contract with all entities operating concessions and do so in a timely manner.

Parks agrees and will continue to collect fees from all entities operating concessions under a license or permit agreement. Additionally, Parks will continue to contract with all entities operating concessions as expediently as possible.

**Recommendation 25** - Ensure that agreements are consistent with winning proposals and incorporate all material proposal terms.

Parks agrees with this Recommendation. It is important to note that the permit agreements referenced in this Recommendation were prepared in early 2004 and the practices in place at that time do not reflect our current process for preparing permit agreements. Since 2004, Parks has instituted procedures with the City's Law Department, as well as its own internal review within Parks, to ensure that all elements of a winning concessionaire's proposal are incorporated into the executed agreement. The Law Department must approve the content of all permit agreements before they can be sent to the Comptroller for registration.

With regard to NYO's overall performance for the Central Park, FMCP and Forest Park Carousels, Parks should:

**Recommendation 26** - Consider issues identified by Parks and the Comptroller if and when New York One submits proposals to operate concessions on City-owned properties.

Parks agrees and will consider all of the findings and Recommendations included in this Report if and when NYO submits any other proposals to operate concessions on City-owned properties.

**Recommendation 27** - Issue Notices to Cure, assess liquidated damages when permissible, and follow up on noncompliance.

Parks agrees and will continue to issue Notices to Cure, assess liquidated damages when permissible, and follow-up on noncompliance issues with NYO. Indeed, during the terms of the permit agreements for FMCP and Forest Park we performed thirty (30) inspections and issued fourteen (14) Notices to Cure in addition to collecting liquidated damages from these seasonal operations. During the terms of the Central Park Carousel, we performed thirty-three (33) inspections and issued thirteen (13) Notices to Cure and, as the Report notes Parks "...identified significant issues regarding sales records and internal controls and followed up by issuing Notices to Cure and working with NYO to correct identified issues."

**Recommendation 28 - Complete Performance Evaluations and issue Advices of Caution in VENDEX**

Parks agrees and as demonstrated by the number of inspections, Notices to Cure and the internal review performed of the Central Park Carousel, Parks has routinely monitored the performance and compliance of NYO's operation of the carousels. Based on the findings in this Report, and our own internal documents covering the performance of NYO, we will consider issuing an Advice of Caution in VENDEX.

With regard to the Flushing Meadows Corona Park Carousel, Parks should:

**Recommendation 29 -** Ensure that New York One maintains sales records at the Flushing Meadows Corona Park Carousel in a form suitable for audit and retain sales records for at least six years.

Parks agrees and has directed NYO to maintain all sales records at the FMCP Carousel post audit, and to maintain the limited records NYO did have during the audit period.

**Recommendation 30 -** Seek legal remedies for New York One's default on its capital investment commitments totaling \$454,325.

Parks does not believe that payment is due related to capital improvements. NYO undertook the significant investments required to maintain all three carousels in working order throughout the terms of their agreements as well as performing aesthetic improvements to the carousel structures and the surrounding landscape. Additionally, we disagree with the manner in which the Report calculated capital fees owed for the three carousels. Neither the permit agreement for the Forest Park Carousel nor the permit agreement for the FMCP Carousel included minimum capital investment amounts. These permit agreements only stated the capital work that was required to be completed; they did not state a required or estimated cost for this work. While the license agreement for the Central Park Carousel included a minimum capital investment amount, the license agreement did not require NYO to submit documentation to Parks to support its capital expenditures. Indeed, many of the qualifying capital items in the Central Park Carousel agreement were for in-house expenditures, such as maintenance and repair, where staff is performing these tasks in addition to their other duties. Lastly, the Central Park Carousel agreement in question began on January 1, 2001 and expired on December 31, 2007. Holding NYO responsible for maintaining capital expenditure documentation, some of which is ten years old, goes beyond any interpretation of the requirements of this agreement because: (a) the agreement does not require NYO to submit capital expenditure documentation to Parks, and (b) the agreement only requires NYO to maintain the documentation it is required to maintain for six years.

The above comments notwithstanding, we recognize the Comptroller's concern regarding the different elements of proposals all finding their way into a final contract. As previously mentioned, for the past several years, Parks has worked diligently with City's Law Department to ensure that all elements of a concessionaire's proposal are included in any subsequent license or permit agreement (see our response to Recommendation 25).

With regard to capital at the FMCP Carousel, Parks has directed NYO to complete all required capital improvements at the licensed premises, including those requirements requiring ongoing work on an as needed basis throughout the term of the License Agreement. NYO should paint, as needed, all wood trim

and interior surfaces on a regular basis and preserve, restore, and maintain in excellent condition the musical pipe organ throughout the term of the concession.

With regard to the Flushing Meadows Corona Park Carousel, Parks should:

**Recommendation 31** - Ensure that New York One completes and submits the necessary documentation of capital improvements performed at the Flushing Meadows Corona Park Carousel.

Parks agrees and will ensure that NYO completes all required capital improvements at the FMCP Carousel, including those requirements requiring ongoing work on an as needed basis throughout the term of the License Agreement.

**Recommendation 32** - Immediately require New York One to submit a security deposit of \$20,000, as stipulated in its agreement.

Parks has directed NYO to replace its letter of credit with a security deposit of \$20,000.

**Recommendation 33** - Periodically inspect the Flushing Meadows Corona Park Carousel to ensure that New York One is operating within the scope of its operations.

**Recommendation 34** - Compare items sold and pricing posted at the Flushing Meadows Corona Park Carousel to those on file with and approved by parks to ensure that New York One sells only Parks-approved items at parks-approved prices.

Parks agrees and will continue to inspect NYO's operation of the FMCP Carousel to ensure there is not unauthorized expansion. During these inspections, we will also ensure that NYO is posting and charging approved prices for Parks-approved items.

**Recommendation 35** - Ensure that New York One maintains the Flushing Meadows Corona Park Carousel by issuing Notices to Cure and assessing liquidated damages for non-compliance.

Parks agrees and will continue to issue Notices to Cure and assess liquidated damages, when appropriate, for non-compliance issues at any of our concessions.

**Recommendation 36** - Refer health and sanitation issues to the Department of Health and Mental Hygiene.

Parks agrees and will refer potential health issues to DOHMH.

**Recommendation 37** - Review and maintain copies of New York One's permits and licenses to ensure that it obtains all necessary permits and licenses.

Our inspection reports note the existence (or absence) and expiration date of certain permits and licenses such as those issued by DOHMH, the New York State Liquor Authority or DCA and DOB—which respectively issue and inspect an amusement device permit required for carousels. Parks does not, as a matter of course, maintain copies of every single permit and license possibly required by every concessionaire. Our agreements do not require concessions to submit copies of each permit or license they have. Our agreements require our concessionaires to obtain all permits and licenses necessary for lawful

operation. However, we will continue to ensure that NYO's DOHMH licenses and permits and their DCA and DOB permits related to the operation of an amusement device are up to date.

**Recommendation 38** - Report New York One to the Department of Health and Mental Hygiene if its food handlers and carts are not properly licensed.

Parks agrees and has in the past reached out to DOHMH regarding our concerns about NYO mobile food units and we will continue to do so in the future.

**Recommendation 39** - Review New York One's agreements and insurance certificates to ensure that it maintains required types and amounts of insurance and names insured parties as specified.

Parks agrees and will review NYO's agreements and insurance certificates to ensure that they are appropriate.

Finally, Parks wishes to thank you and your audit staff for the time and effort devoted to completing this Report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Elizabeth W. Smith', with a long horizontal flourish extending to the right.

Elizabeth W. Smith

Cc: Robert L. Garafola, Charles Kloth, Melissa Goldberg, Jun Lee, Walter Roberts