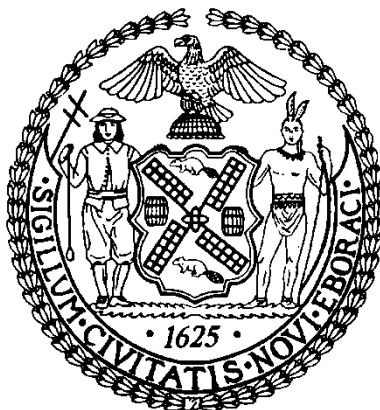


# **CITY OF NEW YORK OFFICE OF THE COMPTROLLER**

**John C. Liu  
Comptroller**

## **FINANCIAL AUDIT**

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



## **Audit Report on the Randall's Island Sports Foundation's Compliance with Its License Agreement with the City of New York Department of Parks and Recreation**

*FM10-098A*

**May 5, 2011**



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

John C. Liu  
COMPTROLLER

May 5, 2011

To the Residents of the City of New York:

My office has audited the Randall's Island Sports Foundation's (RISF) compliance with its license agreement with the City of New York Department of Parks and Recreation (Parks). We audit entities such as RISF as a means of ensuring that they comply with the terms of their agreements.

Under the license agreement, RISF is authorized to provide various services on Randall's Island such as athletic, educational, and recreational activities. Any revenue earned on the island is retained by RISF to maintain and provide services on the island. The agreement also authorizes RISF to retain revenue derived from concessions operating on the island to be used for the operation and maintenance of the park.

The audit found that RISF accurately recorded and reported revenues and incurred expenses that were reasonable, appropriate, and in compliance with the license agreement. However, we noted two internal control issues. RISF improperly transferred or deposited \$293,076 of license revenue (City funds) to its private bank account. Combining City license revenue with donations can result in City funds being used to pay expenses that are not directly associated with the management and maintenance of the Park or to be kept by RISF should the partnership between the two parties cease. In addition, RISF misclassified \$160,000 of the \$293,076 as donations rather than City revenue. Misclassifying license revenue as donations can affect money due to the City at year end.

Other issues which came to our attention relate to Parks's oversight. Parks did not notify the New York City Conflicts of Interest Board (COIB) of significant changes to the Administrator's dual compensation from the City and RISF, and, as a result, may be in violation of conflicts-of-interest laws. Since 2004, the Administrator's salary has substantially changed at least two times without notification to COIB, while the portion paid by the City has also substantially changed at least once. These changes not only raise concerns about whether the current salary arrangement is violating conflict-of-interest laws, but also dramatically increase pension benefits upon retirement. We also believe that there is a lack of transparency over this arrangement. Finally, Parks improperly directed \$5 million to RISF rather than depositing the funds directly in the City treasury. Although the funds eventually were returned to the City treasury, the City did not have immediate access to this money and lost approximately \$109,000 in potential interest income.

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

If you have any questions concerning this report, please e-mail 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 Randall's Island Sports Foundation's  
Compliance with Its License Agreement with the  
Department of Parks and Recreation**

**FM10-098A**

**AUDIT REPORT IN BRIEF**

Randall's Island Sports Foundation (RISF) was founded in 1992 as a not-for-profit corporation formed to promote and assist in the restoration, maintenance, and operation of Randall's Island on the East River between East Harlem, the South Bronx, and Astoria. The Executive Director of RISF serves as the Administrator of the park and is dually employed by the New York City Department of Parks and Recreation (Parks). On January 29, 2007, RISF entered into a five-year license agreement with Parks. The license agreement authorizes RISF to provide various services on Randall's Island such as athletic, educational, and recreational activities. Any revenue earned on the island is retained by RISF to maintain and provide services on the island. The agreement also authorizes RISF to retain revenue derived from concessions operating on the island to be used for the operation and maintenance of the park. Any funds received by RISF in excess of the annual operating and maintenance budget established in conjunction with Parks must be returned to Parks on behalf of the City.

Our objective was to determine whether RISF accurately recorded and reported revenues and whether the expenses were reasonable, appropriate, and in compliance with the license agreement.

**Audit Findings and Conclusions**

Generally, RISF accurately recorded and reported revenues and incurred expenses that were reasonable, appropriate, and in compliance with the license agreement. However, we noted two internal control issues. RISF improperly transferred or deposited \$293,076 of license revenue (City funds) to its private bank account. Combining City license revenue with donations can result in City funds being used to pay expenses that are not directly associated with the management and maintenance of the Park or to be kept by RISF should the partnership between the two parties cease. In addition, RISF misclassified \$160,000 of the \$293,076 as donations rather than City revenue. Misclassifying license revenue as donations can affect money due to the City at year end.

Other issues which came to our attention relate to Parks's oversight. Parks did not notify the New York City Conflicts of Interest Board (COIB) of significant changes to the Administrator's dual compensation from the City and RISF, and, as a result, may be in violation of conflicts-of-interest laws. Since 2004, the Administrator's salary has substantially changed at least two times without notification to COIB, while the portion paid by the City has also substantially changed at least once. These changes not only raise concerns about whether the current salary arrangement is violating conflict-of-interest laws, but also dramatically increase pension benefits upon retirement. We also believe that there is a lack of transparency over this arrangement. Finally, Parks improperly directed \$5 million to RISF rather than depositing the funds directly in the City treasury. Although the funds eventually were returned to the City treasury (prior to the commencement of this audit), the City did not have immediate access to this money and lost approximately \$109,000 in potential interest income.

### **Audit Recommendations**

The audit makes 11 recommendations — four to RISF and seven to Parks. Among those recommendations,

RISF should:

- Ensure all City funds, including interest earned on these funds, are kept separate from RISF's private accounts.
- Immediately transfer \$293,076 to the City account.
- Repay the City the \$109,000 in interest earned on MOU funds.

Parks should:

- Modify the license agreement to explicitly state that interest earned on City funds should remain in the City account designated for license revenue.
- Notify COIB of the changes to Administrator's responsibilities and salary (including bonuses) and seek an opinion as to whether the current arrangement violates any COIB regulations.
- Establish formal guidelines for these cases which specifically documents salary parameters, justification for funding switches, job responsibilities, and other matters.
- Refer the pension issue to the Law Department for review and consideration in the context of this and any similar arrangements.
- Cease the practice of redirecting Memorandum of Understanding (MOU) funds to RISF, require that it deposit all MOU funds directly into the City treasury, and ensure the \$109,000 in interest is deposited into the City's general fund.

**Auditee Response**

RISF and Parks officials generally agreed with the audit's findings and recommendations.

## **INTRODUCTION**

### **Background**

Randall's Island Sports Foundation (RISF) was founded in 1992 as a not-for-profit corporation formed to promote and assist in the restoration, maintenance, and operation of Randall's Island on the East River between East Harlem, the South Bronx, and Astoria. The mission of RISF is to work in conjunction with City leadership to develop sports and recreational facilities, restore the natural environment, maintain parkland, and sponsor community-linked programs for the children of the City. The Executive Director of RISF serves as the Administrator of the park and is dually employed by the New York City Department of Parks and Recreation (Parks).

On January 29, 2007, RISF entered into a five-year license agreement with Parks. The license agreement authorizes RISF to provide various services on Randall's Island such as athletic, educational, and recreational activities. Any revenue earned on the island is retained by RISF to maintain and provide services on the island. The agreement also authorizes RISF to retain revenue derived from concessions operating on the island to be used for the operation and maintenance of the park. Any funds received by RISF in excess of the annual operating and maintenance budget established in conjunction with Parks must be returned to Parks on behalf of the City.

According to its 2008 certified financial statements, RISF reported total revenue in excess of \$6.2 million and expenses of approximately \$5.9 million. In 2008, the fund balance was \$3,970,571.

### **Objective**

To determine whether RISF accurately recorded and reported revenues and whether the expenses were reasonable, appropriate, and in compliance with the license agreement.

### **Scope and Methodology**

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

The audit scope covered the period January 1, 2008, to December 31, 2008. To achieve our objectives and gain an understanding of RISF's operations, we interviewed RISF and Parks

officials. We also reviewed RISF's license agreement, vendor contracts, bylaws, budgets and certified financial statements, Articles of Incorporation, board meeting minutes, and Internal Revenue Service Form 990. In addition, we performed an analytical review of RISF's income and expenses.

To obtain an understanding of RISF's controls over the recording and reporting of its revenue and expenses, we reviewed its policies and procedures, conducted a walk-through of its operations, and performed an unannounced observation of the property. For 2008, we also reviewed all canceled checks RISF paid from City funds to determine whether proper signatures were obtained, checks were issued in sequential order, and whether payees on canceled checks matched those in the books and records. In addition, we determined whether bank reconciliations were performed and properly reviewed. Finally, we documented our understanding of the internal controls through written narrative.

To determine whether all special events agreements were provided by RISF, we compared the agreements to the special events permits issued by Parks. To obtain reasonable assurance that RISF accurately recorded and reported license revenue generated through concessions and special events, we reviewed the payment terms of all eight agreements and traced all agreement payments received from RISF's bank statements to the cash receipts journal and general ledger. To determine whether RISF properly recorded all expenditures, we traced all payments made from each of RISF's bank accounts to the cash disbursements journal and reconciled all disbursements and year-end accruals to the amounts recorded in the general ledger. We then traced each revenue and expense account balance from the general ledger to the trial balance and to the certified financial statements.

To test the validity of Other Than Personal Services (OTPS) expenditures, we judgmentally selected the highest single payment from each of the 22 vendors that had total aggregate payments of \$20,000 or more (\$1.2 million of \$2.7 million). We also randomly selected 25 of 235 payments in excess of \$500 but less than \$20,000 (\$35,726 out of \$428,315) and examined supporting documents such as invoices, vouchers, and agreements to determine whether expenses were reasonable and appropriate. For expenses paid with City funds, we determined that no expenses, other than those that constitute program and service expenses, were paid and recorded. To test the validity of Personal Service (PS) expenses, we judgmentally selected the highest month's payroll (May 2008), which accounted for \$185,645 of the total \$1,580,274 in PS expenditures, and compared the paychecks issued during that month with the payroll register and W-2 forms. We verified whether the payees' listed addresses matched those on the W-2 forms and the fees and taxes from the payroll register matched the bank statements. We also examined canceled checks for May, June, and December 2008 to determine whether they had the appropriate signatures and were not double endorsed.

In addition, we reviewed supporting documentation for \$465,000 in accrued OTPS expenses, a one-time payment of \$350,000 from RISF to Parks, and \$273,000 in accrued salaries to determine whether these expenses were reasonable, necessary, and properly recorded in the



general ledger. Finally, we requested all American Express credit card statements for Fiscal Year 2008 and reviewed \$25,000 in charges posted to this account.<sup>1</sup>

We determined whether donations received by RISF complied with the Conflict of Interest Board (COIB) Advisory Opinion 2003-04 (Fundraising for the City) and Advisory Opinion 2005-01 (Salary Supplements). We also determined whether RISF filed with the COIB its biannual public report for its donations. Furthermore, we reviewed the donations to determine whether they were valid donations and not license revenue. Finally, we obtained and reviewed all documentation from Parks and RISF regarding the Administrator's dual salaries. This documentation was reviewed to determine whether the salaries were compliant with conflicts of interest laws.

### **Discussion of Audit Results**

The matters covered in this report were discussed with RISF and Parks officials during and at the conclusion of this audit. A preliminary draft report was sent to RISF and Parks officials and was discussed at an exit conference held on March 18, 2011. On March 21, 2011, we submitted a draft report to these officials with a request for comments. We received a written response from RISF and Parks officials on April 1, 2011, and April 4, 2011, respectively.

In their responses, RISF and Parks officials generally agreed with the audit's findings and recommendations. On March 25, 2011, RISF remitted to the City the \$109,000 in interest it earned on the MOU funds. Regarding the finding that RISF improperly transferred or deposited \$293,076 of license revenue to its private bank account, RISF officials stated that "RISF believes that the lion's share of the \$293,076 had been properly recorded as private funds rather than license revenue. However, RISF agreed to transfer the full amount cited to the City account as license revenue and subsequently did so on March 22, 2011...."

Due to the favorable responses, we did not include any aspects of the responses in the subsequent text of this report. The full texts of the responses received from RISF and Parks are included as addenda to this report.

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<sup>1</sup> A total of \$192,902 in expenses were not reviewed or included in the test population. \$94,787 of the \$192,902 consisted of disbursements that were less than \$500. \$98,115 of the \$192,902 was in-kind support.

## **FINDINGS**

Generally, RISF accurately recorded and reported revenues and incurred expenses that were reasonable, appropriate, and in compliance with the license agreement. However, we noted two internal control issues. RISF improperly transferred or deposited \$293,076 of license revenue (City funds) to its private bank account. Combining City license revenue with donations can result in City funds being used to pay expenses that are not directly associated with the management and maintenance of the Park or to be kept by RISF should the partnership between the two parties cease. In addition, RISF misclassified \$160,000 of the \$293,076 as donations rather than City revenue. Misclassifying license revenue as donations can affect money due to the City at year end.

Other issues which came to our attention relate to Parks's oversight. Parks did not notify COIB of significant changes to the Administrator's dual compensation from the City and RISF, and, as a result, may be in violation of conflicts-of-interest laws. Since 2004, the Administrator's salary has substantially changed at least two times without notification to COIB, while the portion paid by the City has also substantially changed at least once. These changes not only raise concerns about whether the current salary arrangement is violating conflict-of-interest laws, but also dramatically increase pension benefits upon retirement. We also believe that there is a lack of transparency over this arrangement. Finally, Parks improperly directed \$5 million to RISF rather than depositing the funds directly in the City treasury. Although the funds eventually were returned to the City treasury, the City did not have immediate access to this money and lost approximately \$109,000 in potential interest income.

### **RISF Included City License Revenue Within Its Private Account**

In 2008, RISF improperly transferred or deposited \$293,076 of City license revenue with funds to its private account. Specifically, \$253,885 was improperly transferred and \$39,191 was improperly deposited to RISF's private account rather than to the City's license revenue account. According to Section 16 of the license agreement, RISF is required to deposit and maintain all revenue collected from license agreements and fees collected from services in the park in an account separate and apart from other funds. Combining funds can result in significant amounts of City money being kept on RISF's private books and records and inhibits the City's ability to ensure that the City's money is being accounted for and used for its intended purpose. For example, the funds could be used to pay other expenses not directly associated with the management and maintenance of the park, such as fund-raising expenses or employee bonuses. Further, should the partnership between the two cease, Parks would have great difficulty claiming the funds.

In addition to the improperly transferred or deposited funds, \$160,000 of the \$293,076 was misclassified on the books and records as contributions and grants. In 2006, RISF entered into a five-year agreement with Mount Sinai Hospital to advertise in and around the stadium on the island, receive tickets to stadium events, and have one private event each year for the

duration of the agreement—in exchange for annual escalating payments ranging from \$100,000 in 2006 to \$175,000 in 2010.

During 2008, Mount Sinai Hospital paid RISF \$160,000, which was deposited in the City license revenue account. Although the \$160,000 was classified as grants and contributions on RISF's financial statements, these funds were paid to RISF in consideration for advertisements, tickets, and private events. Cash paid in consideration for services does not constitute a donation, contribution, or grant. As a result of the misclassification, license revenue was understated. Understating license revenue can reduce money owed to the City from RISF because RISF's agreement requires RISF to pay the City any funds it receives through licensing revenue in excess of the operational budget it establishes with Parks. The agreement states, "Any excess funds beyond the park's operations and maintenance budget will be paid directly to Parks on behalf of the City." Although revenue generated by RISF did not exceed the budget in 2008, the practice of recording these funds as grants and contributions would proportionately reduce any funds due to the City in the year received should such events occur.

On January 6, 2011, we met with RISF's Director of Finance to discuss the improper transfers and deposits. We were informed that approximately \$94,000 of the \$293,000 was interest earned on City funds. The Director of Finance stated that because the license agreement is ambiguous regarding interest earned on City funds, it is RISF's position that it be transferred to the private account. Although the Director of Finance was unable to fully reconcile the \$293,000 or provide adequate support for the \$94,000 in interest transfers cited by RISF, interest on City funds should not be transferred out of the City account regardless of RISF's position. RISF's license agreement states, "RISF is authorized to invest revenues...Such revenues may be withdrawn from the Account and expended by RISF solely for operating, managing, maintaining, and improving the Park." This does not include transfers to RISF's private reserve.

## **OTHER ISSUES**

### **Potential Non-compliance with Conflict-of-Interest Law and a Lack of Transparency Regarding the Administrator's Compensation**

Parks may not be in compliance with conflict-of-interest laws as it did not notify COIB of significant changes to the Administrator's compensation from the City and RISF. We also believe that there is a lack of transparency over this arrangement. In 1993, COIB originally allowed RISF to supplement the Administrator's annual City salary and also approved the Administrator to work as a Project Coordinator at RISF. However, after subsequent requests from Parks to COIB for salary increases, it remains unclear whether the Administrator was receiving a salary supplement for the performance of her official duties as a City employee or working as a paid employee/consultant for RISF. The last request from Parks for a salary increase was made in 2004. Since 2004, the Administrator's salary has substantially changed at least two times without notification to COIB, while the portion paid by the City has also substantially changed at least once. These changes not only raise concerns about whether the current salary arrangement is violating conflict-of-interest laws, but also dramatically increase pension benefits upon retirement.

Chapter 68 of the City Charter prohibits City employees from receiving compensation from sources other than the City for performing their City work. Chapter 68, however, contains a waiver provision, authorizing the Board to permit a City employee to engage in conduct otherwise prohibited by Chapter 68, provided COIB determines, after receiving written approval from the employee's agency head, that the conduct does not conflict with the purposes and interests of the City. According to Advisory Opinion 2005-01, COIB considers applications for such waivers on a case-by-case basis.

On June 9, 1993, the Administrator (current Parks in-house title) received permission from COIB to accept \$27,500 from RISF as a portion of her annual City salary for the performance of her official duties as Director of Randall's Island. COIB also permitted the Administrator to serve as Project Coordinator for RISF. On November 29, 1994, the former Commissioner of Parks petitioned COIB to approve an increase in compensation from \$27,500 to \$35,000 because the Administrator's role with RISF expanded from Project Coordinator to Senior Project Manager. On December 13, 1994, COIB approved the increase. However, we are uncertain whether the Administrator was originally authorized to receive compensation for her role as Project Coordinator. According to COIB, the initial \$27,500 was provided as financial assistance to Parks for the performance of the Administrator's official duties as a Parks employee. It remains unclear whether her positions of Project Coordinator or Senior Project Manager at RISF constitute official City duties or whether there are separate responsibilities. If these funds were paid as compensation for titles separate and apart from her work with the City, she would have had to work hours in addition to the normal work hours as a Parks employee. Situations such as these should not be left open to interpretation and require clear, definitive boundaries.

Furthermore, it appears that Parks neglected to inform COIB of additional changes to the Administrator's salary structure. On January 26, 2004, the Commissioner of Parks requested that COIB retroactively approve a salary supplement of \$59,000, which was implemented sometime after 1994. It was requested retroactively because, according to the January 26, 2004, letter, "Parks inadvertently neglected to seek approval." Subsequent to the last waiver granted by the COIB on February 23, 2004, the Administrator's salary structure has changed substantially at least twice without notification to COIB. In Parks's January 26, 2004, request, Parks cites budget constraints and the need to retain the Administrator's services as grounds for a salary supplement of \$59,000 from RISF in addition to the Administrator's City salary of \$41,820. However, during the first half of calendar year 2008, the Administrator's salary was approximately \$57,000 from the City and \$94,000 from RISF. During the second half of the year, RISF was to provide approximately \$34,000 and the City more than \$118,000 on a yearly basis.<sup>2</sup> Furthermore, the salaries do not include the \$15,000 bonus paid to the Administrator from RISF at the beginning of 2008 and another \$15,000 paid in 2009. In both cases, Parks failed to obtain a waiver allowing for a change in salary and acceptance of bonuses.

Due to the fact-specific nature of the waiver-granting process, any substantial change to the Administrator's circumstances after February 23, 2004, such as the salary increases and bonuses paid by RISF, should have been reported to the COIB for approval in accordance with Advisory Opinion 2005-01 and the February 2004 waiver, which explicitly stated that "the views expressed in this letter are conditioned on the correctness and completeness of facts supplied to us...If at any time you would like further advice based on change circumstances or additional information, please contact us." Parks should have reported to COIB any changes in the Administrator's responsibility, title, or compensation and requested a determination that the changes were permissible under Chapter 68. Parks's failure to do so raises the issue of whether the revised salary structure and bonuses were consistent with Chapter 68.

Compensation to City employees from private entities requires tighter controls. COIB relies on Parks to supply the facts and circumstances in each case. As illustrated, Parks has been somewhat lax in the timeliness of the information supplied to COIB. This has implications beyond conflicts-of-interest laws. The City is now paying over \$118,000 of the salary instead of \$41,000. Even though this arrangement was established to ease the financial burden on the City, the City now pays the majority of the salary, which will dramatically increase retirement benefits.<sup>3</sup> Furthermore, we cannot determine whether the Administrator made the appropriate payments into the pension system because the City only recently started paying the majority of her salary.

This case highlights a need for greater controls to prevent abuse and increase transparency. Parks needs to formalize a document that outlines the amounts and sources of compensation as well as the duties and responsibilities of those municipal workers whose salary(ies) is (are) paid from both public and private sources and any additional hours worked. These types of arrangements should not continue without transparency and a proactive form of oversight.

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<sup>2</sup> The salary figures are based on service for a full year and are not prorated.

<sup>3</sup> Retirement benefits are calculated based on Final Average Salary (FAS). FAS is defined as the wages earned by a member during the three consecutive calendar years which provide the highest average wage.

**Parks Improperly Directed \$5 Million  
in City Funds to RISF**

Parks improperly directed the Triborough Bridge and Tunnel Authority (TBTA) to remit \$5 million to RISF instead of the City treasury. In 2006, Parks, acting on behalf of the City, TBTA, and the Office of Mental Health of the State of New York, entered into a Memorandum of Understanding (MOU) to facilitate the reconstruction of the Triborough Bridge toll plaza and other public improvements on Randall's and Wards Islands. Included in the MOU were several milestones that prompted payments from TBTA to Parks. Between 2007 and 2008, five milestones were reached that should have resulted in five payments to the City. However, four out of five payments totaling \$5 million were remitted to RISF. Although prior to the commencement of the audit, RISF returned the funds to the City as of March 2008 (\$3 million) and April 2009 (\$2 million) Parks allowed RISF to keep the interest it had earned on the City's money.

As result of Parks's decision, the City did not have access to this money and lost potential interest income. According to its 2008 financial statements, RISF earned \$109,000 in interest on these funds in 2007 and 2008. In addition, several milestones and several million dollars in payments remain in the agreement. Parks needs to ensure that the City's interest is being represented and future payments resulting from this agreement are immediately deposited into the City treasury rather than kept off the City's books to benefit RISF.

## **RECOMMENDATIONS**

RISF should:

1. Ensure all City funds, including interest earned on these funds, are kept separate from RISF's private accounts.
2. Immediately transfer \$293,076 to the City account.
3. Ensure that any funds derived from license agreements, as well as future funds received from the Mount Sinai Hospital agreement, are recorded as license revenue and not as contributions and grants.
4. Repay the City the \$109,000 in interest earned on MOU funds.

Parks should:

5. Perform a review of RISF books and records for 2009, 2010, and each subsequent year to ensure that all license revenue was properly accounted for and determine whether excess funds exist beyond the budget for operations and maintenance. If so, any excess funds should be returned to the City.
6. Modify the license agreement to explicitly state that interest earned on City funds should remain in the City account designated for license revenue.
7. Notify COIB of the changes to Administrator's responsibilities and salary (including bonuses) and seek an opinion as to whether the current arrangement violates any COIB regulations.
8. Establish formal guidelines for these cases which specifically documents salary parameters, justification for funding switches, job responsibilities, and other matters.
9. Refer the pension issue to the Law Department for review and consideration in the context of this and any similar arrangements.
10. Cease the practice of redirecting MOU funds to RISF, require that it deposit all MOU funds directly into the City treasury, and ensure the \$109,000 in interest is deposited into the City's general fund.
11. Notify the Triborough Bridge and Tunnel Authority that all proceeds related to the MOU must be sent directly to Parks's Budget Office and ensure that these funds are deposited into the City treasury.



# RANDALL'S ISLAND SPORTS FOUNDATION, INC.

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April 1, 2011

Ms. Tina Kim

The City of New York – Office of the Comptroller  
1 Centre Street, Room 1100  
New York, New York, 10007-2341

**Re: Response to the Draft Audit Report on the Randall's Island Sports Foundation's Compliance with its License Agreement with the City of New York Department of Parks and Recreation; FM10-098A**

Dear Ms. Kim:

Thank you for the opportunity to review and comment on your Draft Audit Report (the "Report") before its public release. The Randall's Island Sports Foundation ("RISF") is pleased with your overall conclusion that "RISF accurately recorded and reported revenues, and incurred expenses that were reasonable, appropriate, and in compliance with the license agreement." Attached, please find RISF's response to the Report's findings and recommendations.

I wish to thank the Comptroller's audit staff for their work and efforts in conducting this review.

Regards,

Aimee Boden

Executive Director

Randall's Island Sports Foundation, Inc.  
24 West 61<sup>st</sup> Street, 4<sup>th</sup> Floor  
New York, NY 10023



Response to the Draft Audit Report on the  
Randall's Island Sports Foundation's Compliance with its License Agreement  
with the City of New York Department of Parks and Recreation  
**Audit Report No. FM10-098A**

**RISF'S RESPONSE TO THE AUDIT RECOMMENDATIONS**

**Recommendation # 1:** *Ensure all City funds, including interest earned on these funds, are kept separate from RISF's private accounts.*

**RISF Response:** Under its License Agreement, RISF is required to keep "Foundation revenue" or private funds separate from its "license revenue" or City funds. To that end, RISF maintains distinct sets of bank, payroll, revenue, and expense accounts to record each category of funds.

**Recommendation # 2:** *Immediately transfer \$293,076 to the City account.*

**RISF Response:** RISF believes that the lion's share of the \$293,076 had been properly recorded as private funds rather than license revenue. However, RISF agreed to transfer the full amount cited to the City account as license revenue and subsequently did so on March 22, 2011. RISF's rationale for recording the \$293,076 as private funds is presented below.

Within the \$293,076 of contested funds, \$160,000 was received from the Mount Sinai Hospital for the sponsorship of Icahn Stadium. We believe that the Mount Sinai Sponsorship funds were correctly recorded as a donation. We believe so because the payment was:

- Solicited as a donation by RISF Director of Development whose primary responsibilities was to secure donations;
- Payment was not made in consideration for use of the track;
- Although the sponsorship agreement provided for the use of the stadium for one private event per year, this clause was never exercised; and
- There was only one event held in connection with this sponsorship agreement: a Youth Jamboree event that was a free community event where children were given the opportunity to run on the track, free health screenings were provided and information on healthy living was disseminated to the public.

The term of the sponsorship agreement between RISF and the Mount Sinai Hospital ended in 2010 and has not been renewed.

Approximately \$94,000 of the \$293,076 was interest revenue earned on City funds that had been subsequently transferred to RISF's private account. First, the License Agreement is silent on interest earned on City funds. Second, RISF believes that interest earned on license revenue should remain with RISF to offset payments made on behalf of the City in excess of park revenues. Nevertheless, effective immediately, RISF will allow interest earned on City funds to remain in the City accounts.

The auditors' position regarding the remaining \$39,076 of the \$293,076 is not disputed. RISF acknowledges that these funds had been inadvertently deposited, or transferred, into the wrong account in error. Although the majority of these funds had been reclassified as license revenue on RISF's audited financial statements, transfers between the cash accounts to reflect this reclassification were inadvertently not made. RISF transferred the funds from its private account to its City account on March 22, 2011.

As your staff noted, during the audit year, RISF's expenditures on park maintenance and programming exceeded the license revenue. This would have been the case even if the revenue in question had been recorded as license revenue as you suggest.

**Recommendation # 3:** *Ensure that any funds derived from license agreements, as well as future funds received from the Mount Sinai Hospital agreement, are recorded as license revenue and not as contributions and grants.*

**RISF Response:** RISF agrees that any funds derived from license agreements will be recorded as license revenue and not as contributions or grant revenue.

**Recommendation # 4:** *Repay the \$109,000 in interest earned on MOU funds.*

**RISF Response:** While, as discussed above, RISF believes it was entitled to retain this amount, RISF agrees to repay the \$109,000 in interest earned on MOU by remitting the funds to the City via the NYC Department of Parks & Recreation. RISF remitted the funds to Parks on March 25, 2011.



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Parks & Recreation

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April 4, 2011

Ms. Tina Kim  
The City of New York – Office of the Comptroller  
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New York, New York, 10007-2341

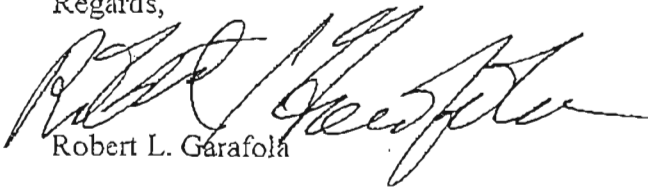
**Re: Response to the Draft Audit Report on the Randall's Island Sports Foundation's  
Compliance with its License Agreement with the City of New York Department of Parks and  
Recreation; FM10-098A**

Dear Deputy Comptroller Kim:

Attached, please find the New York City Department of Parks & Recreation's ("Parks") response to the Comptroller's Draft Audit Report ("Report"), dated March 21, 2011, on the Randall's Island Sports Foundation's ("RISF") compliance with its License Agreement. We have reviewed the Report and carefully considered recommendations 5-11, which were directed to Parks.

We thank you and your audit staff for the time and effort devoted to completing this Report.

Regards,



Robert L. Garafola

Response to the Draft Audit Report on the  
Randall's Island Sports Foundation's Compliance with its License Agreement  
with the City of New York Department of Parks and Recreation  
Audit Report No. FM10-098A

**PARKS' RESPONSES TO THE AUDIT RECOMMENDATIONS**

*Recommendation # 5: Perform a review of RISF books and records for 2009, 2010, and each subsequent year to ensure that all license revenue was properly accounted for and determine whether excess funds exist beyond the budget for operations and maintenance. If so, any excess funds should be returned to the City.*

**Parks Response:** Parks will perform a compliance review of RISF's books and records to ensure the proper recording of license revenue and that there are no excess funds that are due to the City.

*Recommendation # 6: Modify the license agreement to explicitly state that the interest earned on City funds should remain in the City account designated for license revenue.*

**Parks Response:** Parks agrees, in an effort to clarify this issue, to address this finding with RISF prior to the renewal of the license agreement in 2012.

*Recommendation # 7: Notify the COIB of the changes to Administrator's responsibility and salary (including bonuses) and seek an opinion as to whether the current arrangement violates any COIB regulations.*

**Parks Response:** Parks has shared a copy of the Report and discussed finding # 7 with staff at COIB. As a follow-up step to further resolve the matter, Parks will formally request approval from COIB for all salary (including any bonuses) that the Administrator may receive from RISF and abide by the determination of COIB. Moreover, moving forward, Parks will consult with COIB regarding any proposed changes to the Administrator's compensation that could raise an issue under Chapter 68 of the City Charter.

*Recommendation # 8: Establish formal guidelines for these cases which specifically documents salary parameters, justification for funding switches, job responsibilities, and other matters.*

**Parks Response:** Parks is investigating such matters and will establish such guidelines where applicable in consultation with the COIB.

*Recommendation # 9: Refer the pension issue to the Law Department for review and consideration in the context of this and any similar arrangements.*

**Parks Response:** Parks has contacted the pension unit of the Law Department and provided them with a copy of the Report. With regard to this situation, the Law Department has confirmed with Parks that it does not appear that anything inappropriate has taken place. However, we will further review the Comptroller's concern with regard to any similar arrangements.

*Recommendation # 10: Cease the practice of redirecting MOU funds to RISF, require that it deposit all MOU funds directly into the City treasury, and ensure the \$109,000 in interest is deposited into the City's general fund.*

**Parks Response:** All participants to the MOU have agreed that MOU funds are to be directly deposited into the general fund. Additionally, we received the \$109,000 interest-related amount from RISF on March 25, 2011, which will be deposited into the general fund.

*Recommendation # 11: Notify the Triborough Bridge and Tunnel Authority that all proceeds related to the MOU must be sent directly to the Parks Budget Office and ensure that these funds are deposited into the City treasury.*

**Parks Response:** In 2010, the Triborough Bridge and Tunnel Authority (MTA Bridges & Tunnels) was notified and instructed to forward all future MOU funds to the Parks Budget Office directly for deposit into the City's general fund. Moreover, the funds that were previously received by RISF had been remitted to the general fund prior to the commencement of the audit.