

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

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**H. Carl McCall  
STATE COMPTROLLER**



***NEW YORK CITY DEPARTMENT OF PARKS  
AND RECREATION***

***OVERSIGHT OF PUBLIC-PRIVATE  
PARTNERSHIPS***

***2000-N-16***

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**DIVISION OF MANAGEMENT AUDIT AND  
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**H. Carl McCall**  
**STATE COMPTROLLER**

**Report 2000-N-16**

Mr. Adrian Benepe  
Commissioner  
New York City Department of Parks and Recreation  
The Arsenal, Central Park  
New York, New York 10021

Dear Mr. Benepe:

The following is our audit report on the New York City Department of Parks and Recreation's Oversight of Public-Private Partnerships.

This audit was performed pursuant to the State Comptroller's authority as set forth in, Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Article III of the General Municipal Law. Major contributors to this report are listed in Appendix A.

*Office of the State Comptroller*  
*Division of Management Audit*  
*and State Financial Services*

June 11, 2002

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***Division of Management Audit and State Financial Services***

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# ***EXECUTIVE SUMMARY***

## ***NEW YORK CITY DEPARTMENT OF PARKS AND RECREATION***

### ***OVERSIGHT OF PUBLIC-PRIVATE PARTNERSHIPS***

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#### ***SCOPE OF AUDIT***

The New York City Department of Parks and Recreation (Parks) maintains one of the oldest and largest municipal park systems in the country. Parks maintains 28,000 acres of developed, natural, and undeveloped parkland, which constitutes 14 percent of the City's landmass, and includes Central, Prospect and Flushing Meadow Parks.

During the 1970s, New York City experienced financial difficulties that led to budget reductions. All NYC agencies including Parks were affected by the cuts. Prior to, and also as a result of these cuts, many of the city's parks were in a state of disrepair or neglect due to the lack of sufficient funding to provide the necessary level of maintenance and upkeep. The need to continue providing upkeep led Parks to initiate agreements between it and private, civic-minded, not-for-profit organizations, which would maintain the parks. The agreements between Parks and the not-for-profit organizations became known as partnerships. Essentially, Parks and the organizations agreed to begin sharing the responsibility of maintenance and upkeep of the city's parks.

The role of these partnerships in upkeep of the City parks has increased over the years. One example of a partnership viewed as successful is the Central Park Conservancy, which was formed in 1980 for the purpose of promoting and assisting in the restoration, maintenance, and management of Central Park. It has received in excess of \$250 million in fund raising, donations, fees for Special Events, and concessions, to revitalize Central Park. Another example is the Randalls Island Sports Foundation (RISF), which was founded in 1992 to realize the unique potential of Randalls and Wards Island Parks by developing sports and recreational facilities, restoring its vast natural environment, reclaiming and maintaining parkland, and sponsoring community-linked programs for the children of New York City. RISF has secured over \$30 million in funding. Information provided by Parks indicates that nine partnerships have raised over \$333 million (see Exhibit B).

Our audit addressed the following questions about the Parks partnership practices and selected bidding procedures from September 1, 1998 through August 31, 2000:

- Has Parks entered into Partnership agreements in a fair and equitable manner, in accordance with the City's rules and regulations for such agreements?
- Does Parks effectively monitor vendors to confirm that the organizations provide the services according to the contract terms and specifications?
- Are Parks bidding practices in compliance with the City's rules and regulation for such agreements?

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## **AUDIT OBSERVATIONS AND CONCLUSIONS**

In general, private organizations were formed to help maintain, promote, and upgrade the parks. Our audit disclosed that Parks did not have a formal agreement with seven of the 19 organizations that have partnerships and reported they raised about \$70.64 million for the maintenance and upkeep of certain Parks' facilities. We also found that Parks did not monitor the partnerships' activities even though they had written agreements for 12 partnerships. We noted that the terms for 4 of the 12 agreements provided for audits by Parks, but none were done. In addition, one of the 12 large concession contract was let without Parks following the City's rules and regulations. We also noted that Parks lacks specific criteria for determining the amounts sponsors paid for special events.

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## **COMMENTS OF PARKS OFFICIALS**

A draft copy of this report was provided to Parks officials for their review and comment. Their comments have been considered in preparing this final report, and are included as Appendix B. Parks generally agreed with most of our conclusions and indicated that they would implement most of the recommendations.

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Private Partnerships

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## ***Appendix B***

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Comments of Parks Officials

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# INTRODUCTION

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## Background

The New York City Department of Parks and Recreation (Parks) maintains one of the oldest and largest municipal park systems in the country. Parks maintains 28,000 acres of developed, natural, and undeveloped parkland, which constitutes 14 percent of the City's landmass, and includes Central, Prospect and Flushing Meadow Parks. Parks' responsibilities include maintenance and operation of 800 malls, triangles and public squares, 980 playgrounds, 614 ball fields, 35 recreation centers, 14 miles of beaches, 7.5 miles of boardwalks, 13 golf courses, 3 zoos, and 3 municipal stadiums. Parks cares for and cultivates about 2 million park trees and 500,000 street trees.

Parks generates revenue from concessions and from fees charged for the use of certain Park facilities, such as tennis courts, ball fields, skating rinks, and stadium rentals. In 2001, Parks projected revenue of over \$50 million from these sources, compared to \$47.7 million received in 2000. The increase is due to additional stadium rent collections and concession revenue. Parks revenue flows to the City's General Fund, and not to Parks itself.

During the 1970s, New York City experienced financial difficulties that led to budget reductions. All city agencies, including Parks, were affected by the cuts. Prior to, and also as a result of these cuts, many of the City's parks were in a state of disrepair or neglect due to the lack of sufficient funding to provide the necessary level of maintenance and upkeep. Private organizations were formed to help maintain, promote, and upgrade the parks. The continuing need for upkeep led Parks to enter into agreements, called partnerships, with these organizations. Essentially, Parks and the organizations agreed to begin sharing the responsibility of maintenance and upkeep of the City's parks. Many of the 19 partnerships now in existence were formed directly as a consequence of the need to support Parks, and have done so by providing financial and/or other support to a City park, recreation facility, historic site, or tennis center.

The role of these partnerships in maintaining City parks has been increasing. Examples of some partnerships that have undertaken large endeavors are the Central Park Conservancy, the Prospect Alliance and the Randalls Island Sports Foundation. The Central Park Conservancy was formed in 1980 for the purpose of promoting and assisting in the restoration, maintenance, and management of Central Park. This partnership has received or generated in excess of \$250 million from fund raising, donations, payments by sponsors of special events, and concessions for the revitalization of Central Park. The Prospect Park Alliance was formed in 1987 to restore and preserve Prospect Park, including the restoration of the carousel and transformation of the Lefferts Homestead into the first children's historic house museum. The Prospect Park Alliance has received \$2.6 million from sources similar to those that support the Central Park Conservancy. Information available on the amount of funds raised by nine partnerships totals over \$333 million. (See Exhibit B.)

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### ***Audit Scope, Objectives and Methodology***

**W**e audited Parks' oversight of private partnerships and selected Parks bidding practices for the period September 1, 1998 to August 31, 2000. The objectives of this financial-related and performance audit were to determine whether Parks has entered into formal agreements with not-for-profit organizations and whether Parks effectively administers the agreements, including monitoring the partnerships' activities. Another audit objective was to determine whether selected bidding practices comply with the City's rules and regulations with regard to contracting for goods and services. To accomplish our objectives, we reviewed laws, policies, and procedures; interviewed Parks management and staff; reviewed accounting records; observed operations; and tested transactions. Specifically, we reviewed the 19 partnerships and all of Parks' founding contractual agreements with the partnerships. We also examined payments by sponsors for special events and bidding procedures followed in letting 12 concession contracts. Our field work was done from September 6, 2000 to March 20, 2001, and from September 19, 2001 to November 16, 2001.

As is our practice, we notify officials at the outset of each audit that we will be requesting a representation letter in which agency management provides assurances, to the best of their knowledge, concerning the relevance, accuracy, and

competence of the evidence provided to the auditors during the course of the audit. The representation letter is intended to confirm oral representations made to the auditors and to reduce the likelihood of misunderstandings. In the representation letter, agency officials assert that, to the best of their knowledge, all relevant financial and programmatic records and related data have been provided to the auditors. Agency officials further affirm that either the agency has complied with all laws, rules, and regulations applicable to its operations that would have a significant effect on the operating practices being audited, or that any exceptions have been disclosed to the auditors.

However, Parks officials informed us that, as a matter of policy, Mayoral agency officials would not provide representation letters in connection with our audits. As a result, we lack assurance from Parks officials that all relevant information was provided to us during our audit. We consider this refusal to provide a representation letter to be a scope limitation on our audit. Therefore, readers of this report should consider the potential effect of this scope limitation on the findings and conclusions presented in this report.

Except as noted in the previous paragraph, we conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations that are included in our audit scope. Further, these standards require that we understand Parks' internal control structure and its compliance with those laws, rules and regulations that are relevant to the operations included in our audit scope. An audit includes examining, on a test basis, the evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

We used a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on operations that have been identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are

prepared on an “exception basis.” This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

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### ***Internal Control and Compliance Summary***

**O**ur consideration of Parks internal control structure focused on controls over private partnerships and selected bidding procedures. We identified weaknesses in these controls and described them in this report in the sections entitled Partnership Agreements, Special Events and Selected Bidding Procedures.

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### ***Response of Parks Officials to Audit***

**W**e provided Parks officials a draft copy of this report for their review and comment. We also discussed these matters at an exit conference with Parks officials. Their comments were considered in preparing this final report, and are included as Appendix B.

Within 90 days after final release of this report, we request that the Commissioner of the New York City Department of Parks and Recreation report to the State Comptroller, advising what steps were taken to implement the recommendations contained in this report and where, recommendations were not implemented, the reason therefor.

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## PARTNERSHIP AGREEMENTS

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Parks has entered into partnership agreements with private, civic-minded not-for-profit organizations to help support the continued maintenance of the parks. Many partnerships have succeeded in raising significant amounts of money for the support of City parks. (See Exhibit B.) Good business practice dictates that Parks have formal contractual agreements with these partnerships with provisions that allow Parks officials to assess the performance and determine whether funds are being used for the purposes the partnerships were formed.

We reviewed the status of the agreements Parks has with all 19 not-for-profit organizations, and found that Parks has formal contractual agreements with 12 partnerships for the support of a park or other asset. Of the 12 formal agreements, 5 were licenses, 2 were management/leases, 4 were regular agreements and 1 was a contract. The licenses and management/leases are generally to construct, renovate, or restore a facility within a park, whereas the regular agreements and the contract call for maintenance of a park.

For example, in 1997, the Central Park Conservancy (CPC) made a general agreement to provide services specified to maintain and repair Central Park. This includes, cleaning, snow removal, landscape maintenance and repairs. CPC employees account for 211 of the Central Park workers and Parks employees total 62. The agreement states that CPC must raise and expend annually a minimum of \$5 million with respect to maintenance and repairs. As of August 2000, CPC raised \$250 million. During a tour of Central Park, we noted that there was a major project underway at the Pond and some minor work being done, such as installing fences.

Another example is the Bryant Park Restoration Corporation (BPRC) a not-for-profit entity that entered into a management and lease agreement in 1985, to promote the restoration, maintenance and utilization of Bryant Park as a public park. In addition, BPRC will operate the restaurant in Bryant Park. BPRC lives up to its agreement by utilizing revenues received from the restaurant, special events, Business Improvement District, grants, bequests and contributions. BPRC also

promotes fund raising activities in the park, such as a circus and fashion shows.

In 1993, the Prospect Park Alliance (PPA) made a general agreement with Parks to restore, manage and administer programs in Prospect Park and to financially assist the park. In an effort to restore Prospect Park, PPA administered the “Wood Lands” project. This restoration project includes woods, waterfalls, ponds, and natural terrain within the park.

In 1990, the Alley Pond Environmental Center (Center) obtained a license agreement to maintain and utilize a building on Parks property as an environmental center to provide educational and informational programs in ecology and conservation for the benefit of the public. The Center also used adjacent grounds to conduct nature walks and do environmental programming. In addition, admission fees could not be charged and goods could not be sold without prior written consent of the Parks’ Commissioner.

On the other hand, however, we found that Parks lacks formal agreements with the following seven partnerships: the Conservancy for Historic Battery Park, Randalls Island Sports Foundation, Friends of Van Cortlandt Park, Historic House Trust, Riverside Park Fund, Greenbelt Conservancy Inc., and the Ambyn Neighborhood Center of Brooklyn.

- The Conservancy for Historic Battery Park was formed in 1994 to revitalize Battery Park in Lower Manhattan. To date, the organization has done many activities including fund raisings, cleaning, maintaining lights, cutting grass, and snow removal. The Conservancy for Battery Park reports that, since its inception, it has raised about \$25 million to fund a Master Plan for rebuilding the Battery, and has expended \$6 million to fund the reconstruction of the Admiral Dewey Promenade, which was completed in 1998. According to the organization officials, other capital projects in the Master Plan were slated to begin in 2001.
- The Randalls Island Sports Foundation was formed in 1992 to develop Randalls and Wards Islands into an accessible, well organized, self-sustaining, sports and recreation center, with facilities and community-linked programs for children and families of New York City. It has also provided recreational facility improvements,

volunteer efforts, free youth programs, reclamation initiatives, summer concerts and events, fundraising, and public relations. The Foundation reports it has raised \$30 million since its inception, and has improved natural areas on Wards Island by adding a picnic area and a sunken meadow, as well as 4 new soccer fields and 4 baseball fields on Randalls Island.

- The Friends of Van Cortlandt Park was formed in 1992 to protect, preserve, and promote Van Cortlandt Park as a unique resource in New York City. It has assisted with capital improvements, held community outreach events, encouraged volunteer work in the park, and advocacy work to aid park preservation and protection. The organization, which reports having raised over \$7.5 million since 1992 states it is planning to restore Van Cortlandt Lake, to develop a heritage trail and to create the John Muir Nature Trail.
- The Historic House Trust (Trust) was formed in 1989 to preserve and promote the 19 historic houses owned by the City of New York, which both Trust and Parks officials refer to as museums. The Trust reports it has raised over \$550,000 since 1989, done restoration and repair work at numerous sites, provided technical direction for some City-funded projects at the houses, promoted the historic sites and managed all of the properties.
- The Riverside Park Fund was formed in 1986 to preserve the historic nature of Riverside Park and to help develop a sense of active stewardship for the park in the community. The Fund reports that, from 1988 through 2000, it raised \$5.67 million. During the same period, the Fund reports spending \$1.92 million for Riverside Park capital project and \$1.656 million on park user projects, and providing 153,600 volunteer hours.
- The Greenbelt Conservancy Inc. was formed in 1989 to work in partnership with Parks to promote conservation and preservation of natural areas of Staten Island and to increase public awareness, support and enjoyment of the Greenbelt. The Greenbelt is an area of approximately 2,500 acres of forests, meadows, streams and ponds, parks and recreational areas in central Staten Island. The Greenbelt Conservancy has raised \$1,970,642 since its inception.

- The Amboy Neighborhood Center of Brooklyn was formed in 1975 to help relocate and settle families rendered homeless for any reason. It is the only partnership that is not directly involved with the upkeep of a park or other City facility. Instead, it supports Parks indirectly by providing a senior exercise and keep fit program and a teen after school program at Parks' District Office building in Brooklyn.

In total, these organizations report to have raised about \$70.6 million for the maintenance and upkeep of Parks' facilities. However, Parks does not have any formal agreements with these partnerships, that give Parks the right to monitor the organizations' activities. We believe that actions by Parks officials indicate they agree with us to some extent because they have established such agreements with 12 of the partnerships. In addition, agreements with the Central Park Conservancy, the Catholic Youth Organization, Phipps Community Development Center, and Elmcot Youth and Adult Center all give Parks the right to audit the licensee's books, fiscal records, accounts, and cancelled checks related to the agreements. (In responding to our draft report, Parks officials indicated they will attempt to establish formal agreements giving Parks the rights to conduct audits and monitor the activities of the partnerships.)

To obtain financial and other information about partnerships' activities for decision-making purposes, Parks officials should also exercise the right to conduct the audits authorized by the formal agreements. However, we found an internal control weakness as Parks has not conducted audits, even when the agreements provide for them, and does not have a formal process for administering the agreements and monitoring the partnerships' activities. Furthermore, Parks does not require the partnerships, some of which occupy office space on Parks' premises, to submit monthly or annual reports of their activities. As a result, Parks does not have access to financial information about entities that exist to raise and expend funds for the benefit of Parks and users of Parks assets. In the absence of formal agreements and Parks' not exercising its oversight by auditing those Partnerships with agreements there is less assurance that the monies received by these organizations are being used for the intended purpose. We concluded that there is a need for Parks to exercise its audit and oversight activities as provided in the Partnerships with agreements. In addition, it needs to establish formal agreements with the remaining organizations.

We reviewed Parks' staffing and the accompanying partnership staffing for five parks (Central Park, Prospect Park, Flushing Meadows Park, Van Cortlandt Park, and the Greenbelt). Of the five, we noted that the Prospect Park Alliance supplements the salary for 11 of the 34 Parks employees assigned. These employees receive \$426,000 annually from Parks and the Alliance provides an additional \$90,000. (The partnerships obtain the Parks Commissioner's approval for these arrangements.) We also noted a potential conflict of interest in that a Parks administrator, responsible for overseeing Parks activities and operations at Randalls Island, receives an additional salary payment because she is the Executive Director of the Randalls Island Sports Foundation. This agency submitted a bid (it did not get the award), for the Randalls Island tennis concession.

### **Recommendations**

1. Negotiate partnership agreements that give Parks the right to conduct financial audits and conduct such audits.
2. Establish a formal process for administering partnership agreements. This process should provide for monitoring partnerships' activities and require formal reporting, including reporting of funds raised and expended for upkeep of all facilities.
3. Revisit the agreements where Parks' employees also receive salary from the Partnerships to determine whether they are appropriate.
4. Determine whether a conflict of interest exists because of dual employment of the Parks administrator who is also employed by the Randalls Island Sports Foundation.

(Responding to the draft report, Parks officials disagreed with Recommendations 3 and 4, because the New York City Conflict of Interest Board (Board) approved these arrangements.

### **Recommendations (Cont'd)**

Auditors' Comments: With regard to Recommendation 3, we were concerned with whether the employees in question were being over-compensated and whether they were being paid twice for the same hours worked and the same type of work done by a Parks' employee not selected for the additional salary, not the conflict of interest issue. As for the Board's approval of the arrangement of the Parks administrator, the Board could not foresee every possible situation and did not know that the Randalls Island Sports Foundation would bid on a contract when the Board granted approval. Such an action could be viewed as questionable given the dual roles, which are as a Park administrator, and also as an employee of Randalls Island. Therein lies the genesis of our Recommendation 4.)

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## SPECIAL EVENTS

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One of the ways partnerships raise funds is by receiving “donations” or “contributions” from sponsors of special events. Parks, which now receives money directly from the sponsor, requires the sponsor to make a payment or the event will not be held. Thus, the reason for our italicized use of donations and contributions for special events in City parks. Special events include concerts, festivals, gala dinners, and other types of events. From September 1, 1998 to December 31, 2000, 131 special events were held in City parks and generated \$4 million in revenue. At least one-half of all special events are held in Central Park during the spring and summer.

Each special event must be approved by the Parks’ Commissioner. The sponsor negotiates with Parks the terms and payments for holding the event, and is responsible for obtaining the required permits. The events sponsor pays the negotiated mandatory amount directly to a designated Partnership, such as the City Park Foundation or the Central Park Conservancy.

The amount Parks charges sponsors for special events should be reasonable, consistent, and perceived to be set fairly. When we asked Parks officials how they determined the amount for special events, they indicated that they assess the event against Parks “Top Ten Considerations In Evaluating Events Held In New York City Parks: A Guide For Determining Contributions.”

Subsequent to our audit and as a result of a recommendation by the New York City Comptroller’s audit, amounts charged for special events in City parks are being paid directly to the City Treasury, as of July 1, 2001. Additionally, Parks is following the schedule published in The City Record relating to special events concessions and amounts charged. This schedule is an amendment to Chapter 2 of Title 56 of the Official Compilation of Rules of the City of New York. The new section outlines, definition of terms, the types of events that require a special event concession, events to which this section does not apply, concession amount(s) schedules and factors for determination of concession amount(s). The following factors are taken into

consideration in determining the payment by the concession charge:

1. The length of time, time of day and the time of year of the event;
2. The nature of the use;
3. The number of persons expected to attend the event;
4. Whether the applicant will impose an admission charge;
5. The size and type of the proposed venue;
6. The types and extent of public resources required to stage the event;
7. The potential for damage to the park or disruption of other park activity;
8. Whether the event is a charitable event;
9. Whether the event is held for the purpose of raising funds;
10. The amount and nature of advertising including whether the event has title sponsorship; and
11. Such other information as the Commissioner shall deem relevant.

We noted an internal control weakness in that Parks does not have any additional guidance or specific criteria for interpreting the answers to these open-ended questions. Such guidelines would indicate, among other things, precisely how the number of attendees or set-up and break down time would impact the “donation” or “contribution.” (Parks officials still contend that these 11 factors are sufficient. We disagree and believe that Parks should reconsider their position because the new rules still do not indicate the relative weight of each of the factors and does not specify the amount to be paid by the sponsor based on the type of event.)

Our review of the payments for a judgmental sample of 23 of 133 special events that occurred between July 1998 and December 2000, disclosed that Parks charged varying amounts to different sponsors for similar type events. (For comparative purposes, we reviewed types of events that occurred in more than one year.) For example, the sponsor of the Parkinson Unity Walk at Central Park in September 2000 made a “donation” of \$4,000, whereas the sponsor of the Sickle Cell Walk at Central Park also in September 2000, “contributed” \$500. We also found that Parks does not increase amounts consistently from year to year. Thus, “donations” for the New York City Bike Tour increased \$500 a year between 1998 and 2000, but “contributions” for Making Strides Against Cancer increased by \$1,000 a year in this period. These and other variances in special event payments are shown in Exhibit A.

We understand that amounts charged for a Sting concert in Central Park will not be the same as those charged for Carribeat concerts in Prospect and Cunningham Parks. Nevertheless, absent specific criteria for establishing payments, Parks risks appearing arbitrary in its determination of payments. This lack of clarity can also result in misunderstandings. For example, local newspapers reported that in September 2000, Parks requested that a not-for-profit organization make a contribution to a partnership shortly before the organization was to hold a fund-raising event at Thomas Jefferson Park. The not-for-profit organization, which believed it would not have to make a payment because of its not-for-profit status, balked at making the payment. When the story appeared in the media, an anonymous donor made the payment and the special event went forward. If Parks had a publicized payment schedule for special events, this situation could have been avoided.

When Parks officials negotiate with special events sponsors to support the aforementioned partnerships, it does not consider the consequences of not having control over the amounts paid. As an example, in fiscal year 1999, the City Parks Foundation received \$383,815 in Special Event Contributions. This significantly increased to \$1.1 million in fiscal year 2000.

### **Recommendation**

5. Establish objective, specific standards that can be used to determine the payments due from sponsors based on the answers to the 11 factors.

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## SELECTED BIDDING PROCEDURES

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As a New York City agency, Parks is required to follow the City's procurement and bidding procedures to contract for goods and services. In general, Parks must demonstrate that the goods and services acquired under these concession contracts were obtained as a result of following applicable procurement rules and regulations, and that the concession contracts, when appropriate, were awarded through an open, competitive process and were advertised timely to the public.

Specifically, Parks must abide by the City's Franchise and Review Committee established Title 12, Rules of the City of New York, for agencies that grant concessions. These rules outline procedures City agencies must follow and include the terms of the concession, the requirements of publication, and the procedures for competitive sealed bids and proposals. According to Title 12, Rules, when a Request For Proposal (RFP) for a "significant" concession (i.e., a concession that has a term of ten years or greater or projected annual income to the City of more than \$100,000) receives a single response, an award may be recommended if all the following reasons apply:

- A sufficient number of entities had a reasonable opportunity to respond;
- The agency (Parks) made inquiries to ascertain why the entities chose not to submit proposals;
- The proposal submitted meets minimum requirements for award; and
- To solicit again would not be in the City's best interest.

To accept a sole response, the concession manager should document these specific circumstances.

We selected 22 of the 742 concessions in effect in June 1999 by type, such as tennis, pushcart, golf, marina, and parking lot. Ten of these were not, "significant" concessions and were appropriately awarded. The remaining 12 were "significant" concessions that may require follow-up depending on the number of responses to the RFPs. Our review of the 12

concessionaires' contracts revealed that Parks did not follow the Title 12 Rules for one contract.

The Alley Pond Park tennis concession RFP and its related solicitation mailing list indicated that only one response was received from the list of 273 potential bidders. This is a ten-year contract, from April 2000 to April 2010. Parks revenue from the contract would gradually increase from \$125,000 the first year to \$194,000 the last year, unless 17 percent of the gross receipts was greater than the contract fee in any year (in which case the concessionaire would pay Parks a higher overall fee).

When we contacted the concession manager for the Alley Pond Park tennis concession, he told us he did not have the documentation to demonstrate that Parks conducted the follow-up, required by the Title 12, Rules, to determine why no other vendors submitted proposals. Additionally, our review of the prior contract for the Alley Pond tennis concession indicated that this concession's revenues gradually rose from \$135,000 in the first year to \$180,000 in the last year, unless 18 percent of its gross receipts were greater in any year. Therefore, Parks revenue could decrease by \$55,000 (\$180,000-\$125,000) in the first year of the new contract, as compared to the last year of the prior contract. Since Alley Pond's revenues had increased, Parks could have renegotiated higher fees with the current concessionaire. We conclude that Parks did not conduct a follow-up review or re-bid the RFP, and thus, might not be collecting the most revenues for that concession.

Our analysis also noted that there are 61 tennis listings in the yellow pages for the five boroughs, but that only six of them were on the mailing list used by Parks. We contacted ten entities from Parks' solicitation mailing list for the tennis concession at Alley Pond Park to determine why they did not submit a proposal. Of the eight vendors who responded, two said they never received the solicitation, one was not aware of the expectations and one requested, but did not receive, an extension to submit a bid. The remaining four vendors were not interested in submitting a bid or not able to do so.

In addition, we contacted representatives from ten tennis associations, listed in the yellow pages for the five boroughs, that operate public/private tennis courts and provide tennis instructions, to determine if they were interested in being on Parks solicitation list for tennis concessions. Nine stated they would be interested in submitting a proposal for a tennis

concession and the same nine said that they would like to be placed on Parks' RFP list for such concessions. Only one tennis association representative was not interested in being included on future mailing lists, specifically because he stated that his current contract would not allow him to operate a concession. Clearly, there are tennis-related businesses interested in operating a Parks tennis concession in addition to the awarded vendor.

### **Recommendations**

6. Comply with the requirements in the City regulations regarding contracts awarded to significant concessions and fully document such compliance.

(In response to our draft report, Parks officials disagreed with Recommendation 6. They cited a February 8, 2000 memorandum, which concluded that a resolicitation would not be necessary.

Auditors' Comments: We disagree, and reiterate, that Parks contacted only six of 61 tennis listings in the yellow pages for the five boroughs. We contacted ten of those listed; nine stated they would be interested in submitting a proposal for a tennis concession.)

7. Update the RFP mailing lists to reflect other vendors who are interested in being placed on Parks' mailing list.

<b>Payments by Sponsors of Special Events: July 1998 – December 2000</b>					
<b>July 1998 – June 1999</b>		<b>July 1999 – June 2000</b>		<b>July 2000 – December 2000</b>	
<b>Event/Sponsor</b>	<b>Payment</b>	<b>Event/Sponsor</b>	<b>Payment</b>	<b>Event/Sponsor</b>	<b>Payment</b>
<b>Concerts</b>		<b>Concerts</b>		<b>Concerts</b>	
No event		AmEX Concert - Sheryl Crowe @ Central Park	\$1,000,000	Best Buy Concert – Sting @ Central Park	\$1,000,000
No event		No event		EarthShare Concert @ Prospect Park	\$25,000
No event		No event		Carribeat 2000 @ Prospect Pk	\$2,500
No event		Carribeat Concert Tour @ Cunningham Park	\$1,000	Carribeat 2000 @ Cunningham Pk	\$1,000
<b>Walks</b>		<b>Walks</b>		<b>Walks</b>	
				Kidney Foundation	\$7,000
Making Strides Against Cancer	\$10,000	Making Strides Against Cancer	\$11,000	Making Strides Against Cancer	\$12,000
No event		Parkinson Unity Walk	\$3,000	Parkinson Unity Walk	\$4,000
No event		No event		Sickle Cell Walk	\$500
No event		Share-A-Walk	\$8,000	Share-A-Walk	\$9,000
No event		Yai Run/Walk	\$15,000	Spring 2000	
AIDS Walk	\$40,000	AIDS Walk	\$40,000	Spring 2000	
Revlon Run/Walk for Women	\$30,000	Revlon Run/Walk for Women	\$40,000	Spring 2000	
<b>Bike Tour</b>		<b>Bike Tour</b>		<b>Bike Tour</b>	
NYC Century Bike Tour	\$5,000	NYC Century Bike Tour	\$5,500	NYC Century Bike Tour	\$6,000

## Private Partnerships

Name of Partnership	Date Formed	Formal Agr'mt. with Parks?	Facility Being Supported	Type of Support	Funds Raised
Conservancy for Historic Battery Park (CHBP)	1994	No	Battery Park	Fundraising; capital plans; cleaning; maintenance; cutting grass; snow removal, etc.	\$ 24,713,807
Friends of Van Cortlandt Park (FVCP)	1992	No	Van Cortlandt Park	Assist with capital improvements; community outreach events; volunteer programs; advocacy	\$ 7,550,000
Greenbelt Conservancy (GC)	1989	Yes	Greenbelt area and Carousel on Staten Island	Purchase and maintain carousel and maintenance of other areas of the Greenbelt	\$ 1,970,642
Historic House Trust (HHT)	1989	No	19 Historic House museums in NYC	Fundraising; assisting in the upkeep of house museums; site inspections	\$ 550,000
City Park Foundation (CPF)	1989	Yes	All New York City Parks	Help fund improvements to all city parks	\$ 11,992,280
Wildlife Conservation Society (WCS)	1895	Yes.	Central Park Zoo; The Queens Wildlife Center and Prospect Park Wildlife Center	Restore, renovate, and operate Central Park Zoo, Queens Wildlife Center, and Prospect Park Zoo	\$ 1,019,000
Central Park Conservancy (CPC)	1980	Yes	Central Park	85% of the Park's annual operating budget, funds capital improvements, and offers programs for citizens	\$ 250,000,000
Riverside Park Fund Inc. (RPF)	1986	No	Riverside Park	Environmental education, emergency callboxes, seasonal workers, tree care, family events, advocacy, etc.	\$ 5,670,000
Randalls Island Sports Foundation (RISF)	1992	No	Randalls and Ward's Island	Project funding; recreational facility improvements; volunteer efforts; free youth programs; reclamation initiatives; fund raising events	\$ 30,000,000
					\$333,465,729

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# MAJOR CONTRIBUTORS TO THIS REPORT

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Carmen Maldonado

Dominick Vanacore

John Gimberlein

Joseph Smith

Clyde Bynoe

Alina Mattie

Jennifer Murrell

Gennaro Petillo

Nancy Varley



City of New York  
Parks & Recreation

The Arsenal  
Central Park  
New York, New York 10021

Adrian Benepe  
Commissioner

April 23, 2002

Ms. Carmen Maldonado  
Audit Director  
Office of the State Comptroller  
Division of Management Audit & State Financial Services  
123 William Street – 21<sup>st</sup> Floor  
New York, N. Y. 10038

Dear Ms. Maldonado:

Thank you for the opportunity to review and comment on your draft report before its public release.

The Department of Parks and Recreation (**DPR**) has implemented most of the audit recommendations that you've made. DPR has always complied with the requirements prescribed by the city regulations regarding contracts awarded to significant concessions and fully documents such compliance.

The Request for Proposal (**RFP**) mailing lists are updated regularly to reflect other vendors who are interested in being placed on DPR's mailing list.

DPR disagrees with Recommendations 3 and 4. The conditions pertaining to DPR's employees who receive salaries from the Partnerships and the Parks administrator who is also employed by the Randalls Island Sports Foundation were subject to existing rules and approved by the Conflict of Interest Board. The attached (**Attachment I**) describes our response to each of the recommendations.

If you have any questions or need further information, please call me at (212) 360-8265.

Sincerely,

David Stark  
Chief Fiscal Officer

Attachments

cc: Adrian Benepe  
Robert L. Garafola  
Susan L. Kupferman  
Peggy Rose Viera

[www.nyc.gov/parks](http://www.nyc.gov/parks)

**Appendix B**

## ATTACHMENT I

DPR's Response to the State Comptroller's Draft Audit Report on  
New York City Department of Parks and Recreation  
Oversight of Public and Private Partnerships, Audit No. 2000-N-16

**Recommendation 1: Negotiate partnership agreements that give Parks the right to conduct financial audits and conduct such audits.**

DPR will attempt to establish formal agreements with the major partnerships and give the right to conduct financial audits and conduct such audits, as funding allows.

**Recommendation 2: Establish a formal process for administering partnership agreements. This process should provide for monitoring partnerships' activities and require formal reporting, including reporting of funds raised and expended for upkeep of all facilities.**

DPR will also attempt to establish a formal process for administering such agreements and monitoring the related activities, as funding allows.

**Recommendation 3: Revisit the agreements where Parks' employees also receive salary from the Partnerships to determine whether they are appropriate.**

We disagree with this recommendation. Conditions pertaining to Parks' employees who also receive salaries from the Partnerships were subject to the "Conflict of Interest" rules and approved by the Conflict of Interest Board.

**Recommendation 4: Determine whether a conflict of interest exists because of dual employment of the Parks administrator who is also employed by the Randalls Island Sports Foundation.**

We also disagree with this recommendation. Conditions pertaining to the Parks' administrator, who is also employed by the Randalls Island Sports Foundation, were subject existing rules and approved by the Conflict of Interest Board.

**Recommendation 5: Establish objective, specific standards that can be used to determine fees to be collected based on the answers to the 11 factors.**

DPR has met with the Office of Management and Budget (OMB) and Corporation Counsel regarding the establishment of rules on fees collected for special events. After discussing the vagaries involved, these 11 factors were arrived at, published in the City Record and are being

followed by DPR. DPR feels that, because of the many variables involved, these factors are sufficient to meet the needs of the public.

**Recommendation 6: Comply with the requirements in the city regulations regarding contracts awarded to significant concessions and fully document such compliance.**

DPR has and does comply with the city regulations regarding contract awards. In the case that you cited, DPR received only one proposal on the Alley Pond Park tennis concession, DPR mailed the Request for Proposal (RFP) to several hundred names and companies on its mailing list and advertised the concession in at least 7 newspapers as well as the City Record. In addition, there were representatives from 5 companies at the site meeting for the tennis facility.

On February 8, 2000, DPR's Assistant Commissioner for Revenue sent a memo to members of the Franchise and Concession Review Committee and described how DPR did an extensive inquiry into why many of the tennis operators did not propose on this concession. (See attached) DPR's Director of Concession himself spoke to several potential proposers who said they did not think they could make money on the facility.

**Recommendation 7: Update the RFP mailing lists to reflect other vendors who are interested in being placed on Parks' mailing list.**

DPR has also implemented this recommendation. The RFP mailing lists are being updated daily that reflects other vendors who are interested, in addition to DPR's own initiatives.

MEMORANDUM

TO: Members of the Franchise and Concession Review Committee

FROM: Joanne Imohiosen

SUBJECT: Sole response to solicitation #Q1-A-SB-IT, for the operations of an indoor tennis facility at Alley Pond Park, Queens

DATE: February 8, 2000

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Pursuant to Concession Rule §1-12(l), this is to document that although City of New York/ Parks & Recreation ("Parks") received only one response to solicitation #Q1-A-SB-IT ("the Solicitation"), a sufficient number of other entities had a reasonable opportunity to respond to the Solicitation. Parks advertised the issuance of its Request for Proposals ("RFP") for this concession in The City Record from September 29 – October 13, 1999, and in the following publications for the following time periods:

New York Post	10/3/99	Manhattan Spirit	10/7/99
Staten Island Advance	10/3/99	Queens Tribune	10/7/99
Bronx Times	10/7/99	Courier Pubs	10/11/99
Minority Commerce	9/30/99		

In addition, Parks undertook an extensive mailing of the RFP, selecting categories of related businesses to compose our mailing list.

In response to Parks' inquiries, representative firms did not respond to the Solicitation due to the current over-saturation of the tennis market in New York City. The tennis industry as a whole has encountered a decline in profitability over the past few years and the firms contacted attributed this decline to the intense competition within the industry.

The proposal received meets minimum requirements for award. The management team consists of Hemel Cosme and Carol Watson. Hemel Cosme is currently the Tennis Director and Head Professional at the Central Park Tennis Center and has over 15 years of managerial experience. Carol Watson is the National Coach and Coordinator, Northeast Region for the USTA's USA Tennis Player Development Program. She played professionally from 1979-1985 and has actively been involved since then as a coach or coordinator for the USTA. The business plan proposed focuses on aggressively recruiting players of all ages through the use of extensive programming. It is unlikely that Parks will receive a proposal that combines the industry experience and aggressive, entrepreneurial attitude comparable to this proposal. For that reason, a resolicitation would not be in the City's best interest.



City of New York  
Parks & Recreation

The Arsenal  
Central Park  
New York, New York 10021

Henry J. Stern  
Commissioner

Joanne G. Imohiosen  
Assistant Commissioner  
Revenue

(212) 360-3404  
greenback@parks.nyc.gov

## Memorandum

**To:** David Stark

**From:** Joanne Imohiosen 

**Subject:** Response to Findings in State Comptroller's Audit of Parks

**Date:** June 15, 2001

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We have reviewed the revised preliminary findings of the New York State Comptroller's Office Audit of Parks, specifically the section on the two concessions (Toto's and Alley Pond Tennis ) that according to the audit "might have been questionably let".

With regard to Toto's Restaurant at the South Shore Country Club, one Preliminary Audit finding is that there is not any evidence as to the result of the first or subsequent RFP's. Another finding is that there is no indication as to how many responses were received or the reason for reissuing the RFP.

In fact, for the first RFP due on August 2, 1988, there were two proposals received (see attached Bid Opening and Permit Award log sheet); one from Jay F Gee Trailer Inc. (June Cortese) and another one from Celebrity Caterers, Inc. The term for this RFP was only 10 years. Parks requested approval from the Concessions Review Committee to negotiate with one of the proposers, June Cortese. The committee gave such approval on September 30, 1988. Subsequent to this approval, Parks negotiated with Ms. Cortese. Parks then requested approval from the Concessions Review Committee to award the concession to June Cortese for an 18 year term. We asked for an 18 year term because the capital improvements required turned out to be higher than anticipated and thus more than 10 years was needed to amortize them.

Although we can't tell from the old records, we suspect that when we discussed the 18 year term with the Concessions Review Committee, it was decided to reissue the RFP for longer than 10 years to see who else might respond. Parks received approval from the Concessions Review Committee to issue a revised RFP for a ten year term with a five year option period. In response to this RFP, four proposals were received: Jay F. Gee Trailer, Celebrity Caterers, Inc., Toto's and Anthony Martinico. On February 23, 1989, the Concessions Review Committee granted Parks permission to negotiate with Toto's. Soon after that, a Request to Award to Toto's for 10 years with a 5 year option was approved by the Committee.

With regard to Alley Pond Tennis Center, although Parks received only one proposal, Parks mailed the RFP to several hundred names and companies on our mailing list and advertised the concession in at least 7 newspapers as well as the City Record. In addition, there were representatives from 5 companies at the site meeting for the tennis facility.

Finally, in a memo to members of the Franchise and Concession Review Committee (see attached), we described how we did an extensive inquiry into why many of the tennis operators did not propose on this concession. The Director of Concessions himself spoke to several potential proposers who said they did not think they could make money on the facility.

We therefore conclude that Parks exercised due diligence before awarding these concessions and so the contracts should **not** be considered "questionably let".

* Note
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<p>*Note: Report was changed subsequent to the receipt of Parks' response to preliminary reports. As a result, this comment is no longer applicable regarding the concession contract.</p>
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