

ALAN G. HEVESI
COMPTROLLER



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ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

January 4, 2005

Ms. Connie Fishman
President
Hudson River Park Trust
Pier 40
W. Houston and West Streets
New York, NY 10014

Re: Report 2004-S-37

Dear Ms. Fishman:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution; Article II, Section 8 of the State Finance Law; and Section 2803 of the Public Authorities Law, we audited the Hudson River Park Trust's system of internal controls over its financial operations. Our audit covered the period January 1, 2002 through April 30, 2004.

A. Background

The Hudson River Park Trust (HRPT) is a public benefit corporation responsible for planning, designing, developing, constructing, operating and maintaining a planned 550-acre park in New York City. In this multi-year project, about five miles of waterfront docklands are to be transformed into a series of parks and public spaces that will run along the Hudson River on Manhattan's west side from Battery Park in lower Manhattan to West 59th Street in mid-Manhattan. HRPT was created by State law (the Hudson River Park Act) in September 1998.

Development and construction costs for the Hudson River Park (Park) are expected to total about \$400 million, of which \$100 million is to be provided by New York State and \$100 million is to be provided by New York City. The remaining funding is to be provided through the Park's lease revenues, private fundraising efforts and other sources. Construction began in 1998, and will continue as additional funding above the initial \$200 million becomes available.

Hudson River Park is the first park in New York State that is intended to be financially self-sustaining. All revenue generated by the Park is to be applied toward the cost of operating and maintaining the Park. This revenue is to be generated by lease and commission payments from the private and public companies providing food and recreational facilities within the Park.

HRPT is governed by a 13-member Board of Directors, of whom five are appointed by the Governor, five are appointed by the Mayor, and three are appointed by the Manhattan Borough President. HRPT employs about 40 full time staff and about the same number of seasonal and part time staff.

B. Audit Scope, Objectives and Methodology

We audited HRPT's system of internal controls over its financial operations for the period January 1, 2002 through April 30, 2004. The objectives of our performance audit were to determine whether HRPT has established written policies and procedures that provide an adequate level of internal control over its basic financial operations, and to determine whether HRPT employees follow those policies and procedures. To accomplish our objectives, we interviewed HRPT officials and reviewed HRPT policies and procedures governing the following financial operations: revenue collection, cash and investments, payroll, procurement and contracting, equipment and asset management, budgeting and expenditure control, Board of Director oversight and governance, and accounting and information systems. We interviewed HRPT staff responsible for these financial operations, and performed compliance testing to provide assurance that HRPT employees are following established policies and procedures. In the course of this testing, we reviewed certain financial records maintained by HRPT. We also reviewed the minutes of meetings held by the Board of Directors and attended one such meeting.

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 procedures and operations included within the audit scope. Further, these standards require that we understand HRPT's 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, 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 our audit provides a reasonable basis for our findings, conclusions and recommendations.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Division of State Services. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under Generally Accepted Government Auditing Standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

C. Results of Audit

We found that, in the areas of cash and investments, payroll, budgeting and expenditure control, Board of Director oversight and governance, and accounting and information systems,

HRPT has generally established adequate financial policies and procedures, and HRPT employees generally follow those policies and procedures. However, in the areas of revenue collection, procurement and contracting, and equipment and asset management, the policies and procedures established by HRPT are not always followed and, in some instances, are not sufficient. As a result, the internal controls over these financial operations are not always operating as effectively as intended.

Improvements are particularly needed in the area of revenue collection, as lease payments from the private and public companies operating in the Park are not always collected in a timely manner and may not be accurately recorded when they are collected. As of March 31, 2004, HRPT un-audited records indicated that 75 percent of its total accounts receivable (\$1.3 million) was more than 60 days past due and 12 percent (\$207,265) was more than 180 days past due. Most (\$1.2 million) of the amount more than 60 days past due was owed by four companies (\$606,707) and the New York State Department of Transportation, which owed \$606,008 for roadway construction work financed by HRPT. If HRPT does not improve its revenue collection practices, its ability to be financially self-sustaining may be jeopardized. HRPT officials indicated general agreement with our audit findings.

1. Revenue Collection

In the fiscal year ended March 31, 2003, HRPT received a total of \$41.9 million in revenue, including \$9.5 million in lease payments from the private and public companies providing services in the Park. The remaining \$32.4 million was provided by New York State, New York City and other sources. We examined HRPT's controls over the collection of lease payments and other billable revenue. We found that improvements are needed if billable revenue is to be collected in a timely manner and recorded accurately when it is collected.

HRPT has established various billing policies and procedures. We reviewed these policies and procedures and found that they are, for the most part, adequate. HRPT leases are negotiated by its Legal Department. Billing invoices are generated automatically, based on the terms of the lease, and sent out by the Finance Department, which also collects the payments. A monthly activity report is generated for each tenant and is used to reconcile billing and collection activities. A monthly aging report is also generated to track the status of each account receivable. A flat fee of \$25 is to be assessed if an account is not paid on time, and staff are to follow up on overdue accounts.

To maintain adequate control over lease revenue once it is received, payments should be recorded in a log of cash receipts. The payments should be recorded immediately upon receipt by an employee who has no other revenue collection or revenue recordkeeping responsibilities. Such a log establishes accountability for the revenue, and this accountability helps provide assurance that all funds received are accurately recorded and properly deposited.

However, we found HRPT policies and procedures do not require that a log of cash receipts be maintained, and no such log is maintained by HRPT. In the absence of such a log, accountability is not established for lease payments upon receipt, and in the absence of this accountability, there is no assurance that the payments are accurately recorded and properly deposited. To verify the

accuracy of the amounts recorded as collected, we selected a sample of 5 out of a total of 28 outstanding lease accounts, and compared the amounts recorded as collected to the amounts that should have been collected. We identified 4 discrepancies that were eventually resolved by HRPT. In resolving the discrepancies, 4 recordkeeping errors were identified. For example, two payments made by the tenant to HRPT referenced a different invoice number and two payment amounts did not equal the amount stated on the corresponding invoice. If a log of cash receipts is maintained, deposits could be reconciled to the log.

This log should also be maintained to track the efforts of staff who follow up on overdue accounts. As a result, HRPT officials have less assurance follow-up efforts are as persistent as they should be. We tested HRPT's compliance with its billing policies and procedures. When we tested the timeliness of the collection process, we found that many accounts were not collected in a timely manner. In some instances, large outstanding balances were carried from month to month, and some accounts were two years past due. According to the monthly aging report of March 31, 2004, HRPT's outstanding accounts receivable on that date totaled \$1,754,065, of which \$1,324,088 (75 percent) was more than 60 days past due and \$207,265 (12 percent) was more than 180 days past due. About \$1.2 of the \$1.3 million in accounts more than 60 days past due was owed by five entities, as follows:

- A vendor providing boat tours owed \$288,838 and \$100,580 of this amount was more than 180 days past due,
- A vendor providing recreational services owed \$120,075 and \$60,130 of this amount was more than 180 days past due,
- A vendor providing helicopter tours owed \$119,370 and \$14,085 of this amount was more than 180 days past due,
- Another vendor owed \$78,424 and \$74,568 of this amount was between 60 and 90 days past due, and the remaining \$3,856 was between 120 and 150 days past due, and
- The New York State Department of Transportation owed HRPT \$606,008 as reimbursement for maintenance work performed by HRPT under contract with the Department of Transportation. According to HRPT records, this payment was between 60 and 90 days past due.

We note that, contrary to HRPT policy, the \$25 late fee had not been assessed in any of these instances. HRPT officials told us that the fee was not assessed because the policy is not enforced. We also note that the lease agreements with some vendors require that interest and penalties be assessed on outstanding balances. However, we found that interest and penalties had not been assessed by HRPT on such balances.

To test the accuracy of the amounts recorded as outstanding, we sent letters to the holders of 9 outstanding accounts. The accounts were judgmentally selected (4 in excess of \$100,000, 4 between \$10,000 - \$100,000, and 1 between \$1,000 and \$9,999), and asked them to confirm the accuracy of the amount recorded by HRPT as outstanding. We received seven responses, three of

which confirmed the balance reported by HRPT. The other four account holders disagreed with the amount reported by HRPT, as two reported that a greater amount (a combined \$176,932) was owed and two reported that a lesser amount (a combined \$76,510) was owed. We recommend that HRPT resolve these four discrepancies. We note that, in the absence of a cash receipts log, such discrepancies are more likely to occur and may be more difficult to resolve.

In one of the lease agreements, the amount to be paid by the vendor each month varies depending on the amount of revenue generated by the vendor from its Park operations. This vendor (Air Pegasus) provides airplane tours at the Park. To determine whether Air Pegasus had accurately reported its gross revenues to HRPT, we compared the amount reported to HRPT for 2002 to the amount reported in Air Pegasus's financial statements for 2002 (the most recent financial statements available at the time of our review). We found that the revenue reported to HRPT matched the revenue in the financial statements. However, HRPT does not confirm this revenue, even though it is permitted by the lease to do so. We recommend HRPT confirm the gross revenue reported by Air Pegasus.

In response to our findings, HRPT officials agreed that their collection efforts could be improved. They noted that the past due amount owed by the New York State Department of Transportation (\$606,008), was due to factors beyond their control, specifically the level of detailed supporting documentation required by Department of Transportation in order to reimburse HRPT.

2. Procurement

HRPT has developed Procurement Guidelines for its purchasing and contracting activities. We reviewed the Procurement Guidelines and found they were adequate. However, when we tested selected purchases, we found that a number of purchases did not fully comply with the Procurement Guidelines. In particular, some purchases were not properly authorized in advance, and the receipt of some goods or services was not verified before payment was made. When purchases are not properly authorized, there is less assurance the purchases are appropriate. When payment is made before delivery is verified, there is less assurance the agency received what it paid for.

In one of our tests, we systematically selected a sample of 16 check payments (totaling \$123,061) from the 104 check payments (totaling \$303,488) that were made to vendors in February 2004 and April 2004, and reviewed the documentation relating to the purchases. Our sample consisted of non-recurring purchases; we excluded such recurring purchases as payments for telephone and delivery services. The documentation that we reviewed indicated that several of the payments did not fully comply with the Procurement Guidelines, as follows:

- In 10 of the 16 payments (totaling \$21,282), either a purchase order was not filled out (totaling \$14,381) or the purchase order was not approved before the purchase was made (totaling \$6,900).
- In 3 of the 16 payments (totaling \$4,785), the vendors were paid without any indication on the packing slips and/or vendor invoices that the goods or services had been received.

In another test, we reviewed all seven credit card payments (totaling \$3,041) made by HRPT

in a recent representative month (February 2004). We found that the payments did not comply with the Procurement Guidelines in a number of respects, as follows:

- In 5 of the 7 payments, receipts were not available for some of the items purchased. In the absence of this documentation, there was no assurance that the purchases were reasonable or necessary.
- In 4 of the 7 payments, either the purchase was made without prior supervisory approval or the purchase was approved after the date noted on the receipt or vendor invoice.
- In 3 of the 7 payments, purchases made by HRPT's President were approved by a subordinate to the President. Sound business practice and internal controls suggest that such purchases should be approved by a member of the Board of Directors.

We also tested 79 payments made to vendors in February 2004 to determine whether there were any instances of duplicate payments. We found no instances of duplicate payments in these 79 payments.

3. Contracting

HRPT's Procurement Guidelines indicate that certain procedures should be followed when contracts are awarded. We found that these procedures are not always followed. In particular, HRPT does not always follow procedures that are intended to promote competition and ensure that contracts are awarded only to qualified bidders. When such procedures are not followed, contract prices may be higher than necessary and the contractor's performance may not meet the requirements of the contract. If HRPT is to be financially self-sustaining, such procedures need to be followed.

According to HRPT's Procurement Guidelines, contracts are to be awarded on a competitive basis if possible, and certain approvals must be obtained depending on the dollar amount of the contract. For example, contracts up to and including \$50,000 require three written bids and the approval of either the Assistant Treasurer, the Executive Vice President or the President. In addition, if the period covered by a proposed contract exceeds three years, the contract should not be approved unless it is determined, and documented, that a long-term contract is preferable to seeking competition for a new contract after three years. The Procurement Guidelines also require that the contract award process be documented in reasonable detail. The documentation to be retained includes memos or letters that explain the selection process.

The Procurement Guidelines further require that, where appropriate, vendors be cleared by New York City's Vendor Information Exchange System (VENDEX) before they are awarded contracts. VENDEX is a database containing comprehensive information about vendors that have done business with New York City, including evaluations of their performance on past contracts and relevant financial and contract award information from other New York City computer systems. Vendors having a clear record are issued a certificate of approval by VENDEX.

To determine whether HRPT complied with the Procurement Guidelines in its awarding of

contracts, we judgmentally selected four contracts (out of a total of 101 contracts outstanding during the third quarter of 2003) - two larger and two smaller - each of which exceeded \$1 million, and reviewed documentation of the actions taken by HRPT in awarding the contracts. We found that HRPT did not comply with the Procurement Guidelines in the following respects:

- None of the four contractors appeared to have been cleared through VENDEX, as a VENDEX certificate of approval was not on file for any of these contracts. We used VENDEX to review the four contractors' performance history, and found advices of caution pertaining to three of the four contractors. The advices of caution related to business integrity, administrative charges and OSHA violations. All the matters cited on VENDEX were more than ten years old, and it is therefore possible that some or all of these matters were no longer relevant when the contracts were awarded by HRPT. However, a VENDEX certificate of approval was not on file for any of these contractors, and according to the Procurement Guidelines, contracts should not be awarded to vendors lacking this certificate.
- The period covered by one of the contracts exceeded three years, but the need for this long-term contract was not documented, as was required by the Procurement Guidelines. In response to our finding, HRPT officials advised us that they intend to revise the Procurement Guidelines to eliminate this requirement.

4. Equipment and Asset Management

HRPT has established policies and procedures for the acquisition and control of equipment. We reviewed these policies and procedures, and found that they are generally adequate. Moreover, when we tested HRPT's compliance with these policies and procedures, we found that equipment acquisitions are properly authorized and recorded, and inventory records are properly maintained. However, we also found that controls over vehicle usage could be improved, and computer-related equipment could be better protected against theft and loss.

We judgmentally selected 5 out of a total of 52 vehicles from the inventory listing, 3 higher-priced and 2 lower-priced, and verified their presence at HRPT. We also selected five other vehicles that were present at HRPT, and verified that they were included on the inventory listing. The results of our test indicated that the inventory records for these assets were adequate.

HRPT has 11 vehicles that can legally be driven on the streets, including four cars and seven trucks. We also examined HRPT's controls over the use of its vehicles. We found that improvements are needed, as HRPT does not maintain a log documenting how the vehicles are used (such a log is not required by HRPT's policies and procedures). As a result, there is no assurance the vehicles are used only for official business.

In January 2004, HRPT implemented a new control for its vehicles: the KeyKeeper Tracking Control System. This system physically secures the keys to the vehicles and is designed to release the keys only to authorized users. The system also records who took and returned the vehicle keys. However, the system does not record where the vehicles are driven or the purpose of each trip, and in the absence of this information, it cannot be determined whether vehicles are used for official

business only.

For example, at our request, HRPT provided us with a KeyKeeper Tracking Control System report for the period January 1, 2004 through March 27, 2004. There were 855 entries on this report for the keys to these 11 vehicles. We reviewed these entries and identified ten instances in which a user kept a key for more than 24 hours. In five of these instances, the keys were kept for two days. In the remaining five instances, the keys were kept for periods ranging from 3 to 15 days. In the absence of information indicating where the vehicles were driven and the purpose of each trip, it cannot be determined whether the vehicles were used only for official business in these instances. The KeyKeeper Tracking Control System provides a number of good controls. We recommend that HRPT supplement these controls by maintaining a usage log for each vehicle.

According to HRPT inventory records, HRPT has about 290 computer-related hardware assets, valued at approximately \$400,000. We judgmentally selected 5 computer-related assets, 3 higher-priced and 2 lower-priced, from the most recent inventory records, and attempted to locate the items. In addition, we randomly selected 5 assets located on HRPT's premises and traced them back to the inventory records. The results of our test indicate that the inventory records for these assets are adequate.

We also examined HRPT's controls for preventing the theft and loss of computer-related items. According to HRPT records, staff had reported five such items, including computers and digital cameras, as either missing or stolen. In such instances, staff are to supposed to file a Property Management Report for the missing item. These reports describe the circumstances of the loss and provide accountability for missing items. However, a Property Management Report had been filed for only one of the five missing items, a Nikon digital camera.

To prevent the loss of computer-related equipment, HRPT requires all such equipment to be stored in a locked room. However, during the course of our audit, one of our own laptop computers was stolen from a similar locked room. We therefore conclude that additional action needs to be taken to protect such equipment against loss and theft.

Recommendations

1. *Maintain a cash receipts log, and record lease payments in the log as soon as they are received. Develop written procedures describing how such receipts are to be recorded and how the log is to be maintained.*
2. *Improve the timeliness of the revenue collection process by:*
 - *maintaining a log to track the efforts of staff who follow up on past due accounts,*
 - *assessing the \$25 late fee when accounts are not paid on time,*
 - *assessing interest on outstanding balances subject to such interest, and*
 - *taking any other actions that reduce delays in the collection process.*

3. *(This recommendation was deleted.)*
4. *Obtain independent verification of the revenue reported by Air Pegasus.*
5. *Take action to improve compliance with the Procurement Guidelines, particularly the Guidelines requiring that:*
 - *purchases be authorized in advance,*
 - *the receipt of goods and services be verified before payment is made,*
 - *(this item was deleted), and*
 - *contracts be awarded only to vendors that have been cleared by VENDEX.*
6. *Improve documentation retention practices in relation to the contract award process.*
7. *Revise the requirement in the Procurement Guidelines relating to contracts of more than three years.*
8. *Maintain a usage log for each vehicle to indicate where and for what purpose the vehicle is driven.*
9. *Take additional action to protect computer-related equipment against loss and theft.*
10. *Complete a Property Management Report whenever equipment is lost or stolen.*

We provided a draft copy of this report to HRPT officials for their review and comments. Their comments have been considered in preparing this report, and are included as Appendix A. In addition, State Comptroller's Notes, in response to HRPT comments, are included as Appendix B.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the President of the Hudson River Park Trust shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Major contributors to this report were Richard Sturm, Barry Mordowitz, Jeremy Mack, Ira Lipper, Liu (Elaine) Yu, and Dana Newhouse.

We wish to express our appreciation to the management and staff of the Hudson River Park Trust for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

William P. Challice
Audit Director

cc: Robert Barnes, Division of Budget



Hudson River Park Trust

October 15, 2004

William P. Challice
Audit Director
State of New York – Office
Of the State Comptroller
110 State Street
Albany, New York 12236

Dear Mr. Challice:

I would like to take this opportunity to give you my comments on and request some corrections to the draft audit report recently sent to my office.

Generally, the Hudson River Park Trust (HRPT) has some concerns about the overall tone of the report. During your briefing with us when the audit was complete, you indicated that while you had a number of recommendations regarding systems to improve revenue collection, vehicle management, procurement documentation, and other systems, overall, you found no instances of mismanagement of our assets, expenditures, budgeting, payroll, corporate governance, investments, and procurement systems. We request that an introductory paragraph be provided that indicates something to this effect.

* Note 1

Under the category “**Revenue Collection**,” your report states “...HRPT records indicated that more than 75% of its total accounts receivables were more than 60 days past due and 12% were more than 180 days past due. Staff explained to your auditors that while the accounting software indicated these accounts were outstanding, payments had been received but not yet applied to the tenant’s account and, even when applied, still appeared on the aging report.” Your report provides several examples. Following are our comments on these examples:

Appendix A

* See State Comptroller's Notes, Appendix B

- The vendor providing recreational services which your report indicates “owed \$120,075 and \$60,130 of this amount was more that 180 days past due,” only had an outstanding balance of one month. (\$30,065).
- The vendor providing helicopter (your report reads “airplane”) tours “owed \$119,370, and \$14,085 of this amount was more that 180 days past due” is actually covered under a repayment agreement with the Trust. The agreement was negotiated to provide the tenant with a repayment schedule that would allow this tenant to recuperate from the impact of 9/11 when all other methods of assistance were proven to be unavailable. A copy of the agreement was provided to the auditors on site and is enclosed for your perusal.
- The vendor who “owed \$78,424 and \$74,568 of this amount was between 60 and 90 days past due, and the remaining \$3,856 was between 120 and 150 days past due” was actually a negotiated credit with a tenant whose facility the Trust took over on December, 31, 2003. On December 15th we recorded a partial December payment of \$227,644.25, which left a balance of \$181,502.26 representing the tenant’s projected value of utilities, service contracts paid and equipment that the Trust would be assuming after the turnover. Further negotiations brought this amount to \$78,424, representing a credit due to the customer. A payment in the amount of \$106,933.75 was made and reflected on our books at January 7th. This information was provided to the auditors on site and is enclosed for your perusal.
- Regarding the vendor providing boat tours with an outstanding balance of \$288,838, of which \$243,687.52 was collected between April and May, 2004. Trust staff informed the auditors of the recent change in A/R personnel which took place in April, 2004, a change that resulted in the collection of over \$500,000 in outstanding receivables between April and May, 2004. We also informed the auditors of system-based irregularities that had a direct impact on A/R. Since your audit was completed, the New York State Department of Transportation (“NYSDOT”) and the HRPT staff have come to an agreement on the documentation required to allow NYSDOT to make the reimbursement payments in the outstanding amount of \$606,008. This amount was received by HRPT in July, 2004.

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We note your recommendation that we resolve four discrepancies in amounts owed to HRPT from the letters you sent to “holders of 9 outstanding accounts” and would ask that you identify the holders of these accounts so that we may follow through on your recommendations.

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In response to comments made in the “**Procurement**” category, your report states “there is less assurance the purchases were appropriate. When payment is made before delivery is verified, there is less assurance the agency received what is paid for.” While we agree with your assessment that our verification system should be improved, we feel it is important that you also clearly state that no instances of inappropriate purchases were found in your systematically selected sample.

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In your findings, you report that 3 of 7 payments for purchases made by HRPT's President were approved by a subordinate, and state that according to our Procurement Guidelines such purchases should be approved by a member of the Board of Directors. Our Procurement Guidelines have no such requirement. We would appreciate your identifying the area of our Guidelines that resulted in this misinterpretation so that we may clarify the statement.

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In Section 3 "**Contracting**" of your audit report, we have several comments and/or corrections. You state that the contracting procedures "are not always followed," yet during the exit interview, your staff gave no such indication. We provided documentation, although there may not have been complete documentation, for each inquiry from the on-site auditors. We further explained that the missing documentation was exactly that –"missing"– mostly due to the manner in which we were forced to move from our original offices during the September 11, 2001 disaster, during which the Trust was to relocate its entire administrative office within a 24-hour period. We do not agree with the statement that "HRPT does not always follow procedures that are intended to promote competition and ensure that contracts are awarded only to qualified bidders." We admit that the documentation necessary to substantiate our process was not fully available at the time of the audit. We have since located these documents and have attached them for your perusal. We further disagree with the audit statement that says that "None of the four contractors appeared to have been cleared through VENDEX." All of our contractors have been and continue to be cleared through VENDEX. The contracts reviewed in this audit were issued at a time when HRPT did not have access to the VENDEX system and we therefore used the New York City Department of Parks and Recreation, a Board member and member of the HRPT's selection committee, to clear contracts through VENDEX. We hope that the attached documentation will eliminate your concerns about HRPT's contractual procedures and that this will be reflected in your revised report.

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With regard to the Equipment and Asset Management assessment, we would state for the record that the KeyKeeper Tracking Control System was, at the time of this audit, a newly installed control feature. The system records the activities of the vehicles' keys. Your report implies that the actual vehicle was kept for periods ranging from 3 to 15 days when in fact it was the key the system records kept. We feel it necessary that your report include this information.

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Following are some corrections to the audit report as submitted:

Page 1 – 3rd paragraph - the sentence beginning "Construction began..." should read "Construction began in 1998 and will continue as additional funding above the original \$200,000,000 becomes available."

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Note
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Page 2 – 1st paragraph - last sentence should read "HRPT employs about 40 full time staff and about the same number of seasonal and part time staff."

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Note
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Page 3 – 2nd paragraph, first sentence should read “.....as lease payments from the private and public companies.....” The sentence that starts “As of March 31, 2004, HRPT records” should read “un-audited” records. The third sentence, which reads “which owed \$606,008 for roadway construction work financed by HRPT,” should read “which owed \$606,008 for maintenance work performed by HRPT under contract with NYSDOT.”

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Note
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Page 3 – 4th paragraph, in the section that read “Different leases are controlled by different units within HRPT. Each unit is responsible for estimating the amount of lease revenue it will collect during the year. The units submit their revenue budgets to the Finance Department...” does not reflect the practices of HRPT. Our leases are negotiated by our Legal Department, and the lease revenue is determined in the lease and collected by the Finance Department. HRPT units do not submit revenue budgets to Finance; they submit operating budgets which are combined and coordinated by the Finance Department and presented as a company budget.

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Recommendations number 5, bullets 3 and 4 are not required, as HRPT already competitively bids its contracts and contractors are cleared through VENDEX.

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We hope that you consider these comments in your final report. If you have any questions or need any additional information, please feel free to contact my office.

Sincerely,

Connie Fishman

Connie Fishman
President

Attachments.

cc: N. Doyle w/o attachments
K. Jennings w/o attachments
S. Simpson w/o attachments

State Comptroller's Notes

1. In the introductory paragraph of the “Results of Audit” section of our report, we have already indicated that we found generally adequate policies and procedures established for these areas, and that HRPT employees generally followed such policies and procedures.
2. The information contained in our report was based on the account balances as reflected in HRPT’s accounting records. While we were advised that certain account balances were in error, we were not informed of systemic problems. As the HRPT response now indicates, its accounting software does not accurately track or reflect account balances, and states that “system-based irregularities...had a direct impact on A/R.” This is an underlying problem contributing to untimely revenue collection. Without an accurate system, HRPT does not know which accounts are outstanding, and therefore cannot be assured that such accounts are fully collected. As part of their response, HRPT officials provided evidence of the payments and/or negotiations and agreements.
3. We provided HRPT officials with the requested information.
4. The focus of our tests was not on the appropriateness of the purchases sampled, rather, our tests examined whether the purchases were made in accordance with HRPT’s Procurement Guidelines.
5. We modified our report to reflect this information.
6. HRPT officials subsequently located these documents and made them available to us as part of their response. Accordingly, we deleted this observation from our report as well as the related Recommendation 3 and part of Recommendation 5.
7. Our review of VENDEX showed no certificates for the contractors we cited.