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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

April 23, 2009

Mr. Seth W. Pinsky
President
NYC Economic Development Corporation
110 William Street
New York, NY 10038

Re: Report 2008-F-40

Dear Mr. Pinsky:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; and Article 3 of the General Municipal Law, we have followed up on the actions taken by officials of the New York City Economic Development Corporation (EDC) to implement the recommendations contained in our prior audit report, *New York City Economic Development Corporation: Downtown Heliport - Revenue Operations* (Report 2007-N-5).

Background, Scope and Objective

The Downtown Manhattan Heliport (Heliport) is located in lower Manhattan and is one of three public heliports in New York City. Until October 31, 2008, the Port Authority of New York and New Jersey (Port Authority) managed the Downtown Heliport pursuant to a lease agreement with the EDC. Effective November 1, 2008, EDC hired a new contractor (First Flight) to manage the Heliport on its behalf.

Our initial audit report, which was issued on December 21, 2007, examined whether the Port Authority recorded and reported Heliport revenues accurately, and remitted the appropriate rental fees to EDC. We found that although Heliport revenues were accurately reported, certain expenses charged to Heliport operations appeared excessive. These excessive expenses resulted in only the minimum rental fee being remitted to EDC each year.

The objective of our follow-up was to assess the extent of implementation, as of February 26, 2009, of the two recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

EDC replaced the Port Authority as its Heliport manager on November 1, 2008. As a result of the current lease arrangement between EDC and the new Heliport manager, the recommendations we made in our initial report are no longer applicable.

Follow-up Observations

Recommendation 1

Perform or arrange for independent audits of the Heliport's financial statements to periodically analyze the expenses presented in the statements.

Status - No Longer Applicable

Agency Action - EDC's lease agreement with its new Heliport manager establishes EDC's annual rental income as a percentage of the Heliport's gross revenues - as opposed to "net profits" as outlined in the former lease agreement with the Port Authority. As such, Heliport expenses are no longer a factor in the amount of revenue to be remitted by the Heliport manager to EDC.

Recommendation 2

Require Port Authority officials to comprehensively assess the Heliport's financial practices and take steps to turn its operating deficit into a profit making operation.

Status - No Longer Applicable

Agency Action - Now that EDC's annual rental income from heliport operations is revenue-based, the profitability of Heliport operations is no longer a factor in how much rent EDC will receive each year. We do note that the new annual minimum rental fee to be remitted by First Flight to EDC regardless of the amount of gross revenue collected is now \$1.2 million, significantly greater than the \$100,000 it had been receiving each year from the Port Authority.

Major contributors to this report were Michael Solomon, Santo Rendon, John Lang, and Anthony Carlo.

We would appreciate your response to this report within 30 days of issuance. We also thank the management and staff of EDC for the courtesies and cooperation extended to our examiners during this process.

Very truly yours,

Frank Patone, CPA
Audit Director

cc: Ms. Hope Mallari, EDC Internal Audit
Mr. Chris Malin, EDC Controller
Mr. George Davis, Mayor's Office