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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-39

Dear Mr. Pinsky:

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 3 of the General Municipal Law, we have followed up on the actions taken by officials of the New York City Economic Development Corporation to implement the recommendations contained in our audit report, *New York City Economic Development Corporation: East 34<sup>th</sup> Street Heliport - Revenue Operations* (Report 2007-N-7).

**Background, Scope and Objective**

The East 34<sup>th</sup> Street Heliport (Metroport), located at 34<sup>th</sup> Street and the East River in Manhattan, is managed by MacQuarie Aviation North America Inc. (Atlantic) pursuant to a lease agreement (agreement) with the New York City Economic Development Corporation (EDC). The Metroport activities include thousands of landings and take-offs each year. The Metroport hosts both corporate and charter flights, as well as passenger shuttles to Kennedy and Newark Airports.

Metroport revenues are derived primarily from fees charged to carriers for helicopter landings, parking, and fueling. Under the agreement, Atlantic is required to remit a percentage of its total revenue collections to EDC as a rental fee. For the calendar year 2008, Atlantic reported \$3,509,000 in revenue and remitted \$913,280 to EDC.

Our initial audit report, which was issued on December 21, 2007, examined whether the East 34<sup>th</sup> Street Heliport recorded and reported revenue collections accurately, and remitted the appropriate fees to the EDC. We found that Atlantic did not always bill helicopter operators the correct amounts based on actual heliport activity, and that certain Metroport revenues were underreported resulting in underpayments to EDC.

The objective of our follow-up was to assess the extent of implementation, as of January 30, 2009, of the six recommendations included in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

We found that some progress has been made in correcting the issues identified in our prior audit. However, additional improvements are needed. Of the six prior audit recommendations, three recommendations have been implemented, one recommendation has been partially implemented, and two recommendations have not been implemented.

### **Follow-up Observations**

#### **Recommendation 1**

*Require Atlantic to:*

- *Immediately discontinue altering official Metroport activity logs;*
- *Develop billing adjustment procedures in accordance with generally accepted accounting principles; and*
- *Use only press-numbered invoices to properly account for all carrier billing transactions.*

Status - Partially Implemented

Agency Action - Atlantic officials have discontinued the practice of altering activity logs. Corrections to the activity log are now made using a single line striking through the incorrect information accompanied by the initials of the employee making the correction and the associated reason for the correction.

EDC has been periodically checking Atlantic's billing documents, including adjustments, to assess compliance with generally accepted accounting principles. Atlantic has developed a procedure where it now lists all Metroport landing and parking activities on carrier invoices, including no-fee activities. Every credit issued to a carrier has an associated written justification.

Although Atlantic personnel have segregated the duties of invoice preparation and numbering between the Atlantic headquarters and Metroport staff, invoices are still not independently press-numbered. They continue to be assigned numbers by Metroport staff negating the independent revenue accountability this would provide.

#### **Recommendation 2**

*Recover the \$8,438 as a result of under-reported revenues reportedly due to mathematical errors.*

Status - Implemented

Agency Action - EDC recovered the \$8,438 in underreported revenue.

**Recommendation 3**

*Recover the \$199 as a result of documented charter flight revenues not previously reported.*

Status - Implemented

Agency Action - EDC recovered the \$199 in revenues not previously reported.

**Recommendation 4**

*Investigate the circumstances surrounding the 10 charter flights where associated revenues could not be traced to Atlantic's financial records. If associate revenues were in fact collected, recover appropriate share.*

Status - Not Implemented

Agency Action - EDC officials informed us that they believe the terms of the shared revenue arrangement between the carrier in question and Atlantic were sufficient to ensure that Atlantic collected the charter revenues it was due. Therefore, EDC did not investigate the circumstances surrounding the 10 charter flights noted. EDC also informed us that this charter arrangement has been discontinued.

**Recommendation 5**

*Recover the \$185 in unsubstantiated credits issued to carriers in their invoices.*

Status - Not Implemented

Agency Action - EDC did not pursue collection of the \$185 in unsubstantiated credits.

**Recommendation 6**

*Require Atlantic to pursue the \$370,000 in long-term outstanding receivables from carriers. Once collected, recover appropriate share.*

Status - Implemented

Agency Action - Although we saw no evidence that EDC officials required Atlantic to pursue the collection of the noted receivables, based on our observations, Atlantic has been reviewing its outstanding receivables on a monthly basis, has documented its recent attempts to collect past due receivables, and has reduced its long-term receivables from \$370,000 to around \$300,000 as of December 2008. The original \$370,000 in outstanding receivables has been reduced to below \$180,000.

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, indicating any actions planned to address the unresolved issues discussed in the report. We wish to thank the management and staff of the NYC Economic Development Corporation and the Metroport for the courtesies and cooperation extended to our examiners during this process.

Very truly yours,

Frank Patone, CPA  
Audit Director

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