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COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 10, 2009

Ms. Connie Fishman
President
Hudson River Park Trust
353 West Street (at W. Houston Street and Pier 40)
New York, NY 10014

Re: Report 2009-F-09

Dear Ms. Fishman:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution; and Section 7, paragraph 12 of the Hudson River Park Act, we have followed up on the actions taken by Hudson River Park Trust officials to implement the recommendations contained in our prior audit report, *Hudson River Park Trust: West 30th Street Heliport Revenue Operations* (Report 2006-S-75).

Background, Scope and Objectives

The West 30th Street Heliport (Heliport), located at West 30th Street and the Hudson River in Manhattan, is one of three public heliports in New York City. The Heliport is managed by Air Pegasus Heliport Inc. (Pegasus), pursuant to an agreement (permit) with the Hudson River Park Trust (Trust) - a New York State/New York City partnership. The Heliport hosts thousands of charter and corporate flight landings and takeoffs each year.

Heliport revenues are derived primarily from helicopter landings, parking, fuel sales, and other associated charges. Under its permit with the Trust, Pegasus is required to remit to the Trust a basic monthly permit fee and an additional fee equal to a percentage of the Heliport's monthly revenue receipts. For the fiscal year ending May 12, 2008, Pegasus reported \$9,205,034 million in revenue, and remitted \$1,049,604 to the Trust.

Our initial audit report, issued December 21, 2007, examined whether Pegasus charged carriers the appropriate fees, and accurately reported and remitted appropriate amounts to the Trust. We found that Pegasus correctly remitted the basic monthly permit fee. However, there were significant revenues Pegasus did not initially include in its monthly receipts which inappropriately reduced payments to the Trust above the base rent. These excluded revenues were being pursued by Trust officials prior to our audit. After a series of negotiations, Pegasus paid the Trust an additional

\$462,387. We also could not determine whether Pegasus charged all customer carriers the appropriate fees. Pegasus gave certain discounts to selected carriers without the benefit of a formal written discount policy. As a result, we were not able to determine the propriety or fairness of the amounts charged to carriers.

The objective of our follow-up review is to assess the extent of implementation, as of August 26, 2009, of the three recommendations included in our prior report.

Summary Conclusions and Status of Audit Recommendations

We found that the Trust made only limited progress in implementing our recommendations. Of our three prior report recommendations, one was partially implemented, and two have not been implemented.

Follow-up Observations

Recommendation 1

Take appropriate measures to complete and execute the re-bid process for the Heliport at its new location.

Status - Not Implemented

Agency Action - Upon completion of our prior audit, the Trust is obligated under the terms of a court-approved agreement to relocate the Heliport. This agreement provides that the Heliport is permitted to continue to operate out of its West 30th Street location until December 31, 2012, or earlier, if a suitable location is found and approved by the appropriate government authorities. Concurrent with the relocation would be a re-bid for a Heliport management group. Although a couple of relocation sites had been identified, Trust officials assert they have encountered difficulties obtaining the required government approvals for them. As such, the re-bid process for a new Heliport manager has neither been completed nor executed.

Recommendation 2

Require Pegasus to prepare formal written policies pertaining to any future discounts, including the basis of such discounts, and monitor Pegasus to ensure discounts are applied uniformly to all carriers.

Status - Partially Implemented

Agency Action - Pegasus provided us with a formal written policy outlining the various discounts it reportedly offers to carriers. However, we have not seen any evidence that Trust officials have been monitoring its uniform application.

Recommendation 3

(Recommendation 3 deleted from final report.)

Recommendation 4

Monitor periodically all aspects of Heliport operations, including revenue collections, compliance with posted fees, and the business climate enjoyed by Heliport carriers. As necessary, take appropriate corrective actions.

Status - Not Implemented

Agency Action - Trust officials did not provide us with any documentation to support their monitoring of the Heliport operations detailed in our recommendation.

Major contributors to this report were Michael Solomon, Santo Rendon, John Lang, and Cheryl Miles.

We would appreciate your response to this report within 30 days of report issuance, indicating any actions planned by Trust officials to address the unresolved matters noted in this report. We also thank the management and staff of the Trust and Pegasus for the courtesies and cooperation extended to our examiners during this review.

Very truly yours,

Frank P. Patone, CPA
Audit Director

cc. Ms. Diana L. Taylor, Chairperson
Ms. Laurie Silberfeld, General Counsel/Vice President
Mr. Tom Lukacs, Division of the Budget