

#1 (Rev.1/93) SINGLE PAGE COMMUNICATION TO THE COMMON COUNCIL

TO: THE COMMON COUNCIL: DATE: July 8, 2004

FROM: DEPARTMENT: Audit and Control

DIVISION: Audit

SUBJECT: [: **Erie Basin Marina**
[: **May 1, 2003 – April 30, 2004**
[:
[:

PRIOR COUNCIL REFERENCE: (IF ANY) [:
Ex. (Item No. xxx, C.C.P. xx/xx/xx)

TEXT: (TYPE SINGLE SPACE BELOW)

AUDIT FINDINGS

The results of our field audit are as follows:

A trial balance of general ledger accounts revealed all accounts were in agreement.

Based on our test sample, we are 95% confident that the reported sales revenues are a fair and accurate basis to provide the subsequent computation of Marina rentals due to the City.

The City has realized \$202,756.45 in Marina rental receivables for the 2003 season

Based on the above, Brand-On Services, Inc. reported sales and operation receipts totaling \$964,215, of which approximately 21% (\$202,756) was due to the City.

The current tenant operator revealed an increase in food, beverage, and sundry sales of approximately 16% and 6% for the 2002 and 2003 seasons respectively continuation of such growth will eventually net the City rental revenues exceeding the \$80,000 guaranteed minimum.

We propose the following adjustments to the above reported balance due as follows:

| | | |
|------------------------------|---------------|---------------------|
| Due to City per report | | \$107,415.74 |
| Add: Audit Adjustments | | |
| (a) Late Payment Fee | \$4,833.71 | |
| (b) Dock B23 rent | 590.70 | |
| (c) Unallowed plant credit | <u>358.70</u> | <u>5,783.11</u> |
| Adjusted Balance due to City | | <u>\$113,198.85</u> |

As of the completion of our audit work, May 18, 2004, the reported balance due was in a delinquent status of approximately six (6) months. We have calculated this amount due with simple interest for said period (\$107,415.74 X 9% X 6 months).

Our review of DPW records listing slip renters by dock numbers revealed that Dock B23 is listed to the lessee as a transient slip with \$0 fee paid. Further analysis also revealed procurement of 1,795 gallons of regular fuel by the lessee through the Ships Store facility. Based on the assumption that the lessee utilizes the above dock for the season, we calculated the season fee due by the City's rental share (\$1,074.00 X 55%).

We researched the above water accounts at the American Water office and have discovered that these accounts have been in an "inactive status" since the final billings issued on October 19, 2001.

A check for \$107,000 was received in Treasury on June 24, 2004.

It is important to note that the above accounts must be calculated by American Water using past and current meter readings at the Marina facilities. Based on this premise, we cannot arrive at the amounts owed for water service by the previous lessee, The Rhino Room, Inc., and the current lessee, Brand-On Services.

RECOMMENDATIONS

The Audit Division recommends the following:

- Pursue collection of all monies due to the City by both the Rhino Room, Inc. and Brand-On Services, Inc., utilizing the Corporation Counsel's office to file start collection proceedings against lessees responsible for all applicable delinquent accounts.
- Encourage the Public Works Department, and specifically the section assigned to exercise more diligence and oversight over the operations and revenues generated by the Marina.

TYPE DEPARTMENT HEAD NAME: ANDREW SANFILIPPO

TYPE TITLE: COMPTROLLER

SIGNATURE OF DEPARTMENT HEAD

