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# Comptroller Audit Finds EDC Underreported the Costs of NYC Ferry System by \$224 Million from 2015 to 2021

July 6, 2022



Comptroller Lander calls for increased fiscal transparency, recouping overpayments, and a new RFP to operate the ferry system

**New York, NY** – New York City Comptroller Brad Lander released an [audit](https://comptroller.nyc.gov/reports/audit-report-on-the-new-york-city-economic-development-corporations-administration-of-the-nyc-ferry-operation/) (<https://comptroller.nyc.gov/reports/audit-report-on-the-new-york-city-economic-development-corporations-administration-of-the-nyc-ferry-operation/>) showing NYC Economic Development Corporation (EDC) underreported nearly a quarter of a billion dollars in NYC Ferry expenditures during former Mayor Bill de Blasio's Administration. EDC incurred a total of \$758 million dollars in total ferry-related expenditures from July 1, 2015 through December 31, 2021, yet only reported \$534 million as ferry-related expenses in its audited financial statements and other records. The total City subsidy-per-ride is nearly double the original estimate of \$6.60 and has been consistently underreported. The press conference livestream is available [here](https://twitter.com/NYCComptroller/status/1544698329266659328?s=20&t=1X9BnaP4_DWHVwlxK3NViA) ([https://twitter.com/NYCComptroller/status/1544698329266659328?s=20&t=1X9BnaP4\\_DWHVwlxK3NViA](https://twitter.com/NYCComptroller/status/1544698329266659328?s=20&t=1X9BnaP4_DWHVwlxK3NViA)).

The audit also found that several decisions — including the early termination of the previous East River route operator's contract and lack of proper oversight over vessel acquisition — resulted in as much as \$66 million in unnecessary expenses. The audit's many findings collectively indicate poor oversight and a failure to hold the operator, Hornblower, accountable to the fiscal terms and conditions of their contract.



“Walt Whitman waxed poetic about New York City’s ferries, but EDC’s responsibility is to provide adequate oversight and report accurately,” said **NYC Comptroller Brad Lander**. “For a successful 21st century ferry system, we need more transparent reporting, better cost controls, and a new RFP to operate the system.”

The Comptroller made 11 recommendations aimed at improving oversight over the ferry system and protecting the fiscal integrity of New York City. EDC accepted some of the recommendations for providing enhanced transparency and agreed to issue a new RFP for the system operator. However, they refused to include a full accounting of the Ferry system in its audited financial statements, or to seek recoupment of approximately \$12 million in overpayments to Hornblower.

**Key highlights from the audit’s findings include:**

**Undisclosed Expenses**

While the de Blasio Administration’s EDC reported spending \$534 million on ferry operations from July 1, 2015 through December 31, 2021 in its financial statements and other records, auditors found they actually incurred at least \$758,517,560 in ferry-related expenses. A review of other financial records, including payment lists provided for this audit, found an additional \$180,960,344 in capital expenses and \$43,470,732 in operating expenses.

**Subsidy Higher than Projected or Reported**

Previous reporting indicated that the NYC Ferry system operates at a deficit and that the City’s subsidy is higher than the \$6.60 per ride initially projected. By calculating the subsidy based on a more accurate assessment of the real operating costs, auditors found that the actual City subsidy has been consistently higher than reported. In Fiscal Year 2021, the City subsidy amounted to \$12.88 per ride, 50% higher than the \$8.59 that EDC reported.

The largest element of this understatement is EDC’s decision in 2018 to stop including depreciation in calculating the total cost, a practice the City had used from 2002 until 2017. The City removed capital expenses from its calculation in 2018, shortly after then-Mayor de Blasio announced a \$300 million capital investment in the ferry system.

Period	Reported	Actual
FY 2018	\$10.72	\$12.80
FY 2019	\$9.34	\$11.44
FY 2020	\$10.59	\$14.57
FY 2021	\$8.59	\$12.88

**Poor Financial Management**

Several of EDC’s decisions resulted in tens of millions in unnecessary expenses, including purchasing vessels at higher-than-market costs as well as early termination and transfer of the East River contract.

1. The Comptroller’s analysis of vessel costs found EDC paid \$34 million in questionable vessel expenses to Hornblower, which was charged with overseeing acquisition and construction of vessels. In 2016, EDC ordered at an average of \$4 million per 150 River Class vessel and \$7.1 million per 350 passenger vessel. In 2018 and 2019, they ordered at an average of \$5.8 million per 150 River Class vessel and \$9.1 million per 350 passenger vessel, a price increase that far outstripped the rate of inflation. In one case, EDC ordered and paid Hornblower \$8.4 million for a “Rockaway Class” vessel, but received a “River Class” vessel that the agency later valued at \$5.6 million. EDC never insisted that Hornblower refund the \$2.8 million difference.
- Billybey originally operated the East River route under a five-year agreement with EDC, but EDC terminated the contract nearly three years early, incurring additional costs of \$21 million to Billybey for early termination and \$3 million to Hornblower for the transition.

## Contract Enforcement and Overpayments to Hornblower

Auditors found that EDC's weak enforcement of contract provisions resulted in at least \$3 million of unsubstantiated payments to Hornblower. Those included failure to submit documentation of the East River early activation costs, questionable calculation of management incentive fees, unjustified ticketing infrastructure and marketing costs, and other miscellaneous overpayments to Hornblower. EDC also failed to ensure compliance with certain insurance requirements.

The audit makes 11 recommendations. EDC agreed with two, partially agreed with three, stated that it is already in compliance with two, and disagreed with four.

- EDC agreed to provide enhanced financial reporting on its website, but did not commit to disclose all ferry-related expenditures in its audited financial statements.
- EDC agreed to include some additional "non-Operator" costs in the subsidy-per-ride calculation (e.g. the City's cost in maintaining the ferry landings), but refused to include capital asset depreciation, as had been the City's practice from 2002 through 2017.
- EDC agreed to issue a new RFP to operate the system.
- EDC refused to seek recoupment of overpayments to Hornblower totaling approximately \$12 million.

The Comptroller's audit of the NYC Ferry is available [here](https://comptroller.nyc.gov/reports/audit-report-on-the-new-york-city-economic-development-corporations-administration-of-the-nyc-ferry-operation/) (<https://comptroller.nyc.gov/reports/audit-report-on-the-new-york-city-economic-development-corporations-administration-of-the-nyc-ferry-operation/>).

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### Press Contact

#### Press

Press@comptroller.nyc.gov,

#### Chloe Chik

(646) 761-2914

cchik@comptroller.nyc.gov,

#### Josiel Estrella

(917) 826-0315

jestrel@comptroller.nyc.gov

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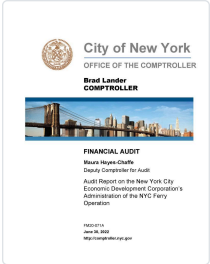
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(<https://comptroller.nyc.gov/reports/audit-report-on-the-new-york-city-economic-development-corporations-administration-of-the-nyc-ferry-operation/>)

Audit Report on the New York City Economic Development Corporation's Administration of the NYC Ferry Operation  
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