



October 10, 2023

Letter To The Press-Telegram Editor: Clarification Regarding Queen Mary Ex-Operator Funds Not Misused

To The Editor,

A recent Press-Telegram headline and corresponding article “Previous Queen Mary Operator Didn’t Misuse Millions in City Funding, New Memo Says” published October 4, 2023 regarding the financial review of the finances of the ex-operator of the Queen Mary was inaccurate and misleading. The article stated that the \$23 million of funds that the City gave to the ex-operator were spent as needed, were not misused, and that there was no evidence of fraud concerning the use of these funds. However, the City cannot say with confidence that the \$23 million of funds the City gave the ex-operator for repair work on the Queen Mary were not misused and were spent as intended.

In 2021, the City Auditor’s Office performed an analysis of the \$23 million given by the City to Urban Commons for the purpose of performing critical and urgent repair work on the Queen Mary. I stand by our [report](#) which found the City paid more than necessary for some of the repair projects.

This was due in part to the excessive markups and management fees. Our analysis found that the City allowed and paid up to 40% in markups on some of the repair projects. There was no agreement for these excessive charges stipulated in the City’s Queen Mary Lease Agreement.

In addition, our analysis found that the City paid \$1.1 million in management fees to the Urban Commons that were also not stipulated in the City’s Queen Mary Lease Agreement.

The financial review by the outside accounting firm retained by the City was narrow in scope and limited to tracing the flow of funds from the City to Urban Commons and its subcontractors. Although the review found that a majority of dollar amounts paid by the City to Urban Commons matched the dollar amounts noted on the invoices, the review did not look at the invoice details or any backup documentation to see whether markups were included and whether the repair work was actually performed on the Queen Mary.

Again, our analysis found excessive markups compounded with management fees resulting in significantly marked up invoices, and the City paying more than necessary for some of the repair projects. So by late 2018, the \$23 million had all been spent, but not all 27 projects were completed; seven projects had been completed, 11 projects had been partially completed, and nine projects had not started.

In 2021, the City commissioned an independent study that inspected the critical repairs completed and unfinished by the past operators and opined that there was still approximately \$23 million of repair work still needed.

Now that Urban Commons filed for bankruptcy and the City is in possession of the Queen Mary, the City is and will continue to pay for the \$23 million worth of repair work that is still needed.

For these reasons, I cannot say with any level of confidence that the \$23 million of funds the City gave Urban Commons for repair work on the Queen Mary were not misused and were spent as intended.

As public funds continue to be spent on the Queen Mary, the City must ensure the funds are spent for the critical and urgent repair work for the Queen Mary.

Laura L. Doud  
Long Beach City Auditor