



# NEW YORK STATE BRIDGE AUTHORITY

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## MEMORANDUM

To: JOSEPH RUGGIERO

From: BRIAN BUSHEK

Date: MARCH 8, 2012

Subject: 2011 INTERNAL AUDITORS' REPORT

In 2011, the Authority contracted the firm Tronconi, Segarra & Associates to assist in compliance with the requirements of Public Authorities Law associated with internal controls. In March 2011, the requirement to file form New York State Budget Policy & Reporting Manual B-350 was eliminated for Public Authorities. The Authority is required to complete an annual assessment of the effectiveness of the internal control structures and procedures. The assessment must be posted on the Authority's website for a period of two years.

The attached annual assessment report prepared by Tronconi, Segarra & Associates is presented the Board for information purposes only. No action by the Board is required.

The report covers a number of topics. The primary focus was on Toll Collection and Revenue; Procurement, Accounts Payable & Employee Travel; and Facilities Inspection and Maintenance Programs.

Overall, I am pleased to note that, while there are specific recommendations to strengthen the Authority's controls, risks identified were relatively minor and implementation of measures to address each of these items have been or will be quickly and easily implemented.

The risk associated with toll collections and revenue are routine, involving extremely immaterial amounts of money associated for transactions occurring on an infrequent basis. These will be addressed through procedural changes in the form of mitigating controls.

The risk associated with Procurement, Accounts Payable & Employee Travel were also minor. The one matter titled urgent was to remove a signature stamp that was being phased out as part of an efficiency improvement and the other items were procedural issues that have been or will be resolved shortly.

The final area was risk associated with Facilities Inspection and Maintenance Programs. The one urgent item regarding disposal of scrap material is of minor financial impact, but a procedure currently under development should be implemented as soon as possible to avoid future issues. The two other items are specific to vehicle uses and are being addressed.

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The individual recommendations and action are detailed below.

### **Toll Collection and Revenues (TCR)**

TCR1 – The Authority does not appear to have a monitoring procedure to determine whether or not Unpaid Toll Form Letters are sent to drivers when required. It does not mean that letters are not sent, just that the Authority needs to establish a procedure to record when letters are sent. The Authority will add to its database for Unpaid Toll Forms a field indicating the date which letters have been sent. Action will be handled by Director of Operations.

TCR2 – Cash collection procedures related to unpaid tolls typically amount to less than \$5.00 per day for all bridges. The finding indicates that bridge offices may not be effectively designed to ensure that all cash collected is ultimately deposited into the Authority's Bank Account. At the Authority's smaller bridges the Authority does not staff to allow for the proper segregation of duties for the random nature of receipts of unpaid tolls that typically average less than \$1.00 per day for each bridge. In addition to video surveillance at most bridge offices, the Authority will develop a mitigating control procedure that verifies the cash receipts journal to the unpaid tolls collected report centrally. It is not feasible to staff two people in the office at all facilities at any given time to accept these receipts and no formal numbered receipt is provided to the customer due to the infrequent nature. Action will be handled by Director of Operations.

TCR3 – Criteria to determine when to investigate monthly EZ-Pass receivable write-offs does not appear to have been established in a written policy or procedure. The Authority will establish a write off threshold formally in writing. It had done so informally as the approach had been to write off variances normally less than 0.05%, or less than \$100 after reasonable review. Action will be handled by the Interim Manager of Toll Systems

### **Procurement, Accounts Payable, & Employee Travel (PAPT)**

PAPT1 – An Executive Director signature stamp exists and was in the custody of the Accounts Payable Clerk. It was used in the Purchase Order approval process. This stamp has been removed and was being phased out as part of a process efficiency enhancement in which the Authority moved to an electronic requisition and purchase order process. No further action required.

PAPT2 – Access to the vendor master file in the General Ledger System may not be adequately restricted. The Authority is currently working with its software vendor to restrict access and assess the costs to develop a report to review vendor master changes. The Director of Administration will approve, modify, and create new vendor master records. Action will be handled by Director of Administration.

PAPT3 – The Authority may not be recording liabilities for situations in which goods or services have been ordered and received, but for which the vendor invoice has not yet been received (unmatched receivers liability). The Authority implemented the procurement module of JD

Edwards in 2012. The system automatically accrues expenditures at the point of receipt eliminating any associated risk. No action required.

PAPT4 – Controls to ensure that all P-Cards issued to Authority employees are approved by the Executive Director may not be properly designed. The audit found an employee holding a job role that was previously issued a P-Card had been issued a card when appointed to the role without signature of the Executive Director. The Executive Director's signature was required to appoint the employee to the new role and evidence of that appointment is duly authorized. Due to the low turnover at the Authority, the Director of Administration will present the Executive Director for signature annually a list of individuals with a P-Card to be reviewed and signed. The Director of Administration issues P-Cards and will insure signatures for cards for all future additions. Action will be handled by Director of Administration.

PAPT5 - The control that requires the review and approval of monthly Procurement Log of Transactions ("PLOT") by department supervisors did not operate effectively at all times during 2011. One instance was found where the plot sheets were not signed by the supervisors. The specific instance was reviewed and found that it was an issue in which the cardholders were authorized for all transactions on the cards via the existing paper based system (amounts below \$300). The one exception exceeding the procurement authorization in these PLOT sheets a PO had already been approved. All other instances contained a supervisors signature. The issue was addressed through additional training and the Director of Administration will insure that all PLOTs are signed prior to processing. Action will be handled by Director of Administration.

### **Facilities Inspection & Maintenance Programs (FIM)**

FIM1 - No written policy and / or procedures exist or were available for review specific to the handling of scrap materials. Consequently, controls to safeguard scrap materials are likely inadequate. The Authority is developing a scrap policy. Action will be handled by the Chief Engineer.

FIM2 - Controls over Authority vehicle fuel usage may not be adequately designed and / or may not be operating. The Authority also has a variety of mechanisms to analyze vehicle fuel use that need to be evaluated. The Authority has a number of vehicles that stand by to assist motorists as well as traditional uses where mileage analysis becomes more meaningful. A standard process to evaluate fuel usage will be a requirement as the Authority upgrades its antiquated fuel dispensing equipment in 2012. Action will be handled by the Chief Engineer and the Director of Administration.

FIM3 - Controls over vehicle usage do not appear to be adequately designed to prevent unauthorized use, or detect and report damage that occurred during a prior usage in a timely manner. Given the small number of employees and the limited number of vehicles, currently the Authority tasks the foreman at each facility with issuing maintenance vehicles on an as needed basis. No formal sign-in/out log is maintained. The Authority will develop a log for maintenance

vehicle usage at each facility and procedure to inspect vehicles not already required under CDL rules after each use. Action will be handled by the Chief Engineer.

Note that Tronconi, Segarra & Associates had also prepared a list of recommendations for improvements in efficiency that will be evaluated separately by management for cost effectiveness.

The Authority will review all remediation efforts and report back to the Audit Committee by June 2012.

**New York State Bridge Authority**

*Risk Assessment  
Recommendations and Findings  
For 2011*

**New York State Bridge Authority**  
*Risk Assessment,*  
*Recommendations and Findings*  
*For 2011*

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Mr. Francis Vecillio  
Audit Committee Chairman  
New York State Bridge Authority  
Mid-Hudson Bridge Toll Plaza – State Routes 44/55  
P.O. Box 1010  
Highland, New York 12528

Dear Mr. Vecillio,

We are pleased to report on our annual assessment of the internal controls of the New York State Bridge Authority (the “Authority”). The purpose of our engagement was to assist the Authority in achieving compliance with the applicable provisions of the *Public Authorities Accountability Act of 2005* as amended by the *Public Authorities Reform Act of 2009* (the “Act”). Among other requirements, Public Authorities Law requires all public authorities to complete an annual assessment of the effectiveness of their internal control structure and procedures within ninety (90) days after the end of its fiscal year. Additionally, State authorities with a majority of the members appointed by the Governor must establish and maintain a system of internal control and a program of internal control review.

The importance of an adequate system of internal control is to promote effective and efficient operations so as to help the Authority carry out its mission; to provide reasonable, but not absolute, assurance that assets are safeguarded against inappropriate or unauthorized use; to promote the accuracy and reliability of accounting data and financial reporting to ensure transactions are executed in accordance with management’s authorization and recorded properly in accounting records; to encourage adherence to management’s policies and procedures for conducting programs and operations; and to ensure compliance with applicable laws and regulations. Furthermore, a successful system of internal control includes performing an annual assessment to identify potential weaknesses in policies and procedures and to implement corrective actions.

This report contains the results of our procedures performed on the following high-risk major business functions (cycles):

- Toll Collection & Revenues
- Procurement, Accounts Payable, & Employee Travel
- Facilities Inspection & Maintenance Programs

Internal control testing was performed through tailored procedures designed based on our understanding of the Authority’s relevant policies and procedures in effect for the aforementioned cycles between January 1, 2011 and December 31, 2011.

The Authority’s risks are the risks that an action or event will adversely affect the Authority’s ability to successfully achieve its objectives. The Risk Assessment section of the report analyzes the significant risk findings that were identified during our assessment.

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For purposes of complying with the Act, an internal control assessment is an annual evaluation performed by management (or its designee) to determine the effectiveness of the Authority's internal control system. We have evaluated the Authority's current internal controls within the cycles listed above and have provided our risk assessment and a set of recommendations for strengthening controls and reducing identified risks.

As previously discussed, the purpose of our engagement was to assist the Authority in achieving compliance with the Act through the performance of an annual assessment of the effectiveness of its internal control structure and procedures. However, it is ultimately management's responsibility to assess the adequacy of the Authority's internal control structure and the adequacy of its procedures. In performing our assessment, we relied on the accuracy and reliability of information provided by Authority personnel. We have not audited, examined, or reviewed the information, and express no assurance thereon.

The accompanying comments and recommendations are intended solely for the information and use of the Authority, its department heads, and others within the Authority, and should not be used for any other purpose.

We appreciate the opportunity to serve you and thank the employees of the Authority for their cooperation. We have already discussed many of these comments and suggestions with various Authority personnel, and we will be pleased to discuss them in further detail at your convenience. Through our ongoing involvement with you as a client and our knowledge of your processes, we would be pleased to perform any additional studies of these matters, or to assist you in implementing the recommendations.

*Trosani Segura & Associates LLP*

February 17, 2012

## **Risk Assessment**

# New York State Bridge Authority

## *Risk Assessment*

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### Overview

The Authority's risks are the risks that an action or event will adversely affect the Authority's ability to successfully achieve its objectives. During our engagement we became aware of various sources of risk that impact the Authority. We evaluated these risks by using two distinct assessments of impact and likelihood. A simple rating scale has been developed for this purpose. The rating scale ranges from minor to significant impact, and low to high likelihood, using a 3-point scale.

Impact refers to the extent of the consequences or implications if the risk does occur. To assess impact, we have determined how much of an impact the risk has if it does occur:

- A minor impact suggests that the risk would not have important implications to the Authority.
- A moderate impact suggests that the risk could have implications affecting the Authority's ability to succeed.
- A significant impact suggests that the risk would have important implications to the Authority.

Likelihood refers to the probability that the risk may occur given the current context of the Authority. To assess likelihood, we have determined how likely it is that the risk will occur in the future, given what is currently done to manage said risk:

- A low likelihood suggests that the risk is unlikely to occur, given its nature and current risk management practices in place.
- A medium likelihood of occurrence suggests that the risk has a moderate probability of occurrence.
- A high likelihood of occurrence suggests that the risk is likely to occur, despite the current risk management practices in place.

The Risk Management Tolerance Model and the Risk Assessment Matrix that follows summarizes these risks and assesses their impact and likelihood.

# New York State Bridge Authority

## *Risk Assessment (continued)*

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Cycles plotted in the red sections of the model are considered to be high risk and, as such, the related deficiencies should be given urgent attention in terms of priority. Cycles plotted in the yellow sections are considered to have moderate risk, are considered to be important, and should be given second priority after the high risk cycles. Cycles plotted in the blue section of the model are considered least risky and remediation efforts to address deficiencies in these cycles would be expected to be addressed during routine operations of the Authority.

We have developed the risk assessment around significant transaction cycles as a means by which the associated risks can be easily understood and managed. The Internal Control Recommendations section of this report presents recommendations with more detail information regarding criticality and implementation timeliness. The cycles or areas that have been evaluated are:

- Toll Collection & Revenues (TCR)
- Procurement, Accounts Payable, & Employee Travel (PAPT)
- Facilities Inspection & Maintenance Programs (FIM)

New York State Bridge Authority  
Risk Assessment (continued)

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Risk Management Tolerance Model

Impact	Significant			
	Moderate		PAPT, FIM	
	Minor		TCR	
		Low	Medium	High

Likelihood

**New York State Bridge Authority**  
*Risk Assessment (continued)*

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**Risk Assessment Matrix**

<u>Cycle</u>	<u>Risk Assessment Based on Procedures Performed</u>	<u>Impact</u>	<u>Likelihood</u>
<b>TCR</b>	We noted minor overall risk in the Toll Collection & Revenues cycle. Controls over the cash count procedures and the monitoring and collection of unpaid tolls should be strengthened.	<b>Minor</b>	<b>Medium</b>
<b>PAPT</b>	We noted moderate overall risk in the Procurement, Accounts Payable, & Employee Travel cycle. Use of a signature stamp should be discontinued and controls over the vendor master file should be implemented.	<b>Moderate</b>	<b>Medium</b>
<b>FIM</b>	We noted moderate overall risk in the facilities Inspection & Maintenance Programs cycle. Controls to safeguard and account for scrap material and over vehicle and fuel usage should be strengthened.	<b>Moderate</b>	<b>Medium</b>

## **Internal Control Recommendations**

# New York State Bridge Authority

## Internal Control Recommendations

### Overview

Internal control recommendations represent those areas that afford department heads of the Authority the opportunity to improve financial reporting and internal controls, to better safeguard Authority assets, and/or to more efficiently or accurately record, summarize, and report financial transactions and information. They also represent those areas that may improve efficiency of operations and accounting functions, potentially resulting in cost savings.

We have provided a criticality rating and an implementation timeline for each internal control recommendation and business opportunity. Criticality ratings have been categorized as either routine, important, or urgent, and are intended to assist the Authority in determining priority during remediation. The implementation timelines considered were short-term and long-term, reflecting the effort and time required to implement the applicable recommendation while factoring in the criticality assigned thereto.

As a result of our procedures performed, there were 11 total recommendations:

Internal Control Area	Recommendations	Criticality			Timeline	
		Routine	Important	Urgent	Short-Term	Long-Term
Toll Collection & Revenues (TCR)	3	3	0	0	3	0
Procurement, Accounts Payable, & Employee Travel (PAPT)	5	1	3	1	5	0
Facilities Inspection & Maintenance (FIM)	3	1	1	1	2	1
<b>Total</b>	<b>11</b>	<b>5</b>	<b>4</b>	<b>2</b>	<b>10</b>	<b>1</b>

**Timeline** – each of the detail findings includes a timeline reference of either “short-term” or “long-term.” Short-term refers to a finding that we believe can be corrected within one year. Long-term refers to a finding that may require changes to organization, systems, and/or procedures that may require over one year to effectuate change.

**Opportunities to Improve Operating Efficiency** - During the course of our assessment to evaluate the effectiveness of the Authority’s internal control structure and procedures, we became aware of certain matters involving opportunities to improve operating efficiency. Since these matters are not related to internal controls, they are not required to be, nor have they been included in this report. Rather, we have communicated the operating efficiency-related matters in a separate communication to inform you and management of our findings. It is the responsibility of management to determine if actions related to the efficiency-related issues identified in the separate communication are warranted.

**New York State Bridge Authority**  
*Internal Control Recommendations (continued)*

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**Toll Collection & Revenues (TCR)**

**Recommendation #TCR1**

**Criticality: Routine**  
**Timeline: Short-Term**

**Finding:** The Authority does not appear to have implemented monitoring procedures to determine whether or not Unpaid Toll Form Letters are sent to drivers when required, or in a timely manner.

**Background:** *The New York State Bridge Authority Policy and Procedures Manual* requires an Unpaid Tolls Collection Form Letter to be sent to all drivers or registered vehicle owners within 10 days of the vehicle crossing if the toll remains unpaid. However, there appears to be no control in place to determine whether or not the letter is being sent timely, or in every instance when required by the written procedure.

**Rationale:**

**Impact:** *Minor* – Unpaid tolls have historically been immaterial to the overall financial condition of the Authority.

**Likelihood:** *Medium* – In the absence of an appropriately designed control, the likelihood that Unpaid Toll Collection Form Letters may not always be sent timely, and/or when required, is deemed to be at a medium level.

**Recommendation:** The Authority should consider designing and implementing a monitoring control to ensure that written procedures regarding the preparation and mailing of Unpaid Toll Form Letters are followed. Such a control would be necessary to complete the Authority's effort in the unpaid toll collection process since Authority personnel expended the effort to ask the drivers to pull over and to complete an Unpaid Toll Report.

**Recommendation #TCR2**

**Criticality: Routine**  
**Timeline: Short-Term**

**Finding:** Cash collection procedures related to unpaid tolls collected at the bridge offices may not be effectively designed to ensure that all cash collected is ultimately deposited into the Authority's bank account.

## New York State Bridge Authority

### *Internal Control Recommendations (continued)*

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**Background:** *The New York State Bridge Authority Policy and Procedures Manual* describes the procedures to be followed for instances in which unpaid tolls are collected by Authority personnel at the bridge offices. A segregation of duties is to be achieved between the cash collection function and the unpaid tolls (receivable) recordkeeping function as an employee other than the Unpaid Toll Clerk is to receive the cash from the driver, record the cash receipt in the Cash Receipts Journal, and issue the driver a receipt. This employee is then to turn over the cash collected to the Unpaid Toll Clerk who is to post the cash collected to the detailed Unpaid Toll Receivable Ledger. However, there appears to be no control in place to prevent the Unpaid Toll Clerk at each bridge office from performing both the cash collection and recordkeeping function. In addition, there does not appear to be a control in place to require a reconciliation of the cash receipts as recorded in the Cash Receipts Journal to the cash collections posted to the Unpaid Tolls Receivable Ledger maintained at each bridge office, and/or to the Unpaid Tolls Collected Report. As such, it may be possible for an employee to receive cash from a driver at a bridge office, to record the cash receipt in the Cash Receipts Journal and to issue the driver a receipt, but fail to post the cash receipt to the Unpaid Toll Receivable Ledger and turn in the cash.

**Rationale:**

**Impact:** *Minor* – Unpaid tolls have historically been immaterial to the overall financial condition of the Authority.

**Likelihood:** *Medium* – In the absence of an appropriately designed control, the likelihood that unpaid tolls may be collected but not recorded or turned in, is deemed to be at a medium level.

**Recommendation:** The Authority should consider the cost-benefit of implementing a mitigating control(s).

**Recommendation #TCR3**

**Criticality:** Routine

**Timeline:** Short-Term

**Finding:** Criteria to determine when to investigate monthly EZ-Pass receivable write-offs does not appear to have been established in written policy or procedure.

**Background:** On a daily basis, the Authority automatically transmits an electronic file of EZ-Pass transactions recorded by the plaza system to the New York State Thruway Authority (“NYSTA”). NYSTA then confirms that the file has been received. At the end of each month the Authority receives various EZ-Pass statements (Inter CSC Local Use Reports, and Casual Use Reports) from

**New York State Bridge Authority**  
*Internal Control Recommendations (continued)*

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NYSTA which detail each EZ-Pass transaction by bridge. These month end reports, which are generated for 13 different responsible agencies, reflect the amounts that each of the agencies will remit to the Authority for that month's EZ-Pass transactions incurred by their drivers (EZ-Pass tags can originate at any of the 13 agencies). Any variance between the total of the daily EZ-Pass transactions transmitted to NYSTA, and the amounts that appear on the 13 month end EZ-Pass statements is written off as uncollectible by the Authority at the end of each month as the monthly variance has, historically been relatively minor (<\$100).

**Rationale:**

**Impact:** *Minor* – The monthly EZ-Pass write-off amount has, historically, been minor in relation to EZ-Pass revenue and receivables.

**Likelihood:** *Medium* – The likelihood that errors exist in the month end EZ-Pass reports provided by the various agencies but are not investigated or recovered is considered to be at a medium level since no dollar value threshold has been established above which all variances are to be investigated.

**Recommendation:** The Authority should consider establishing a threshold amount for EZ-Pass receivable reconciliation write-off amounts above which all variances will be required to be investigated.

## **Procurement, Accounts Payable, & Employee Travel (PAPT)**

### **Recommendation #PAPT1**

**Criticality:** Urgent

**Timeline:** Short-Term

**Finding:** An Executive Director Signature stamp exists, is in the custody of the Accounts Payable Clerk, and is currently used in the Purchase Order approval process.

**Background:** Under the current process, the Accounts Payable Clerk uses the Executive Director's signature stamp to sign purchase orders to be issued to vendors after the purchase requisition has been properly approved.

**Rationale:**

**Impact:** *Significant* – The unauthorized use of an executive-level signature stamp may expose the Authority to significant operational, reputational, and financial risk.

**New York State Bridge Authority**  
*Internal Control Recommendations (continued)*

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Likelihood: *Medium* – Since the signature stamp is not currently restricted, the likelihood that unauthorized use may occur is considered to be at a medium level.

Recommendation: The Authority should restrict access to signature stamps by eliminating access to them by all administrative staff.

**Recommendation #PAPT2**

**Criticality: Important**

**Timeline: Short-Term**

Finding: Access to the vendor master file in the General Ledger System may not be adequately restricted. In addition, no documentation was available to evidence that a review of the vendors contained in the master file is being performed periodically.

Background: The Accounts Payable Clerk has the ability to create and/or modify vendors in the General Ledger System. An inadequate segregation of duties may exist since the Accounts Payable Clerk prepares the purchase orders and also prepares the Voucher Packages. In addition, the vendor approval and/or review process may not be performed, or is performed informally, and may not be supported by written Authority policy and procedures.

**Rationale:**

Impact: *Significant* – Use of unauthorized vendors may have a significant impact on the financial condition of the Authority.

Likelihood: *Medium* – In the absence of strong controls over the master vendor file, the likelihood that an unauthorized vendor may be used but remain undetected is deemed to be at a medium level.

Recommendation: An employee independent of the purchase order and accounts payable functions should perform a periodic review of the master vendor file to ensure that only authorized vendors are available for use, and to look for any unusual patterns, such as names that may be similar, but not identical to the names of approved vendors, and vendors that have multiple addresses. The reviewer should work with the Authority's Information Technology Department to obtain a system-generated report that reflects all changes made to the master vendor file during the period to determine whether or not all changes were authorized. If the validity of a vendor is questioned, an appropriate employee should take steps to verify the vendor's existence (e.g., call the vendor, visit the vendor's facilities, etc.). In addition to the periodic review of the master vendor file, the Authority should ensure that access to the master vendor file is appropriately restricted to no more than two employees (primary and backup) and these employees should not also have the ability to create purchase orders, process invoices, or issue checks.

**New York State Bridge Authority**  
*Internal Control Recommendations (continued)*

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**Recommendation #PAPT3**

**Criticality:** Routine  
**Timeline:** Short-Term

**Finding:** The Authority may not be recording liabilities for situations in which goods or services have been ordered and received, but for which the vendor invoice has not yet been received (unmatched receivers liability).

**Background:** Generally Accepted Accounting Principles in the United States (“US GAAP”) requires the recording of a liability upon receipt and acceptance of goods and/or services (i.e., upon transfer of risk of loss), not upon the receipt of the vendor invoice. However, the Authority only appears to be recording a liability (accounts payable) when both the the goods and/or service and the vendor invoice are received.

**Rationale:**

**Impact:** *Low* – Due to the relatively small dollar values involved, the impact on the Authority’s financial statements is deemed to be at a low level.

**Likelihood:** *High* – Based on our discussion with Authority management, a liability is only recorded at the time a vendor invoice is received.

**Recommendation:** The Authority should develop a process to record unmatched receivers liabilities to maintain accurate accounting records in accordance with US GAAP. Upon receipt of the vendor invoice, the unmatched receiver’s liability can be reclassified into accounts payable.

**Recommendation #PAPT4**

**Criticality:** Important  
**Timeline:** Short-Term

**Finding:** Controls to ensure that all P-Cards issued to Authority employees are approved by the Executive Director may not be properly designed and/or operating effectively. In addition, an appropriate monitoring control to periodically determine that all P-Cards issued and outstanding have been authorized may not be in place and/or operating effectively.

**Background:** P-Card policy requires card assignments to be determined by the Executive Director based on the facility needs and benefit to the Authority. The P-Card Program Administrator (Director of Administrative Services) is responsible for obtaining and distributing P-Cards to card holders. During our discussion with the Director of Administrative services we noted that an employee was issued a P-Card upon change of staff without the authorization of the Executive Director.

**New York State Bridge Authority**  
*Internal Control Recommendations (continued)*

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**Rationale:**

**Impact:** *Moderate* – The unauthorized issuance and use of P-Cards could have a moderate impact on operations and the financial condition of the Authority.

**Likelihood:** *Moderate* – Although the instance noted appears to be an isolated incident, it appears to have resulted from a breakdown in the design and/or operation of internal controls. As such, the likelihood that unauthorized P-Cards may be issued and used is considered to be at a moderate level.

**Recommendation:** Documentation of the Executive Director's approval of all new P-Cards issued should be maintained. In addition, procedures for card cancellation should be developed and include measures to ensure that P-Cards are cancelled promptly after employee termination or separation. Also, on a periodic basis (at least annually), an employee not involved in the P-Card process should request a listing of all outstanding P-Card holders from the card issuer and review this listing against documentation maintained by the Authority that reflects the Executive Director's approval of the card issuance. Any and all exceptions discovered upon review should be brought to the attention of the Executive Director and should be investigated.

**Recommendation #PAPT5**

**Criticality:**    **Important**  
**Timeline:**    **Short-Term**

**Finding:** The control that requires the review and approval of monthly Procurement Log of Transactions ("PLOT") by department supervisors did not operate effectively at all times during 2011.

**Background:** In accordance with P-Card policy and procedures, at the end of each billing cycle the cardholder is to be provided with a cardholder (billing) statement from Citibank (the Authority may receive this in hard copy form or via on-line access). The cardholder is responsible for reconciling each transaction with those listed on the PLOT sheet for the billing cycle. The cardholder must sign the PLOT sheet acknowledging that the purchases are correct and are in connection with official duties of the Authority. The cardholder must submit the PLOT sheet together with the billing statement to his/her supervisor for review. Each facility manager or designee must review and sign the cardholder's PLOT sheet acknowledging that it is complete and ready to process for payment. The PLOT sheet is then to be forwarded to the Accounts Payable Clerk for final voucher processing and payment. During our testing of the PLOT review and approval process, we noted four instances in a sample of 25 in which documentation to evidence the approval of the monthly PLOT did not exist or was not available for review.

**New York State Bridge Authority**  
*Internal Control Recommendations (continued)*

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Rationale:

Impact: *Moderate* – Since the supervisor review of the monthly PLOT is the sole control to approve P-Card transactions, the absences of a review and approval of all of the detailed monthly P-Card transactions could have a moderate effect on the financial condition of the Authority.

Likelihood: *Low* – Although we noted 4 exceptions in a sample of 25, each exception occurred during the month of May 2011 and the documentation that evidenced the supervisor review and approval of the PLOT appeared to improve subsequent to May 2011. As such, the likelihood that P-Card transactions may be occurring but are not reviewed by a supervisor is considered to be at a low level.

Recommendation: Monthly P-Card statements should not be paid unless supported by a PLOT that is signed by both the cardholder and his/her supervisor.

## Facilities Inspection & Maintenance Programs (FIM)

### Recommendation #FIM1

Criticality: Urgent

Timeline: Long-Term

Finding: No written policy and/or procedures exist or were available for review regarding the handling of scrap materials. Consequently, controls to safeguard scrap materials do not appear to exist or are likely inadequate.

Background: Scrap materials (most often scrap metals) result from construction, maintenance, and repair projects conducted by the Authority or a hired third-party contractor. However, no written policy or formal procedure for the handling of scrap materials (i.e., scrap metals) appears to exist. In addition, based on our observations and discussions with Authority personnel, adequate controls to physically safeguard scrap materials, and to inventory and account for such materials do not appear to exist. Management has informed us of the recent New York State Inspector General's investigation of irregularities involving the handling of the Authority's scrap metals.

Rationale:

Impact: *Significant* – Misappropriation involving scrap metal materials could have a significant effect on the reputation and financial condition of the Authority.

## New York State Bridge Authority

### *Internal Control Recommendations (continued)*

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**Likelihood:** *High* – Known instances of misappropriation involving the Authority's scrap materials have been identified by the Authority and were investigated by the New York State Office of the Inspector General in the fall and winter of 2011.

**Recommendation:** The Authority should develop written policies and procedures for the handling of scrap materials (especially scrap metal) to prevent or greatly reduce opportunities for the misappropriation of these assets. Such policies and procedures should include weighing and/or reasonably assessing and documenting the approximate quantity of materials to be recycled so that a comparison can be made with the amount recycled at the scrap yards, and a requirement to maintain documentation as to the source of the recyclable materials. In addition, scrap materials should be physically safeguarded from the time they are generated from a work site until they are recycled. Procedures to physically safeguard scrap materials should include maintaining the scrap materials in one or more secured (locked) designated holding areas, controlling/limiting access to the scrap materials to authorized Authority personnel, and maintaining a log of employee access to the holding areas (manual log or electronically generated through a key fob security system) to monitor employee access to the materials.

#### **Recommendation #FIM2**

**Criticality:** Important  
**Timeline:** Short-Term

**Finding:** Controls over Authority vehicle fuel usage may not be adequately designed and/or may not be operating effectively to achieve their intended control objectives.

**Background:** The Gasboy fuel management system is used by the Authority to control fleet fuel usage. The Gasboy system is designed to control fuel by limiting fuel dispensing to only authorized personnel through use of a physical gas key that is to be inserted into the fuel dispenser at the time of refill (to identify the vehicle), through a requirement for an employee access code to be entered into the numeric key pad on the dispenser (to identify the employee), and through a requirement for the vehicle mileage (odometer reading) to be entered at the time of refill (to measure fuel usage per vehicle between refills). In addition, the Gasboy system is programmed to automatically shut off after 35 gallons have been dispensed to any single vehicle. Since many of the Authority vehicles run throughout the day but remain idle on the bridges, there is not necessarily a direct correlation between vehicle mileage and its fuel usage. Consequently, the Authority may have disabled the system requirement for vehicle mileage to be entered at the time of refill. Instead, special gauges that measure vehicle running hours have been purchased and installed into Authority vehicles. On a monthly basis, using a system-generated report, the Manager of Maintenance reviews the number of miles and hours used per vehicle for reasonableness. At the time of fuel reordering, the Bridge Manager generates and reviews a report of fuel dispensed per employee to determine how much fuel to order. However, no comparison of vehicle hours and/or mileage to vehicle fuel usage appears to be performed.

**New York State Bridge Authority**  
*Internal Control Recommendations (continued)*

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Rationale:

Impact: *Moderate* – The unauthorized use of the Authority’s fuel could have a moderate impact on the financial condition of the Authority.

Likelihood: *Medium* – In the absence of appropriately designed monitoring controls, the likelihood that fuel is being used for unauthorized (personal) use is deemed to be at a medium level.

Recommendation: The Authority should revise the design of its current monitoring controls over fuel usage to require the Bridge Manager to perform a comparison of vehicle mileage and hours to fuel dispensed to the related vehicles to determine reasonability and to detect unusual activity.

**Recommendation #FIM3**

**Criticality: Routine**

**Timeline: Short-Term**

Finding: Controls over vehicle usage do not appear to be adequately designed to prevent unauthorized use, or to detect and report damage that occurred during a prior usage in a timely manner.

Background: Authority Foremen assign vehicles to personnel on an as needed basis. However, no vehicle sign-out and sign-in log appears to be maintained. Although pre-trip inspections are performed on larger vehicles in the fleet, some of the smaller vehicles are not subject to pre-trip inspections. As such, it may be difficult to identify the employee responsible for any damage incurred on smaller vehicles. Furthermore, current procedures require maintenance employees to call in to the respective bridge office situations in which Authority vehicles will leave Authority property so that the details of the event (including the vehicle, driver, purpose, etc.) may be recorded and monitored. However, this control appears to be inadequately designed as the bridge office cannot independently determine whether or not vehicles are leaving Authority property (i.e., they must rely on maintenance personnel to inform them of their planned departures from Authority property). As such, the opportunity for unauthorized use of Authority vehicles appears to exist.

Rationale:

Impact: *Moderate* – Unauthorized use of Authority vehicles and/or unreported damage to the vehicles could have a moderate impact on the operations and financial condition of the Authority.

Likelihood: *Medium* – In the absence of adequately designed controls over vehicle usage, the risk that unauthorized vehicle usage may occur, and vehicles may be damaged but remain unreported, is considered to be at a medium level.

**New York State Bridge Authority**  
*Internal Control Recommendations (continued)*

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Recommendation: The Authority should require vehicles to be signed-in and out through use of a control log which should contain details of the vehicles use including the employee name, vehicle identification, the time the vehicle is signed-out and in, the beginning and ending mileage, and whether or not there is any damage to the vehicle (similar to the procedures used by car rental agencies). Any damage detected prior to signing out should be reported to an appropriate Authority designee prior to usage. Any and all damage should be investigated through interview of the responsible employee. In addition, the Authority should consider looking into obtaining vehicle GPS tracking devices/system to enable the Authority to monitor vehicle location in real-time and to aid in the recovery of vehicles should they be stolen.