

New York State Bridge Authority
Audit Committee
Minutes of April 16, 2009

The New York State Bridge Authority's Audit Committee met at the Authority's Headquarters in Highland, New York, at 2:45 pm on April 16, 2009.

In addition to committee member Walter Paradies, those in attendance were as follows:

George C. Sinnott
John R. Sewell
Barry Mickle
Carl G. Whitbeck, Jr., Esq.

The Committee reviewed and approved the minutes of the previous meeting held on December 18, 2008.

The following matters were discussed:

- (1) The 2008 Audit of Financial Statements was discussed. John Sewell reported that there were no issues identified and as such there would be no management letter as a result of the audit. The audited financial statements will be distributed for Board review at the May meeting and a partner of the audit firm will be present to talk with the Board and answer questions.
- (2) Barry Mickle reviewed the following 2008 internal audits with the Audit Committee and found the following:
 - (a) That the internal accounting controls surrounding toll revenues are functioning as designed.
 - (b) That the internal accounting controls surrounding payroll functions are functioning as designed.

- (c) That the internal accounting controls surrounding administration of construction contracts are functioning as designed.
- (d) That the internal accounting controls surrounding reimbursement of employee travel and expenses are functioning as designed. The results of his procedures show that the internal accounting environment surrounding this function is operating as designed to provide management with reasonable assurance that transactions are being processed in accordance with management directives and are being recorded properly in Authority accounting records to facilitate proper financial reporting in accordance with Generally Accepted Accounting Procedures.

However, two items of concern came to his attention during the performance of the procedures that management should be made aware of to ensure complete compliance with standard procedures, rules and regulations, as follows:

1. Of the 10 reimbursements randomly selected, seven of them were to reimburse employees for high speed internet access for their personal residences. While reviewing the voucher packages, he found that this practice began in 2001 with the first employee and has expanded to five employees since. From the approval letters he found on file, this practice does not appear to have been re-evaluated by current executive management for reasonable business purpose.

He recommended that Authority management develop a policy to re-evaluate and approve this reimbursement (for each employee eligible for it) on an annual basis to ensure the Authority has been receiving and continues to receive a measurable benefit for these expenditures.

2. While reviewing voucher #87506 for reimbursement of an employee's home internet access, he noted the cable company billing practices had changed. The change better itemizes the actual expenses charged to the employee for the internet service. As a result, he found that the employee had been charging the Authority \$49.95 for ten months leading up to the company's new billing statement and the actual expense for the service was \$39.32.

He recommended that if the employee cannot adequately explain this difference, the Authority should seek reimbursement from the employee for the difference of \$49.95 and \$39.32 for the ten months the employee was reimbursed at the higher rate. Secondly, the Authority should develop a policy that states reimbursements will only occur on

items/expenses that are easily defined and represented on billing statements. Lastly, in reviewing the reimbursements for high speed internet access and knowing how these companies operate, he believes that if the employee is receiving discounts as a result of adding this service to their other cable services, then the Authority should seek its share of the discounts received by the employee.

Based on the procedures performed and the results obtained, it is his opinion that financial related internal accounting controls surrounding the employee travel/expense reimbursement function, as of his audit date, are functioning as designed in order for management to rely on the system to give them reasonable assurance that transactions are being processed in accordance with management's intentions and that material errors or irregularities are prevented or detected during the normal course of the employees' performance of their duties.

- (e) That the internal accounting controls surrounding cash and investments are functioning as designed.
- (f) That the internal accounting controls surrounding purchasing and cash disbursements are functioning as designed. The results of the procedures show that the internal accounting environment surrounding this function is operating as designed to provide management with reasonable assurance that transactions are being processed in accordance with management directives and are being recorded properly in Authority accounting records to facilitate proper financial reporting in accordance with Generally Accepted Accounting Procedures.

However, a few items of particular concern were brought to his attention during the performance of his procedures that management should be made aware of to ensure complete compliance with standard procedures, rules and regulations, as follows:

- (1) He could not locate a day's receipts for voucher #85422 made to the Home Depot. As a result of not locating the day's receipts, he was also unable to trace the purchases to the Receiving Report for that date. However, it appears as though the internal control environment surrounding this function is working adequately as the Accounts Payable Clerk corrected this error during the course of carrying out her assigned tasks and noted finding evidence of the purchase being made and received.

Although this is not an exception because the Accounts Payable Clerk found and noted that the receipt was lost, he recommend Authority management take steps to stress the importance of properly receiving and filing documentation.

- (2) While reviewing voucher # 85695 made to American Temperature Service Co. Inc., in the amount of \$3,860.00, he noted that only two vendors were solicited to perform these services. This is an exception to the Authority's policies and procedures which require receiving three quotes for any purchases made in excess of \$500.

He strongly recommends that the policies and procedures surrounding the purchases of goods and services be strictly adhered to. The Authority would be remiss in carrying out its obligations if management is not diligent in ensuring the best price is being received for the purchases of goods and services.

- (g) That the internal accounting controls surrounding fixed equipment inventory are functioning as designed.

(3) John Sewell indicated that Public Authorities Law outlines certain responsibilities the governing Board of the Authority has to establish and maintain systems of internal control. As such, the NYS Division of Budget requires an Annual Internal Control Certification whereby the Authority notes its level of compliance with the requirements of the Internal Control Act. He stated that although the Authority satisfies substantially all the prerequisites of a fully compliant system of internal control, there are a couple of areas where more work needs to be done. These relate to periodic self-assessment evaluations of the internal controls and provisions for a formal program whereby directors are responsible for conducting reviews to ensure adherence to controls while the Internal Control Officer evaluates the adequacy of these reviews. Mr. Sewell indicated that these requirements would be accomplished for the 2009-2010 certification.