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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

April 15, 2004

Mr. Donald J. Riley
Chairman
Greater Rochester Community Transportation Foundation
1372 Main Street
Rochester, New York 14609

Re: Greater Rochester Community
Transportation Foundation
Selected Financial Management Practices
Report 2003-S-46

Dear Mr. Riley:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution, we audited selected financial management practices at the Greater Rochester Community Transportation Foundation (Foundation). The scope of our audit included the period January 1, 2001 through March 31, 2003.

Background

The Rochester-Genesee Regional Transportation Authority (Authority) was created in 1969 by an act of the New York State Legislature to provide for the continuance, further development, and improvement of public transportation and other related services within the Rochester-Genesee regional transportation district, by railroad, omnibus, marine and air. An 11-member Board of Commissioners (Board) governs the Authority.

In January 2001, the Authority's Board authorized the creation of the Foundation. The sole member of the Foundation is the Authority. According to the Certificate of Incorporation, the Foundation is organized and shall be operated exclusively to support and assist the Authority by promoting public transportation and community use thereof and access thereto, including but not limited to enhancing the Authority's ability to provide transportation services to charitable organizations that lack the financial ability to pay for them. The Certificate of Incorporation also states that to accomplish this goal, the Foundation will provide financial assistance in the form of grants or loans to the Authority to be used exclusively for public purposes and solicit and accept gifts, grants, and donations for this purpose.

Based on financial reports prepared by Authority staff, between January 1, 2001 and March 31, 2003, the Foundation generated about \$83,400 in revenue and spent about \$50,300 as follows:

Income:		
2001 Golf Tournament	\$34,772.00	
2002 Golf Tournament	39,695.00	
2003 Golf Tournament	6,850.00	
Other Donations	2,025.00	
Interest	50.31	
Total Income		\$83,392.31
Expenses:		
2001 Golf Tournament	\$11,287.89	
2002 Golf Tournament	17,006.09	
2003 Golf Tournament	2,135.81	
Grants – Transportation Related	9,000.09	
Grants – Reception	1,327.04	
Advertising & Promotion	100.00	
Insurance	3,898.00	
Legal	4,870.16	
Travel	671.94	
Total Expenses		50,297.02
Net Income		\$33,095.29

A Board of Directors governs the Foundation. The Foundation does not have any employees. Instead, transactions are processed by Authority staff.

A. Audit Scope, Objectives and Methodology

We audited the Foundation's controls over receipts and disbursements for the period January 1, 2001 through March 31, 2003. The objectives of our financial-related audit were to determine whether receipts and disbursements were properly accounted for and appropriate and to evaluate the Authority's involvement in the Foundation.

To accomplish our objectives, we interviewed Authority staff that process Foundation transactions, reviewed policies and procedures, and Foundation Board minutes. We also reviewed golf tournament mailing lists, and all deposits, disbursements and grant awards made by the Foundation through March 31, 2003. We also reviewed the Foundation's Certificate of Incorporation and By-Laws, as well as, its budgets and bank statements.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those Foundation operations within our audit scope. Further, these standards require that we understand the Foundation's internal control structure and compliance with those laws, rules and regulations that are relevant to our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach to select activities for audit. We therefore focus our audit efforts on those activities we have identified as having the greatest potential for needing improvement. Consequently, by design, we use finite audit resources to identify where and how improvements can be made. We devote little audit effort to reviewing operations that may be relatively efficient and effective. As a result, we prepare our audit reports on “an exception basis.” This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Division of State Services. These include operating the State’s accounting system; preparing the State’s financial statements; approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under Generally Accepted Government Auditing Standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

B. Internal Control and Compliance Summary

Our review of the Foundation’s internal control structure focused on its controls over revenues and bank deposits as well as controls over disbursing funds only for authorized purposes. We identified weaknesses in these controls and describe them in the sections of this report entitled Accountability Over Deposits and Annual Audits.

C. Results of Audit

We found that deposits and disbursements agreed with financial reports prepared by Authority staff. However, we could not verify that all revenue generated by the golf tournaments was deposited. There was a general lack of documentation to specify the purpose of each deposit and there were no reconciliations between the number of golf tournament participants and related bank deposits. We also believe the Foundation should invest excess funds to generate higher interest income. Furthermore, there are questions about whether Foundation-funded transportation of Authority-owned buses violates Federal regulations regarding charter services.

D. Transportation Grants/Charter Services

Through March 31, 2003, the Foundation awarded 27 grants totaling \$17,831 to various organizations. Twenty-six of these grants were to private organizations to pay the costs of transporting groups to specific events (e.g., children to soccer games). The transportation related to 14 of the 26 grants was, or was scheduled to be, provided by Authority-owned buses. However, this practice may violate Federal charter regulations related to public transportation authorities.

Federal regulations generally prohibit public transportation authorities from using their buses to provide charter services unless no private charter operator is willing or able to provide such service. Charter service is defined as “using buses or vans to transport a group of persons who

pursuant to a common purpose, under a single contract, at a fixed charge for the vehicle or service, have acquired the exclusive use of the vehicle or service to travel under an itinerary either specified in advance or modified after having left the place of origin.” The Authority may assist a private charter operator if the requested transportation exceeds the private charter operator’s capacity or the private charter operator is unable to provide equipment accessible to elderly and handicapped persons. In these cases, the Authority may enter into a contract directly with the private charter operator to provide the requested service.

The Foundation’s policy is that it is the responsibility of the organization receiving the grant to locate a private charter operator to provide the transportation and the Foundation will provide the funding for the service provided by the private charter operator. However, the transportation related to 14 of the 26 transportation grants that the Foundation awarded totaling \$8,800 where the services would be provided by Authority-owned buses did not have any evidence that the Authority coordinated this transportation with any private charter operator.

E. Accountability Over Deposits

The bank deposits were supported by a copy of the checks deposited, but most times the purpose for which the deposited checks were written was not recorded. Also, the bank deposits for golf tournament receipts were not supported by golf tournament registration information. (However, the check amounts generally agreed with the sponsorship levels required to play in the golf tournaments.) In addition, there is no reconciliation of the total number of golf tournament participants to the total value of bank deposits. Therefore, we could not verify that all revenue generated by the golf tournaments was appropriately deposited to the Foundation bank account.

F. Investments

The Foundation has an interest bearing checking account. For the eight months ended March 3, 2003, this account consistently had a balance of more than \$27,000. The annual interest rate for this account was .10 percent. The Foundation should attempt to generate more interest income by identifying a higher yielding account for investing the excess funds.

G. Annual Audits

The Foundation’s By-Laws requires that an annual report be presented at the annual meeting which is supposed to include the Foundation’s verified or audited financial statement. However, there have been no verifications or audits of the Foundation’s financial statements.

Recommendations

1. *Do not provide Authority transportation service in connection with Foundation transportation grants without documenting that the private charter operator is unable or unwilling to provide such services.*
2. *Maintain a copy of the golf tournament registration and a copy of the check with each deposit to document the purpose of the check.*

3. *Reconcile the number of golf tournament participants and sponsorship level to total bank deposits as evidence of total revenue earned.*
4. *Invest excess funds to generate higher interest income.*
5. *Have Foundation financial statements verified or audited annually.*

A draft copy of this report was provided to Foundation officials for their review and comments. Their comments have been considered in preparing this final report, and are included as Appendix A.

Within 90 days after the final release of this report, as required by Section 170 of the Executive Law, the Vice Chairman of the Greater Rochester Community Transportation Foundation shall report to the Governor, the State Comptroller and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

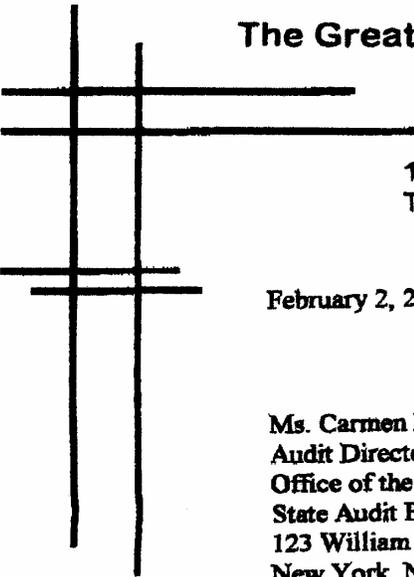
Major contributors to this report were Gerald Tysiak, Roger Mazula, Wayne Bolton, Ken Ring, Jennifer Paperman and Bruce Brimmer.

We wish to express our appreciation to the management and staff of the Foundation and the Authority for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

Carmen Maldonado
Audit Director

cc: William R. Nojay
Robert Frye
Robert Barnes



**The Greater Rochester Community
Transportation
Foundation**

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February 2, 2004

Ms. Carmen Maldonado
Audit Director
Office of the State Comptroller
State Audit Bureau
123 William Street – 21st Floor
New York, New York 10038

Re: **Audit Report (2003-S-46)**
Greater Rochester Community Transportation Foundation
Audit Response

Dear Ms. Maldonado:

We are in receipt of the above referenced draft audit report (the "Report") on the selected financial management practices at Greater Rochester Community Transportation Foundation (the "Foundation") for the period January 1, 2001, through March 31, 2002. We have reviewed the various audit recommendations which are listed below and concur with same. Please be advised that all actions necessary to implement these recommendations will be taken by the Foundation.

1. *Do not provide Authority transportation service in connection with Foundation transportation grants without documenting that the private charter operator is unable or unwilling to provide such services.*
2. *Maintain a copy of the golf tournament registration and a copy of the check with each deposit to document the purpose of the check.*
3. *Reconcile the number of golf tournament participants and sponsorship level to total bank deposits as evidence of total revenue earned.*
4. *Invest excess funds to generate higher interest income.*
5. *Have Foundation financial statements verified or audited annually.*

Our Mission is to
promote
community use of
and accessibility to
public
transportation

Directors

John Bouchard
Leslie Goldstein
ernie Iacovangelo
William Nojay
Donald Riley

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We appreciate the assistance of your office with regard to improving the management practices of the Foundation.

Sincerely,



**Donald J. Kiley
Chief Executive Officer**

c: Robert W. Frye