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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

March 8, 2006

Mr. John L. Buono
Chairman
New York State Thruway Authority
200 Southern Boulevard
Albany, NY 12209

Re: Report 2006-F-2

Dear Mr. Buono:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution; and Section 2803 of the Public Authorities, we have followed up on the actions taken by officials of the New York State Thruway Authority (Authority) to implement the recommendations contained in our audit report, *Titan Armored Car, Inc. Contracts T00351 and T00331* (Report 2003-R-6).

Background, Scope and Objective

The Authority had two contracts with Titan to provide armed courier and toll revenue counting and depositing services for 11 toll plazas located on an 85-mile span of the Thruway: the first contract (Contract T00351) covered services provided to the Yonkers and New Rochelle toll plazas, and the second contract (Contract T00331) covered services provided to toll plazas 22, 23, 24, 25, 25A, 26, 27, 28 and 29. The original contract period for both contracts was October 1, 2000 through September 30, 2002, and both contracts have continued to be renewed annually. The contracts required Titan to pick up toll revenues from the above 11 toll plazas on a set schedule (7 days a week at Yonkers and New Rochelle, and weekdays at toll plazas 22 through 29), and to make additional pick-ups on weekends and holidays, as necessary. Under its current contract, Titan serves 19 toll plazas which collectively account for more than \$40 million in toll revenues annually.

The toll receipts Titan couriers picked-up at individual plazas have already been bagged by the plaza's toll collectors. Each Authority toll collector counted the money collected during his or her shift, prepared a deposit slip, recorded their name, collector number and moneybag number on the toll stations money bag report and then places the locked money bag in a vault at the plaza. Armed Titan couriers collected the bag from the vault and took it to Titan's money-counting facility (money room), where a Titan teller re-counted the bag's receipts. When all the station's deposits for that day were counted, the teller prepared station settlement tapes that list

amounts and identifying data for each deposit. Tellers prepared two daily bank deposit tickets: one for stations 22 -29, and another for Yonkers and New Rochelle. Other Titan employees deposited the counted funds in the Authority's bank account. The Authority got copies of all money bag reports, collector deposit slips, settlement tapes and bank deposit slips. The Authority kept money bag reports, which are used as a control measure, for one year.

The contract specified that Titan must count and deposit all toll receipts on the day receipts are picked up by the couriers. Contract terms also required Titan to maintain specific insurance coverage, to bond its employees, and to provide qualified personnel for each of the contracted services (transport, counting and deposit). The Authority was responsible for monitoring contractor operations. The Authority also had the right to make unannounced visits to contractor premises and to make "test" deposits to assess the integrity of contractor personnel. Titan billed the Authority on a monthly basis for pick-up, counting and deposit services. According to the Authority, Titan was paid a total of \$485,621 on 132 invoices submitted during our scope period.

Our initial audit report, which was issued on December 27, 2004, found that, with minor exceptions, Titan delivered adequate courier services, met or exceeded staff qualification and insurance requirements, and accurately counted toll receipts. However, we determined that Titan took an average of 2.8 days and 3.8 days, respectively, to deposit downstate and upstate funds in Authority bank accounts. We recommended that the Authority should ensure Titan deposits toll revenues on the day they are picked up, as the contracts require. We also found Authority collection/deposit documentation was sometimes incomplete or unavailable: in some cases, this support was simply missing; in the case of money bag reports more than one year old, this support had been discarded, in conformance with Authority policy. We recommended the Authority make a greater effort to maintain the support needed to ensure Titan billing accuracy, and that officials consider retaining money bag reports for longer than one year.

The objective of our follow-up, which was conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation as of February 17, 2006 of the five recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that Authority officials made significant progress in investigating the problems we identified. Of the five audit recommendations, four recommendations have been implemented, and one recommendation has been partially implemented.

Follow-up Observations

Recommendation 1

Ensure that Titan complies with all the terms of its contracts, including:

- *performing courier pick-ups on all the days required; and*
- *depositing toll receipts in Authority bank accounts in a timely manner.*

Status - Implemented

Agency Action - In response to our audit, Authority officials included a provision in their current contract with Titan that imposes a monetary penalty for late counting and untimely deposits of revenue. Our review of 2005 data indicated that less than one percent of the pick-ups were missed. Further, we found that Titan significantly decreased the number of untimely deposits as the year progressed.

Recommendation 2

Ensure that all Titan bills are supported by appropriate documentation.

Status – Partially Implemented

Agency Action – The Authority has a process in place to review supporting documentation before making payments to Titan. We found evidence that Authority personnel review invoices for accuracy. However, the Authority does not require that money bag reports be retained for more than one year. Money bag reports are not the primary documentation used to verify either the counting or courier billings. For counting services, validated deposit slips, which are retained for three years, are used to verify the billings each month. For courier services, the contract states exactly which day's pickups are to be made. The Authority has a system in place where the toll plaza manager e-mails the designated Senior Administrative Assistant in the Department of Operations advising of any days where courier service did not occur. When the billing is received from the courier service, these e-mails are crosschecked against the billing to insure that the Authority is not billed for the service.

Recommendation 3

Regularly perform the final monthly reconciliations between toll receipts and bank deposits.

Status – Implemented

Agency Action – As a response to our audit, the Authority has improved the timeliness of the final monthly reconciliations between toll receipts and bank deposits.

Recommendation 4

Review the mathematical accuracy of the reconciliation reports that Titan submits with the daily bank deposit slips.

Status – Implemented

Agency Action – In response to our audit, Authority officials began using Titan's report to reconcile of the toll collector's deposit slips with the bank deposits and bank statements.

Recommendation 5

Prepare deposit slip error reports in a timely manner.

Status –Implemented

Agency Action – Authority officials have a process in place to prepare Deposit Slip Error Reports within 1-2 months of the end of the month being reported. Our test determined the last two Deposit Slip Error Reports were prepared within two months after the close of the month.

Major contributors to this report were Barry Mordowitz, and Stephen Lynch.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the New York State Thruway Authority for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Richard K. Sturm
Audit Manager

cc: Robert Barnes, Division of the Budget