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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

November 30, 2006

Ms. Connie G. Augsbury  
Chairperson  
Ogdensburg Bridge and Port Authority  
1 Bridge Plaza  
Ogdensburg, New York 13669

Re: Internal Controls Over Financial  
Operations  
Report 2005-S-76

Dear Ms. Augsbury:

Pursuant to Article X, Section 5 of the State Constitution and Section 2803 of the Public Authorities Law, we have audited the Ogdensburg Bridge and Port Authority's system of internal controls over its financial operations for the period January 1, 2002 through October 31, 2005.

**Background**

The Ogdensburg Bridge and Port Authority (OBPA) began as a single-purpose public benefit corporation to operate the Ogdensburg-Prescott International Bridge. OBPA has evolved and changed over the past 45 years. It currently manages and operates multiple business enterprises, including the Ogdensburg-Prescott International Bridge, the Port of Ogdensburg, the Commerce Park industrial park, the Ogdensburg International Airport, and the Ogdensburg Border Station. OBPA owns the Ogdensburg to Norwood short-line freight rail. Approximately 500,000 commercial and passenger vehicles cross the Ogdensburg-Prescott International Bridge annually. The Port of Ogdensburg handles six to seven ships per year. Currently, road salt is the main import while corn gluten is the main export. The Commerce Park includes 13 buildings for a total of 307,672 square feet of space. Seven of the 13 buildings are owned by the tenants that occupy them. For the year ended March 31, 2005, OBPA had \$4.4 million in total operating revenues (\$1.5 million in bridge tolls, \$2 million in rentals, \$693,000 in port fees, and \$207,000 in other operating revenues). Total operating expenses (including depreciation) for the year ended March 31, 2005, were \$5 million, resulting in a \$600,000 operating deficit that year. Excluding depreciation, there was a \$700,000 operating surplus. OBPA employed 25 full-time and 29 seasonal employees as of May 4, 2005.

## **Audit Scope, Objectives, and Methodology**

Pursuant to the New York State Governmental Accountability, Audit and Internal Control Act of 1987 (Act), as revised in 1999, an organization's management is responsible for establishing and maintaining an effective system of internal controls and a program of internal control review. State agencies and authorities must annually certify their compliance with important provisions of the Act to the Division of the Budget in accordance with Budget Policy and Reporting Manual Item B-350. Our audit covered the period January 1, 2002 through October 31, 2005. Our audit scope included OBPA management's certification of compliance for the years ended March 31, 2003, March 31, 2004, and March 31, 2005. The objectives of our performance audit were to assess the adequacy of OBPA's system of internal controls over its financial operations and to express an opinion on the certifications based upon our audit.

To accomplish these objectives, we interviewed OBPA officials and reviewed applicable policies and procedures governing the following significant financial operations: revenue and collections, cash and investments, payroll, procurement and contracting, equipment and asset management, budgeting and expenditure control, and accounting and information systems. We interviewed OBPA staff responsible for these financial operations and performed limited compliance testing to provide assurance that OBPA employees follow established policies and procedures. We believe our examination provides a reasonable basis for our opinion.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and do our audit to adequately assess those procedures and operations included within the audit scope. Further, these standards require that we understand OBPA's internal control systems and compliance with those laws, rules and regulations that are relevant to OBPA's procedures and operations that are included in 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.

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. These include operating the State's accounting system; preparing the State's financial statements; and 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.

## **Results of Audit**

In our opinion, because of the material weaknesses described below, OBPA management's certifications of compliance for the years ended March 31, 2003, March 31, 2004, and March 31, 2005, are not fairly stated based on the criteria set forth in the Internal Control Act and the Division of the Budget Policy and Reporting Manual Item B-350. Our audit identified material internal control weaknesses that were not identified in the individual certifications of compliance submitted to the Division of the Budget. A material weakness is a condition that precludes the entity's internal controls from providing reasonable assurance that material errors or irregularities will be prevented or detected on a timely basis.

Our examination disclosed the following relevant issues that were not identified nor appropriately disclosed in management's certifications:

- OBPA designated a new Internal Control Officer (ICO) each year because of staff turnover. We interviewed the designated ICO for the 2004-05 fiscal year. However, the individual was unaware that he was the designated ICO. We question the effectiveness of OBPA's internal control review system, when the designated ICO does not know he is responsible for implementing and overseeing controls. (OBPA officials replied to our draft audit report that, although the person designated as ICO may not have been aware of this official designation, the employee was aware of his responsibility for implementing and overseeing controls.)
- OBPA's B-350 certifications disclose that the OBPA external auditor is also the Internal Audit Director. As a practical matter, there is the risk of impaired objectivity when the external auditor also functions as an internal auditor because, subsequently acting in the capacity of external auditor, the auditor may not devote sufficient attention to certain management practices, transactions, economic events, and controls based on a level of knowledge that may or may not be complete but was gained while working in the capacity of OBPA's internal auditor. OBPA decided to hire its external auditor to function as Internal Audit Director. The external auditor entered into a consulting engagement with OBPA that calls for a mid-year review of unspecified OBPA financial activity resulting in a report on the internal controls tested. After a review of applicable professional guidance, we concluded that this arrangement is not appropriate because auditing standards relating to independence preclude an external auditor from performing related consulting work. Further, we noted the scope of the work for the mid-year review was set by the external auditor without consultation and authorization by the Board. We also noted that OBPA inaccurately listed its external auditor as its ICO on the Annual Public Authority Data Request it sent to the Office of the State Comptroller for the 2004-05 fiscal year (which it corrected subsequent to our audit discussions with OBPA officials). The situation we encountered leads us to question whether OBPA understands the roles and responsibilities of its external auditor, internal auditor, and internal control officer; and whether OBPA management understands the requirements of the State Internal Control Act. (Responding to our draft audit report, OBPA officials stated that OBPA is not required to have

an internal audit function and, in retrospect, any reference to the Internal Audit function should have been left unanswered on the B-350 certification.)

- OBPA did not prepare and make available to each officer and employee a statement of the policies and standards with which each officer and employee is expected to comply as indicated in its B-350 certification. Such statements emphasize the importance of internal controls to the authority and the responsibility of each officer and employee for effective internal controls. We note that OBPA has developed and issued from time-to-time various management policies, however, several of them were dated in the early 1990s. For example, the Procurement Policy was dated February 1991. Other policies such as credit card use and ethics were updated in spring 2005. (OBPA officials replied to our draft audit report that they will update all policies and will issue a clear statement to all employees to emphasize internal controls.)
- The B-350 certifications are supposed to list the internal control weaknesses identified and the corrective actions taken. OBPA has consistently reported that no significant deficiencies had been found. However, in our judgment, there were a number of weaknesses, including significant ones, either known to OBPA management or disclosed in management letters that accompany the OBPA annual external audit and mid-year reviews. Examples include the personal use of credit cards and a malfunctioning treadle device, both of which are described later in this report. OBPA officials told us that, at the advice of their external auditor, they did not consider the credit card issue as significant. In addition, the external auditor did not advise OBPA management that the treadle problem was significant until after the B-350 certification was filed. (OBPA officials replied to our draft audit report that they did not report any weaknesses on the B-350 certifications because the external audit reports used to prepare the certifications did not include any weaknesses.)

We noted the following instances in which OBPA's system of internal controls over basic financial operations needed improvement. (A summary table addressing specific questions related to each of the entity's basic financial operations is attached as Table I.)

1. We identified a number of problems with OBPA's procurement practices.
  - Prior to our audit, members of the OBPA Board of Directors learned that one employee had used the OBPA credit card for personal purchases for about 30 months (between January 2002 and July 2004); subsequently paying the personal charges after the credit card bill arrived. Although the personal charges on the credit card bills were copiously redacted on the billing statements submitted for management approval, no one in OBPA management questioned the obvious deletions or the practice of using the company's credit card to make personal purchases. We determined that the personal purchases made in this manner totaled \$5,371.32. This practice was either overlooked or allowed as an informal employment accommodation. The Board of Directors ultimately ordered a stop to use the OBPA credit card for personal purchases and instructed OBPA management to establish a policy prohibiting the personal use of OBPA credit cards.

(This individual's employment was eventually terminated.) In our judgment, the credit card policy is vague because it does not specifically address who is authorized to use the credit cards or under what specific circumstances the credit cards can be used.

- OBPA has procurement guidelines that call for various competitive vendor selection requirements depending on the expected cost of the purchase and formal Board approval for large dollar purchases. We found that several purchases did not comply with the prescribed vendor selection requirements. For example, OBPA secured engineering and design services for \$710,000 for building the Ogdensburg Border Station. If OBPA followed its established bidding policy, it should have formally bid this project, solicited a minimum of five bids, and obtained specific Board authorization. The \$710,000 contract for engineering and design services did not get the required number of bids nor did it receive formal Board approval. The engineering firm submitted its proposal and it was reviewed by OBPA management as well as the Federal General Services Administration for reasonableness. The contract was awarded to the sole engineering firm vying for the project without formal Board approval. OBPA officials concede that the Board did not formally approve this contract, but advised us that the engineering firm started work in 1998 with a minor project that eventually evolved into a major construction project and that OBPA had spent about \$500,000 in design costs before the Federal General Services Administration formally authorized the work. The Board approved a one-year renewable contract for janitorial services for \$13,260, but did not approve the contract renewal for 2003-04. The Board also did not approve the renewal of a sole source toll collection system services contract for \$14,160 per year. OBPA officials contend that the Board approved these services when they approved the annual budget and they were not aware the Board also needed to formally approve the contracts as they were renewed. OBPA files did not contain documented reasons for awarding some sole/single source contracts.

(OBPA officials replied that their procurement policy excludes personal service contracts paid by tenants because sources of funds other than OBPA sources generally have different requirements. If more stringent procurement requirements from outside funding sources for projects are absent, we believe OPBA should use its own procurement requirements as a standard.)

- OBPA is required to annually report contracts to the Office of the State Comptroller. We found significant non-compliance with this reporting requirement. For the 2003-04 fiscal year, OBPA reported only four contracts totaling \$51,147. We found OBPA did not report at least 10 other contracts totaling over \$2.4 million, including a \$1.7 million contract for railroad crossing improvements. We found similar underreporting for the 2004-05 fiscal year when the contract report listed only 3 contracts totaling \$144,190, but we found an additional 16 unreported contracts totaling over \$3.2 million.

- OBPA does not have an effective program for complying with State laws regarding Minority and Women Business Enterprises (M/WBE). OBPA had not filed any of the required M/WBE annual or quarterly reports with the Empire State Development Corporation; has not set any M/WBE goals; and its bidding documents do not have any reference to M/WBE participation in procurement opportunities. OBPA does not require contractors to submit M/WBE utilization plans prior to contract award and staff does not collect data on the M/WBEs that OBPA uses.
  - OBPA has had the same external auditor for over 30 years. Current national trends in the accounting profession are towards rotating external auditors at least every five years. In New York State, the Public Authority Reform Act, which at the time of our audit was pending approval, would make this rotation a requirement. OBPA should consider doing likewise.
  - OBPA has established lines of credit at several local stores whereby employees can purchase goods as needed and the stores later invoice OBPA. While we found no problems with any specific purchase, OBPA's master list of open lines of credit at local stores was incomplete and the policy OBPA established in March 2005 for appropriate use of store credit only states that it should be used for the conduct of Authority business and does not address who is authorized to access the store credit or place any dollar limits on individual purchases or total spending.
2. OBPA earns about one-third of all its revenues in bridge tolls (about \$1.5 million in the 2004-05 fiscal year). One major control device in toll systems is an axle counter (called a treadle). Readings from the treadle are used to reconcile the accuracy of reported toll collections. There are treadles to count axles passing the toll booth in both directions of the Ogdensburg-Prescott International Bridge. However, one of the treadles broke in July 2004 and produced unreliable data through October 2005. As a result, OBPA could not effectively reconcile the accuracy of bridge tolls in one direction by comparing collections, number and type of vehicles crossing, and treadle counts. This is a significant internal control weakness. Prompt steps should have been taken to return the treadle to service and thereby allow completion of bridge toll reconciliations. OBPA routinely prepared reconciliations between the number of axles detected by the treadle and the number indicated by the toll collector. Therefore, OBPA management was aware of the problem. Furthermore, there was a spare treadle on site that could have been installed. OBPA officials attributed their inaction to the cost of the repair and their decision to wait until the toll system is upgraded. OBPA officials advised us that their maintenance staff replaced the treadle in mid-December 2005.
  3. The Public Authorities Law requires Boards of Directors to review and approve investment guidelines annually. However, the OBPA Board has not formally reviewed and approved investment guidelines since 1996. OBPA management also did not prepare an annual

investment report for the Board as required. OBPA investment guidelines state that it is a goal to place half the investments in bank certificates of deposit and half in U.S. Treasury bills; deviations from this investment strategy should be documented, reviewed, and approved. All of OBPA's investments are in certificates of deposit, and we found no justification or Board approval for this investment strategy. Although OBPA's investments are collateralized at an independent bank as required and OBPA receives collateral statements monthly, much of the collateral pledged is not allowable under the Public Authorities Law. Collateral must be marketable and must be in securities of the Federal government or New York State. We found that much of OBPA's pledged collateral consists of ineligible out-of-State school district bonds and mortgage notes.

4. Comprehensive business policies provide information to employees related to their employer's expectations. However, OBPA does not have formal policies related to business activities such as payroll, budget process, back-up and recovery of data, business continuity plans, disposition of equipment, personal use of Authority property, and use of the Internet.
5. In response to the Model Governance Principles for Public Authorities on Board Governance, OBPA's Board of Directors formed a Committee Charter in June 2004. The required Governance and Audit Committees met twice since being established. The Audit Committee met June 27, 2005, and September 26, 2005. The Governance Committee met July 7, 2005, and September 13, 2005. Contrary to common business management practices, there were no minutes documenting what occurred at these meetings, and the Charter is silent as to how often these two committees should meet.
6. Boards should oversee the development of strategic, operating and capital plans. OBPA's Board does not routinely review such plans. OBPA's strategic plan was prepared in part to support a toll increase for the Ogdensburg-Prescott International Bridge in late 2003. Additionally, OBPA does not prepare five-year operating or capital plans. As a diverse business enterprise, it is critical that OBPA regularly prepare these plans to properly plan for the future.
7. Ogdensburg Border Station, Inc. (OBSI) is a component unit of OBPA. The Board members of OBSI are the same Board members as OBPA. OBSI is required to follow the same processes as OBPA. However, the by-laws for OBSI state they are not required to notify the public of their Board meetings. The OBSI by-laws need to be changed to be consistent with the Open Meetings Law.
8. We noted that the OBPA Board frequently held closed door executive sessions. OBPA Board minutes showed that 48 of 55 Board meetings held during our audit period involved executive sessions for private discussions of matters such as personnel and legal issues. The Board documented the reasons for all but 4 of the 48 executive sessions.

9. OBPA's enabling legislation states the Board of Directors is to consist of seven members. There are currently six Board members with one seat being vacant since January 2005. Also, at the time of our audit, one seated member's five-year term expired December 31, 2003. OBPA's Chairperson told us that OBPA contacts the Governor's Office to advise of vacancies, and identifies Board vacancies in a monthly status report to the Governor's Office. The Chairperson also informed us that she once told a local State legislator that specific qualifications for a new Board member would help the Board as a whole. We suggest that OBPA routinely notify appointing authorities of the qualifications sought when filling vacant Board positions, and document such notifications.
10. OBPA pays for an annual dinner for employees, Board members, and their spouses. The dinner in January 2005 cost \$509.34. The Authority should not be paying for dinners that can be viewed as social functions and as an inappropriate use of public funds. OBPA officials told us that they consider the dinner a working Board meeting. If this is so, OBPA should have Board minutes of the January 2005 dinner meeting.
11. OBPA maintains an Internet website that describes the Authority and some of its functions. However, Board meeting minutes and other information on business affairs, including financial information, are not posted to the website. To improve accountability and enhance public transparency, at a minimum, OBPA should post the Board meeting minutes and financial statements on its Internet website.
12. Checks submitted to OBPA are received centrally by the OBPA Secretary and are recorded in the cash receipts log. The checks are then distributed to the people in charge of the enterprise for which the checks were received. We found these checks are not restrictively endorsed when received by the Secretary. Checks should be restrictively endorsed as soon as they are received.
13. Duties need to be better separated in the payroll process. The Payroll Clerk makes changes to the payroll system, receives unsigned checks from the payroll company which are later hand-signed by authorized officials, and disburses the signed checks to employees. Ideally, one employee should not do all of these functions. This lack of separation of duties was also noted by the external auditor in the 2005 financial statement audit. The external auditor recommended someone independent of the payroll function should distribute payroll checks to employees. (OBPA officials in response to our draft audit report stated that they consider existing controls adequate and additional controls would not be cost-beneficial.)
14. Vehicle use is not monitored by OBPA officials; there are no vehicle logs to identify the purpose of vehicle use. In addition, security over vehicles can be improved. We confirmed on two separate occasions that three of OBPA's vehicles were left unlocked overnight in a fenced area at the administration building. We also noted that an employee took an OBPA chainsaw home for personal use without the knowledge of his supervisor. All OBPA

property must be safeguarded and supervisory controls established to prevent undetected personal use of OBPA equipment.

15. There are no policies regulating the use of the Internet. Further, management has not established any monitoring activities to determine if the employees' use of the Internet is appropriate.

16. We identified a number of weaknesses in the OBPA's procedures dealing with its computerized accounting and information records. Due to the sensitive nature of these matters, we are not providing details in this report. However, we fully informed OBPA officials about the weaknesses during the course of our audit.

### **Recommendations**

1. *Complete the annual B-350 Internal Control Certification accurately.*
2. *Strengthen policies regarding Authority credit card and open lines of credit.*
3. *File required annual and quarterly reports with the Empire State Development Corporation's Division of Minority and Women's Business Development.*
4. *Ensure the provisions for M/WBEs are present in all contract bidding documents.*
5. *State OBPA's goals for M/WBE participation and monitor the participation rates in State contracts, as required.*
6. *Follow the procurement guideline requirements for levels of competition.*
7. *Report all contracts to the Office of the State Comptroller annually, as required.*
8. *Fully document the basis for all sole source or single source contracts.*
9. *Discontinue using the external auditor to do internal audit work.*
10. *Repair and maintain all treadles in the toll booth lane as quickly as possible.*
11. *Review investment guidelines and ensure compliance with all provisions before approving them annually.*
12. *Develop comprehensive policies and procedures for the various business practices including, but not limited to: payroll, the budget process, back-up and recovery of data, business continuity plans, disposition of equipment, and personal use of Authority equipment.*
13. *Maintain meeting minutes for the individual Board committees.*

14. *Periodically prepare Strategic, Operating, and Capital Plans.*
15. *Change the OBSI by-laws to state that the public is to be notified of OBSI Board meetings in advance.*
16. *Post Board minutes and other relevant information on the OBPA Internet website.*
17. *Review payroll responsibilities to determine if a better separation of duties is possible. At a minimum, have someone independent of the payroll function distribute employee payroll checks.*
18. *When notifying appointing authorities of Board vacancies, provide suggestions about the qualities and competencies desired. Document such notification.*
19. *Discontinue the practice of paying for the annual dinner for Board members, staff and spouses which can be viewed as social events and as an inappropriate use of public funds.*
20. *Annually review and approve procurement guidelines.*
21. *Report on the investment program to the Board on a quarterly basis as called for in New York State Comptroller's Investment Guidelines.*
22. *State the reasons for all executive sessions.*
23. *Restrictively endorse checks as they are received.*
24. *Safeguard all OBPA property.*
25. *Establish a policy regulating the use of the Internet by OBPA employees.*
26. *Establish a process for OBPA management to monitor the use of the Internet by employees to ensure compliance with the above mentioned policy.*
27. *Implement the recommendations detailed during the audit for strengthening system security and improving disaster preparedness.*
28. *Ensure that the Governance and Audit committees meet more frequently.*

Draft copies of this report were provided to Ogdensburg Bridge and Port Authority officials for their review and comments. Their comments have been considered in preparing this final report, and are included as Appendix A. OBPA officials agreed with most of our audit findings and stated that they expect to adopt many of the recommendations in an effort to improve internal controls.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Chairperson of the Ogdensburg Bridge and Port Authority shall report to the Governor, the

State Comptroller, and the leaders of the Legislature and its 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 examination were Gerald Tysiak, Roger C. Mazula, Brandon Ogden, and Sharon Salembier.

We wish to express our appreciation to the management and staff of the Ogdensburg Bridge and Port Authority for the courtesies and cooperation extended to our auditors during this examination.

Very truly yours,

Carmen Maldonado  
Audit Director

cc: Lisa Ng, Division of the Budget

**OGDENSBURG BRIDGE AND PORT AUTHORITY  
INTERNAL CONTROLS OVER BASIC FINANCIAL OPERATIONS**

A colored “traffic light” legend is included in the table below to assist management in focusing an appropriate level of attention on the issues identified in the Authority Activities and Comptroller’s Comment sections of the Examination Findings.

**Legend:**

	Activities/Comments contain matters that should be of immediate concern to management.		Activities/Comments contain matters which management should consider correcting.		Activities/Comments do not contain issues that require management’s immediate consideration.
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**Examination Findings:** As part of our examination, we sought answers to a series of questions and reviewed selected Authority records related to certain basic financial operations. Our questions in each area, along with a summary of the Authority’s activities and our comments, are presented below.

	<b>QUESTION</b>	<b>AUTHORITY ACTIVITIES</b>	<b>COMPTROLLER’S COMMENT</b>
	<b>Board Oversight &amp; Governance:</b>		
	Does the Authority’s Board of Directors function in a manner that promotes an ethical business climate within the organization and encourages and supports full compliance with all applicable laws, rules and regulations?	The Governor’s Model Governance Principles on Board Governance require agencies like OBPA to train Board members on legal, fiduciary, and ethical responsibilities; separate oversight from executive functions; establish a coordinated committee structure with detailed responsibilities; and create a transparent business environment by making certain financial information readily available to the public.	All Board members received governance training in May 2005. They are scheduled to receive additional training put on by the New York State Commission on Public Authority Reform.  OBPA established a committee structure which includes Governance and Audit Committees as required by the Model Governance Principles. The committees have only met twice since they were established in June 2004. Notes were taken at these meetings, but OBPA officials acknowledge that the notes lacked sufficient detail to record the actual undertakings of the meetings.

	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER'S COMMENT
		<p>The Board has a code of ethics. It is the same as Public Officers' Law Section 74 and any employee who suspects a violation of this law shall report such to the Executive Director and Chairperson of the Board.</p> <p>According to OBPA's enabling legislation, the Board members are not entitled to compensation for their services but are entitled to reimbursement of all expenses necessarily incurred in the performance of their duties.</p>	<p>The OBPA code of ethics refers directly to the provisions imposed in the 1987 New York State Ethics in Government Act as the guidelines that OBPA should adhere to. Each Board member prepares financial disclosure statements and sends them to the New York State Ethics Commission annually. If they are not received by the Ethics Commission, reminders are sent directly to OBPA.</p> <p>OPBA holds an annual dinner for employees, Board members, and their spouses. The dinner in January 2005 cost \$509.34. OBPA should not use public funds for a dinner for social purposes alone.</p>
	<p>Has the Board of Directors established appropriate internal controls that promote the economic, efficient and effective operation of the Authority consistent with its statutory public benefit mission and that provide for transparency and accountability in pursuing its strategic business objectives?</p>	<p>A full Board is comprised of seven members who are appointed by the Governor for terms of five years. The Board annually elects a chairperson, vice-chairperson, secretary, and treasurer.</p> <p>The Board schedules monthly Board meetings and has special meetings as needed.</p> <p>Board meetings are open to the public, are announced in the local newspaper, and are posted on the bulletin board in the OBPA administration building. Meeting minutes are prepared for each meeting.</p> <p>Although the by-laws for Ogdensburg Border Station, Inc. (OBSI) do not require that Board meetings be publicly announced in advance, they are publicized.</p> <p>The Board is required to annually review and approve the procurement and investment</p>	<p>There are currently six Board members. One seat has been vacant since January 2005. In addition, at the time of our audit, one seated member's term expired December 31, 2003.</p> <p>During 2004, the Board met 15 times (12 monthly and 3 special). For the 12 monthly meetings, only once did less than 5 members attend the meeting; 4 members attended the April 2004 meeting. All meetings had enough members to constitute a legal quorum. OBPA counsel periodically attends the Board meetings.</p> <p>OBPA does not post Board meeting minutes or meeting announcements on its Internet website. Such an action would improve public accountability and transparency.</p> <p>Because OBSI is subject to the State's Open Meeting Law, its by-laws should be amended to require public notification of Board meetings in advance.</p> <p>The Board does not annually review and approve the procurement and investment guidelines. The procurement guidelines</p>

	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER'S COMMENT
		<p>policies.</p> <p>OBPA is required to submit an Annual Procurement Report to the Office of the State Comptroller listing procurement contracts for the prior fiscal year.</p> <p>Article 7, Section 105 of the Public Officers' Law states that an executive session may be conducted for only very specific reasons and only upon majority vote of the Board's total membership.</p>	<p>were last formally approved in 1991. The investment guidelines were last formally approved in 1996.</p> <p>OBPA listed only four contracts for the 2003-04 fiscal year worth a total of \$51,147. We found they omitted at least 10 contracts totaling over \$2.4 million including a \$1.7 million contract for railroad crossing improvements. Additionally, they listed only three contracts for the 2004-05 fiscal year totaling \$144,190. We found 16 contracts totaling over \$3.2 million that were not reported to the Office of the State Comptroller.</p> <p>Between January 1, 2002 and August 17, 2005, OBPA had 55 Board meetings during which 48 executive sessions were held. Reasons were not given for 4 of the 48 executive sessions. Reasons for conducting an executive session include matters involving personnel, litigation, real property, and contract negotiations.</p>
	<p><b>Revenue &amp; Collections:</b></p>		
	<p>Do the Authority's internal controls provide assurance that revenues are billed timely and accurately and are recorded properly in the accounting records?</p>	<p>OBPA receives revenue from tenant leases, bridge tolls, marine charges (e.g. storage, relocation, loading, and docking), railroad charges (land easements), sale of fuel for airplanes, maintenance repairs completed for tenants in the industrial park, grants, and interest from investments.</p> <p>OBPA prepares monthly bills for all their lease tenants. They also bill shippers for dockage and wharfage fees as soon as the business is completed at the Port. Furthermore, OBPA receives revenues from commercial trucking; they have commercial bridge toll accounts that are billed monthly.</p> <p>One treadle (a device used to count the axles of cars/trucks passing through the toll booth) has been broken since July 2004 and therefore the treadle reading report</p>	<p>We found that revenues are generally billed timely and recorded properly in the accounting records. One person prepares and sends the bills and records the receivable in the accounting records. Another person receives and records the payment. Changes to the client's information are automatically sent to the Chief Financial Officer; bank reconciliations include tracing revenues recorded as received to the bank statement deposits.</p> <p>The treadle installed in one of the lanes is broken. It does not detect all the axles. Therefore, OBPA was not able to determine if the appropriate amount of tolls were</p>

	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER'S COMMENT
		cannot be reconciled to the tolls collected. Instead toll collections are reconciled to the axles indicated by the toll collector.	collected. During our testing, we found that the total number of axles indicated by the toll collector consistently exceeded the number detected by the treadle by a significant amount. During a three-day period in August 2005, the difference between axles indicated and detected was 4,992. The treadle has been broken since the Summer of 2004. Although OBPA has a spare treadle on site, OBPA officials stated they deferred repair until the system software is upgraded. Until the treadle is repaired, OBPA cannot determine if all bridge toll revenue is appropriately collected and accounted for. OBPA officials advised us that their maintenance staff replaced the treadle in mid-December 2005.
	Do the Authority's internal controls provide assurance that revenues are being collected timely?	OBPA ages its accounts receivable and notifies companies when payments are late. OBPA policy and lease agreements state a 1.5 percent late fee will be charged on accounts more than 30 days overdue. Accounts 90 days overdue are reported to the Executive Director for action.	<p>We found that revenues generally are collected timely with the exception of bridge tolls billed to Canadian trucking companies. OBPA staff has taken steps to improve the timeliness of collecting billings to Canadian trucking companies.</p> <p>For the small amounts overdue, OBPA does not charge the 1.5 percent late fee as stated in their policy and lease agreements.</p>
<b>Cash &amp; Investments:</b>			
	Do the Authority's internal controls provide assurance that cash and investments are properly safeguarded, accounted for, and deposited into the appropriate accounts?	Cash for bridge tolls are collected 24 hours a day. During the 2004-05 fiscal year, OBPA collected more than \$1,500,000 in bridge tolls. When a work shift ends, the toll collector counts the cash and brings it to the administration building. The Payroll Clerk recounts the cash. For each work shift, the Payroll Clerk is supposed to reconcile cash collected with axle counts indicated by the toll collector as well as with the axles detected by the treadle. However, as previously stated, full reconciliation is not possible in one lane because of a malfunctioning treadle. OBPA makes daily bank deposits. Money collected after normal business hours or on weekends is kept in a safe.	<p>OBPA's 2005 financial statements categorize the treadle problem as a reportable condition. Further, the external auditor recommends OBPA replace the broken treadle as soon as possible to improve internal controls over toll collection. OBPA officials advised us that their maintenance staff replaced the treadle in December 2005.</p> <p>With the exception of the treadle, controls and security over the collection of bridge tolls, petty cash, and mail receipts are adequate.</p>

	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER'S COMMENT
		<p>OBPA receives a collateral report from all six banks where investments are held. Most of OBPA's investments are with one bank - approximately \$3 million. The collateral for the investments at this bank are held by a different bank. OBPA receives collateral statements monthly and has been doing so for approximately five years.</p> <p>OBPA investment guidelines state that OBPA should maintain half of their investments in bank certificates of deposit and half in U.S. Treasury Bills. Any reason for deviating from this investment strategy should be documented.</p> <p>According to their investment guidelines, OBPA must report to the Board quarterly on the investment program. This report is supposed to include a listing of new investments, an inventory of all existing investments, and the selection of investment banks.</p> <p>Checks are received in the office by the Secretary and recorded in the cash receipts log. The checks are then distributed to the people in charge of the areas for which the checks relate. The checks are then deposited.</p>	<p>We reviewed the August 2005 collateral report and found that some of the collateral was not allowed by New York State Investment Guidelines. However, OBPA's external auditor reported in the 2005 financial statements that OBPA was in compliance with New York State Investment Guidelines.</p> <p>OBPA's investment policy states that their primary objective is to earn reasonable rates of return on their investments. We found that all of OBPA's investments were in bank certificates of deposit and there was no documentation to justify the deviation from the formal investment strategy. OBPA officials stated that it was done because of the higher interest rates on CDs. However, they did not provide us with a supporting analysis. We further found that pledged collaterals were in ineligible investments.</p> <p>OBPA does not formally report to the Board on the investment program.</p> <p>Checks are not restrictively endorsed as they are received at the office. Instead they are restrictively endorsed when they are received by the person in the area for which payment is being made.</p>
	<p>Do the Authority's internal controls provide assurance that cash disbursements are properly authorized and recorded?</p>	<p>OBPA has nine authorized signatories including all six seated Board members, the Executive Director, the Chief Financial Officer, and the Director of Operations. Checks over \$2,500 require two signatures, one of which should be a Board member.</p>	<p>During our review, all of the sample transactions were properly authorized and recorded in the accounting records. However, an OBPA credit card was used for personal purposes between January 2002 and August 2004. Such use was reviewed and approved by the Executive Director. For these disbursements there</p>

	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER'S COMMENT
		<p>Disbursements are processed either as an accounts payable or capital expenditure transaction. For accounts payable transactions, the Accounts Payable clerk receives an invoice and provides it to the person who approved the purchase. That individual then initials the invoice, codes it with the appropriate general ledger account, and returns it to the Accounts Payable clerk. That clerk then organizes the invoices with the approvals and sends them to the Chief Financial Officer or Executive Director for their approval. If the Chief Financial Officer approves the invoices, the Executive Director must initial the invoice as proof of his review. The invoices and approvals are then given back to the Accounts Payable clerk and the disbursements are recorded in the accounting records.</p> <p>The Assistant Accountant is responsible for initiating disbursements related to capital expenditures. The process is the same as for accounts payable transactions except that the Assistant Accountant is the one that receives, processes, and records the expenditure in the accounting records.</p>	<p>was a breakdown in the internal controls that allowed these purchases to continue to be made without question.</p>
	<p><b>Payroll:</b></p>		
	<p>Do the Authority's internal controls provide assurance that employee time and attendance records are accurate and that leave time is accounted for and recorded properly?</p>	<p>All employees are required to punch in and out on a time clock at their respective work stations. The time sheets are signed by the employee and are then collected by their supervisor. The supervisor reviews the timecard for accuracy, signs it, and brings it to the Payroll Clerk. If there is overtime, the reason is written on the timecard and is approved by the supervisor. Employees enter their leave</p>	<p>OBPA does not have any written procedures documenting this practice.</p> <p>During our audit we reviewed the time records for eight pay periods for 20 OBPA employees sampled and found that the records were generally accurate with three minor exceptions which were corrected after we informed OBPA staff.</p>

	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER'S COMMENT
		accruals on their timecards. The Payroll Clerk maintains a separate record of each employee's leave accruals and verifies the accruals are correct for every two-week pay period.	
	Do the Authority's internal controls provide assurance that payroll changes (e.g., additions, deletions, and overtime) are processed accurately and timely?	<p>An outside payroll company has been processing OBPA's payroll since January 2005. The Payroll Clerk is responsible for ensuring payroll changes are made. The Payroll Clerk receives documentation for changes to the payroll including additions, deletions, and hours worked from department heads and enters the information into the payroll system. This individual also receives the payroll checks from the payroll processing company and disburses them to the appropriate supervisors who then hand them to the employees. OBPA officials stated that they review payroll transactions.</p> <p>Any promotions or raises are communicated to the Payroll Clerk through memos. The memos state the employee's name, title, new salary, and effective dates for the promotion/raise. The information is then entered into the payroll system.</p>	<p>There are no written policies or procedures for the payroll function.</p> <p>Duties should be better separated in the payroll process. The Payroll Clerk should not be the person solely responsible for making changes on the payroll system and then be the one receiving the payroll checks from the processing company and distributing the payroll checks to employees.</p> <p>OBPA officials do not document that they review the accuracy of the payroll.</p> <p>During our testing, we found that payroll changes are processed accurately and timely and that promotions and raises were properly recorded and the pay was appropriate.</p>
<b>Procurement &amp; Contracting:</b>			
	Do the Authority's internal controls provide assurance that purchases are authorized, received, and recorded properly?	Any OBPA staff may request goods and services. Usually an employee makes a verbal request to his or her immediate supervisor or (usually the department head, Executive Director, Chief Financial Officer, Director of Operations, or Facilities Manager). Department heads then follow the procurement guidelines. Furthermore, OBPA has established the level of authorization and competition expected by dollar amount of the purchase.	<p>We found several instances where OBPA did not follow established procurement guidelines.</p> <ul style="list-style-type: none"> <li>OBPA secured engineering and design services costing \$710,000 for building the Ogdensburg Border Station. Contrary to established procurement procedures, OBPA should have formally bid this project and solicited a minimum of five bids and specific Board authorization should have been obtained. The \$710,000 contract for engineering and design services did not get the required number of bids nor did it</li> </ul>

	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER'S COMMENT
		<p>Executive Law Article 15A requires State agencies and public authorities to publicize their procurement opportunities, set annual M/WBE participation goals, submit quarterly reports showing their utilization of M/WBE firms, and collect M/WBE utilization plans from contractors.</p>	<p>receive formal Board approval.</p> <ul style="list-style-type: none"> <li>• The sole source toll collection system services contract for \$14,160 per year did not receive formal Board approval.</li> <li>• A one-year renewable contract for janitorial services for \$13,260 did not receive formal Board approval.</li> <li>• Reasons and justification for sole/single source contracts were not always documented.</li> </ul> <p>OBPA advertises its contracts and M/WBE goals in the New York State Contract Reporter and in local publications. However, OBPA has not filed required annual or quarterly reports with the Empire State Development Corporation's Division of Minority and Women's Business Development. OBPA bidding documents do not include any reference to M/WBE participation in procurement opportunities. There is no documentation stating OBPA's annual participation goals other than listing them in the Contract Reporter. Also, OBPA does not collect data that could be used to measure attainment of goals. Furthermore, OBPA does not require contractors to submit M/WBE utilization plans prior to receiving a contract.</p>
	<p>Do the Authority's internal controls provide assurance that purchases are reasonable and necessary and made in an economical and efficient manner?</p>	<p>OBPA has established various levels of competition required based on the amount the goods or services are expected to cost. The level of competition ranges from supervisory approval with a purchase order to sealed bids. Sealed bids are required for goods or services expected to cost more than \$5,000.</p> <p>OBPA has had the same external auditor for over 30 years.</p>	<p>We found instances where OBPA did not follow the established competition process. One example is a contract for engineering and design services for the Border Station (\$710,000). The contract was awarded to an engineering firm that was already working and was being paid without a formal contract for the services. The contract was not formally approved by the Board, as required.</p> <p>Current national trends in the accounting profession are towards rotating external auditors at least every five years.</p>
<p><b>Equipment &amp; Asset Management:</b></p>			

	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER'S COMMENT
	<p>Do the Authority's internal controls provide assurance that equipment acquisitions and dispositions are authorized and recorded properly, and that a comprehensive inventory of equipment is maintained?</p>	<p>OBPA keeps inventory records of all assets. Items are added to the inventory records when they are purchased and are removed as they are disposed of. Authorizations for disposals are verbal and are not documented.</p> <p>As of March 31, 2005, OBPA had equipment and fixed assets costing a total of about \$63 million. The Assistant Accountant keeps an inventory record of the equipment and fixed assets in both automated and manual formats. OBPA's first ever complete physical inventory process was during the 2004-05 fiscal year. In previous years, OBPA checked inventory by individual location. For example, one year the airport inventory was verified, the next year the bridge inventory was verified, and so on until the inventory at all locations was verified.</p>	<p>There are no written policies and procedures for the disposition of equipment or for the recording of asset acquisitions and dispositions in the accounting records.</p> <p>Authorization for the disposition of equipment should be documented.</p> <p>We sampled items from the inventory records to determine if they were located at the stated site. We found that all items sampled from the inventory were located. Furthermore, we identified items at the different work sites to determine if they were listed on the inventory. All items sampled in this fashion were similarly listed on the inventory records.</p>
	<p>Do the Authority's internal controls provide assurance that equipment is secured properly and used as intended?</p>	<p>OBPA assets are identified by tags. If the item is valued at under \$500, the items are labeled "Property of OBPA." If the item is valued at \$500 or more, it has a numbered identification tag. Items at all of the locations operated by the Port should be locked in garages/buildings at night. Additionally, the marine port, airport and the maintenance building have fences around them to restrict access. OBPA officials stated their practice is not to allow employees to use OBPA equipment for personal use.</p> <p>All employees in the administration building have access to the Internet and are allowed to use the Internet at their discretion.</p> <p>Vehicles are assigned to two employees: the Executive Director and the Director of Operations.</p>	<p>Our observations at all OBPA locations showed that OBPA generally labels their property properly. However, during our testing, we found that 3 of the 24 sampled assets did not have OBPA tags (mobile radio base station, mobile radio, and truck dock board). Also, we found that an employee had taken a chainsaw home for personal use without supervisory permission. There is no policy addressing personal use of Authority property. Furthermore, OBPA does not require vehicle logs be prepared for any of OBPA's vehicles to help detect personal use of business vehicles.</p> <p>OBPA has no policies regulating the use of the Internet and OBPA management does not monitor whether employee Internet use is appropriate.</p> <p>We tested if OBPA's vehicles were secured after work hours. We observed on two separate occasions that the three</p>

	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER'S COMMENT
		<p>OBPA has other vehicles that are used by employees as needed. Maintenance records for each vehicle are kept in the Maintenance garage. Unassigned vehicles are left on OBPA premises and should not be taken home by employees.</p>	<p>OBPA pool vehicles left in a fenced area at the administration building were unlocked.</p>
<p><b>Budgeting &amp; Expenditure Control:</b></p>			
	<p>Do the Authority's internal controls provide assurance that the Authority's annual budget is prepared accurately and timely?</p>	<p>OBPA's budget is accounted for in two funds: the Bridge Fund and the Port Fund. The Bridge Fund is comprised of the bridge activities and the Port Fund is the combination of the activities of the marine terminal, industrial park, airport and railroad. The budget is annually reviewed and approved by the Board during their January Meeting. OBPA annually presents their budget to the New York State Division of the Budget (DOB) at a time determined by DOB.</p>	<p>There are no written policies and procedures for preparing OBPA's budget. OBPA officials told us they consider budget projections very predictable. We found the Board approved the 2002, 2003, 2004, and 2005 budgets during their January meeting and that DOB officials subsequently approved those budgets.</p> <p>We found that the 2003, 2004, and 2005 budgets were mathematically correct.</p>
	<p>Do the Authority's internal controls provide assurance that actual operating results are monitored against budgeted estimates and that appropriate revisions to current and future budgets are made as warranted by these operating results?</p>	<p>In order to make informed financial decisions and provide adequate oversight, governing boards should routinely review actual operating results and compare them to the approved budget.</p> <p>When changes to the original budget are needed, OBPA has a process to effect those changes. When unanticipated changes arise, OBPA allocates a portion of the budget to those changes by eliminating another budgeted expense item.</p> <p>OBPA staff use historical information along with projections about expected changes in revenues and expenditures to compile the annual budget. Input is received from all staff, but the primary participants in preparing the budget are the Executive Director, Chief Financial Officer, Operations Manager, and Facilities Manager.</p>	<p>The OBPA Assistant Accountant informally reports to the Board a comparison of actual operating results to budgeted estimates. The newly-hired Chief Financial Officer told us he intends to formalize this process with a standard and more detailed report from OBPA's accounting system.</p> <p>OBPA reallocated budget money during the 2005-06 fiscal year. Board minutes reflect that the air conditioning unit at Building 6 needed to be replaced, but this was unexpected and not included in the 2005-06 fiscal year budget. The Board authorized changes in the Port Fund budget to include this purchase.</p> <p>We found that the staff and Board members use past years actual expenses to project the budget for subsequent years.</p>

	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER'S COMMENT
<b>Accounting and Information Systems :</b>			
	<p>Do the Authority's accounting and information systems provide assurance that management has access to timely, accurate and relevant information?</p>	<p>OBPA has a computer-based accounting system.</p> <p>OBPA has an automated toll collection system that contains bridge revenue and bridge traffic information. The system reports the number of axles indicated by the toll collector and the number detected by the treadle system. This data is then used to reconcile the accuracy of reported toll collections.</p> <p>The airport has an automated system (GASBOY) for the sale of fuel. GASBOY records information on the number of gallons of fuel sold and the revenue collected. Monthly reports are prepared using the data supplied by GASBOY. The data is given to OBPA management and is presented to the Board.</p> <p>Furthermore, the system is used to prepare quarterly State Tax and Petroleum Tax reports and returns.</p>	<p>We found the computerized accounting system generally provides OBPA officials with timely, accurate, and relevant information. This system is used to provide up-to-date account information to the Chief Financial Officer as well as to report actual to budget comparisons to the Board on a monthly basis.</p> <p>The treadle in one of the lanes was broken. It does not detect all the axles. Therefore OBPA could not determine if the appropriate amount of tolls were collected. This system did not provide accurate information to OBPA officials necessary for toll revenue accountability.</p> <p>Almost all of the fuel sales are credit card sales. GASBOY is billed monthly for gas sales.</p>
	<p>Do the Authority's internal controls provide assurance that the accounting and information systems are secure and that the information is recoverable in case of system failure?</p>	<p>Authority accounting and information systems are secured in Authority buildings. Computers are password protected. Employees' access to data is also restricted based on their duties. For example, only employees involved in Accounts Payable have access to records pertaining to Accounts Payable.</p> <p>OBPA periodically backs up their computer system data to tapes. These tapes are then stored in a fireproof safe in the maintenance garage behind the administration</p>	<p>We identified a number of weaknesses in OBPA's procedures dealing with computerized accounting and information systems. Due to the sensitive nature of this matter, we are not providing details about these weaknesses in this report. However, we fully informed OBPA officials about the weaknesses during the course of our audit.</p>

	<b>QUESTION</b>	<b>AUTHORITY ACTIVITIES</b>	<b>COMPTROLLER'S COMMENT</b>
		building. OBPA also has a redundant server that could be used in the event there are problems with the main server.	



## Ogdensburg Bridge & Port Authority

May 12, 2006

Ms. Carmen Maldonado  
Audit Director  
Office of the State Comptroller  
Division of State Services  
State Audit Bureau  
123 William Street, 21<sup>st</sup> Floor  
New York, NY 10038

Dear Ms. Maldonado:

Please find attached the Ogdensburg Bridge and Port Authority's response to the Office of the State Comptroller's draft audit report (2005-S-76). The Authority appreciates the time, effort and patience of your staff shown throughout this audit process. The Authority has found this audit to be a valuable tool which will be used to help strengthen the Authority's internal controls over financial operations.

If you have any questions or need further information, please do not hesitate to contact our office.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mark T. Mashaw".

Mark T. Mashaw  
Chief Financial officer

MTM/pb  
Attachment

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# Ogdensburg Bridge & Port Authority

Ogdensburg Bridge and Port Authority Audit Response  
Internal Controls Over Financial Operations  
Report 2005-S-76

## **Background**

The Ogdensburg Bridge and Port Authority (OBPA) is a public authority created by the State of New York. It operates an international bridge, a port, an airport, a light and heavy industrial park, and owns a short line railroad that is leased to an independent operator. The OBPA's operations are required to be self sufficient, and its operating budget is approved annually by the New York State Division of Budget.

In April of 2005 the Office of the State Comptroller began an audit of the OBPA's "Internal Controls Over Financial Operations". The field work for this audit was completed in October 2005. Prior to this, the last "Internal Controls Over Financial Operations" audit of the OBPA was performed by the Comptroller's Office approximately twenty years ago.

## **Results of Audit**

The audit concluded that because of material weaknesses outlined in this report that the OBPA's management certifications of compliance for the years March 31, 2003, March 31, 2004, and March 31, 2005 are not fairly stated. The audit identified material internal control weaknesses that were not identified in the individual certifications of compliance submitted to the Division of Budget. The audit defines a "Material Weakness" as a condition that precludes the entity's internal controls from providing reasonable assurance that material errors or irregularities will be prevented or detected on a timely basis.

The following is a summary of our response to this audit.

## **Relevant Issues That Were Not Identified or Appropriately Disclosed in Management's Certifications**

Due to the sudden death of a key OBPA employee and unexpected turnover in management resulting from this dire situation, it became necessary for OBPA to designate a new internal control officer annually during the three year audit period. Although possibly not being aware of his official designation as Internal Control Officer

during an audit interview, the OBPA employee in question was certainly aware of his responsibility for implementing and overseeing controls based upon his job title, job description and Board expectations.

The Director of the Budget has not designated OBPA as an agency required to maintain an Internal Audit function. Therefore, any reference to the Internal Audit Director or Internal Audit function on the B-350 certifications should have been left unanswered by OBPA. As obtaining an understanding of OBPA's internal controls is necessary and required to perform its financial statement audit, OBPA's external independent auditor performed work on an interim basis to facilitate its annual financial statement audit function and not to act as Internal Audit Director.

Each employee of OBPA is issued an employee handbook containing OBPA policies. Employees are explicitly directed that they are expected to comply with all policies. These policies are an important part of internal controls. A clear and concise statement will be formulated and distributed to all employees to further emphasize the importance of effective internal controls and employee and officer responsibility. OBPA is currently in the process of updating policies to enhance their benefit.

For purposes of reporting significant deficiencies on the annual B-350 certification, OBPA defined a significant deficiency as one that would be reported on the annual independent audit report. On its Report on Compliance and on Internal Controls, OBPA's independent auditors "noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses" for the years ending March 31, 2002, 2003 and 2004. As such, OBPA reported the same on the annual B-350 certification. There was a material weakness noted on the March 31, 2005 independent audit and this was reported as a significant deficiency on the subsequent B-350 certification.

#### **Areas of OBPA's Internal Controls Over Basic Financial Operations Needing Improvement**

##### 1. Procurement Practices

- Credit Card Policy  
Upon discovery, the OBPA Board reacted immediately to what was deemed to be inappropriate use of the OBPA's credit card. A very thorough review of the credit card account uncovered no loss to the OBPA. As a result of this incident the Board did adopt a credit card policy that it feels is adequate. The Board also conducts a monthly review of the OBPA's credit card usage to insure compliance to their policy.
- Border Station Engineering Services  
Under the OBPA's then existing Procurement Policy, Requirements Regarding the Selection of Procurement Contractors, (A) Personal Services (#7) page 5, the policy states:

"Exclusions: Project contracts for personal services which are paid for by the OBPA's tenants/marine users or through grants from local, State, and/or Federal sources are excluded from these guidelines and reporting requirements. Sources of funds other than OBPA sources generally have requirements that must be complied with that are different than OBPA guidelines."

All costs connected to the construction of the new border station, including the cost of the engineering services, were capitalized and will be fully amortized by the GSA lease for this facility. GSA was an active partner with the OBPA during the time the personal services of the engineer drafting the plans and specifications for this project was engaged. GSA agreed to the cost of these services.

Although the above explains why engineering services were not bid out for this project it does not excuse the fact that the contract for these services, although made aware to the Board, was signed without formal Board approval. Management is fully committed to following all written policies and procedures adopted by the OBPA's Board of Directors.

The OBPA will more closely document reasons for awarding sole/single source contracts.

- **Reporting of Contracts to the Office of the State Comptroller**  
The OBPA recognizes the need to better monitor its reporting of this information and has taken steps to insure compliance in the future.
- **Minority and Women Business Enterprises Compliance**  
The OBPA has taken steps to insure that it improves its program to insure compliance with State laws regarding Minority and Women Business Enterprises. The OBPA expects that required reports for our compliance to M/WBE reporting will be maintained correctly and are working with our engineering consultants to insure that M/WBE goals are listed in all bidding documents and followed by the successful contractors.
- **Change of External Auditors**  
During the course of this audit, the OBPA issued a Request For Proposal for auditing services for a 3-year period and has selected a new auditing firm to perform the annual independent financial statement audit.
- **Local Lines of Credit**  
The OBPA has noted the concern of the auditors and are reviewing this policy. The OBPA notes that this practice has worked effectively for the OBPA for over 30-years and have not experienced any loss. All charge slips are signed by the employee, his/her supervisor, the Chief Financial Officer and the Executive Director before being submitted for final

payment. Local retail establishments offering charge accounts also require that only authorized employees use this service.

2. Non-Functioning Treadle

- Management acknowledges that this problem did exist and that it has since been corrected. OBPA staff, with phone support from the toll collection system supplier, replaced the non-functioning treadle. Treadle counts are being monitored daily and any future treadle discrepancies will be acted upon immediately.

3. Investment Guidelines

- The OBPA's Board has adopted a new investment policy. The OBPA's investment policy will now be reviewed and approved by the Board on an annual basis. Deviations from the prior investment policy regarding the allocation and types of securities were made in an effort to maximize yield and reduce costs. The Chief Financial Officer of the OBPA is now responsible for preparing investment reports on a quarterly basis for the Board's review. The OBPA is currently working with applicable banking institutions to insure that all pledged collateral securities are made in accordance with Public Authorities Law.

4. Comprehensive Business Policies

- The OBPA is in the process of reviewing its comprehensive business policies in an effort to update existing policies and to create new policies which may help further clarify OBPA expectations.

5. Model Governance Principles for Public Authorities

- Minutes of all committee meetings are now being maintained.

6. Development of Strategic, Operating and Capital Plans

- The OBPA's Board has approved a formal Strategic Plan which will be in effect for three to five years. Five year operating and capital plans will be prepared by OBPA staff and will be used as tools for planning and forecasting.

7. Ogdensburg Border Station, Inc.

- The by-laws of the Ogdensburg Border Station, Inc. (OBSI) have been modified to require that the public be notified of all OBSI Board meetings. In practice, all OBSI Board meetings have been made open to the public.

8. Executive Sessions

- In the future, the OBPA will strive to insure that the reason for adjourning to an executive session will be noted in our official Board minutes.

9. Board Membership

- Although appointment of Board members is out of our hands, the OBPA has noted the suggestions of the auditors and will document our communications to the proper authorities concerning vacancies on our Board.

10. Annual Dinner

- The annual dinner is held in conjunction with the Board's annual budget workshop and annual meeting. The Board will evaluate the business purpose of these two meetings in consideration of the personal benefit derived by the participant.

11. OBPA Website

- The auditor's comments are noted. To improve accountability and to enhance public transparency, the OBPA is in the process of updating our website and when completed will post financial information, Board minutes, by-laws, a list of current Board members, and other business information on this site. The site will be updated periodically to insure the information remains current.

12. Receipt of Checks

- Immediately upon receipt, the OBPA's secretary is now placing a restrictive endorsement on all checks received.

13. Separation of Duties - Payroll Process

- The OBPA holds the position that there are other control processes in place that effectively reduce the risk of improper payroll transactions to an acceptable level. Bi-weekly payroll preparation is performed by the Payroll Clerk, reviewed by the Assistant Accountant, and approved by the Chief Financial Officer prior to the issuance of payroll checks. The Payroll Clerk does not have the authority to sign checks or reconcile bank statements. Proper separation of duties is always a relevant factor with a limited number of office staff. However, the OBPA has determined that the cost of further controls in this area will exceed any benefit derived.

14. Vehicle Use

- The OBPA acknowledges that they do not utilize vehicle logs. However, the OBPA has tried this before and found it to be unproductive. Except for three

vehicles that are assigned to individuals for 24-7 use, the remaining vehicles are parked at the OBPA offices overnight. There was no finding of unauthorized use of vehicles in this audit.

- The OBPA acknowledges that the vehicles were left unlocked in a fenced area. However, the fenced area was locked, items of value were not present in the vehicles, and there were no keys left in the vehicles.
- The OBPA agrees that the OBPA's property must be safeguarded and will continue to stress the importance of proper safeguarding of assets.

15. Use of Internet Policy

- The OBPA acknowledges the lack of a written policy concerning the use of the internet by OBPA employees. Management is working to develop such a policy for Board's approval.

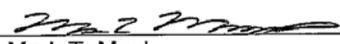
16. Identified Weaknesses

- The OBPA acknowledges the weaknesses presented. OBPA management and staff will strive towards correcting these weaknesses.

**Recommendations**

The audit report enumerates 28 recommendations to the OBPA to improve its internal controls over financial operations. The recommendations all relate to the weaknesses identified above. The OBPA appreciates the recommendations contained in this report and expects to adopt many of these recommendations in an effort to improve its internal controls.

The OBPA wishes to express our appreciation to the contributors to this examination, Gerald Tysiak, Roger C. Mazula, Brandon Ogden, and Sharon Salembier who were all courteous, professional and most helpful to our staff during their review. The audit team's insight, recommendations and expertise have made this a positive learning experience for the OBPA and an opportunity for continued improvement.

  
\_\_\_\_\_  
Mark T. Mashaw  
Chief Financial Officer