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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

November 30, 2006

Mr. Frank Kobliski
Executive Director
Central New York Regional Transportation Authority
200 Cortland Avenue
Syracuse, NY 13205

Re: Report 2006-F-40

Dear Mr. Kobliski:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Central New York Regional Transportation Authority to implement the recommendations contained in our audit report, *Internal Controls Over Financial Operations* (Report 2004-S-69).

Background, Scope and Objectives

The Central New York Regional Transportation Authority (Authority) is a public authority and a public benefit corporation created in 1970 by Title 11D of the Public Authorities Law. The Authority's mission is to be responsive to the transportation needs of the central New York community by providing services that are safe, convenient, reliable, and environmentally-responsible, with a goal of maximizing taxpayers' return on investment. The Authority provides public transportation services in four Central New York counties (Cayuga, Oneida, Onondaga and Oswego). Passenger revenues from these services in the fiscal year ended March 31, 2006 were \$9.6 million.

Our initial audit report, which was issued on August 8, 2005, examined the internal controls over basic financial operations including revenue collection and cash receipts. We found a weakness in revenue controls over the issuance of fare cards by a major customer, the Jobs Plus program run by the Onondaga County Department of Social Services. The Authority routinely ships substantial amounts of ready-to-use fare cards to Jobs Plus but Jobs Plus can only remit payment when the fare cards are issued to clients. The risk of loss remains with the Authority while the fare cards are in the custody of Jobs Plus.

At the time of our initial audit, the Authority did not routinely track the activity related to fare cards in Jobs Plus custody, but was in the process of developing a tracking report at the end of our audit. According to internal reports, receipts from Jobs Plus fare card issuances to clients for the fiscal year ended March 31, 2006 were \$276,000, and shipments of fare cards to Jobs Plus totaled \$302,000.

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 October 19, 2006 of the recommendation in our initial report.

Summary Conclusions and Status of Audit Recommendation

We found that the Authority officials have implemented the recommendation contained in our initial audit report.

Follow-up Observations

Recommendation

Maintain and monitor the newly established two-month inventory of the fare cards at Jobs Plus.

Status - Implemented

Authority Action - We found that the Authority has developed and documented specific procedures for monitoring the fare cards in the custody of Jobs Plus. We also found that the Authority has developed and maintains a perpetual tracking report that compares the outstanding dollar value balance of fare cards at Jobs Plus (float) to a rolling average two-month standard of shipments. In addition, the Authority required Jobs Plus to review and document their inventory control procedures for the fare cards, forwarding a copy of the procedures to the Authority. We analyzed the float from April 1, 2005 through September 30, 2006. During this period the average outstanding balance at Jobs Plus was approximately \$30,000. A full twelve-month rolling average was available only for the period March 2006 through September 2006. During this seven month period, the average maximum allowed outstanding balance was approximately \$51,000. In two instances (February and June 2006), the float approached or slightly exceeded the standard and each time the Authority stopped shipments for a month.

Major contributors to the report were Brian Lotz, Michael Cantwell and Mark Radley.

We thank the management and staff of the Authority for the courtesies and cooperation extended to our auditor during this process.

Very truly yours,

Richard K. Sturm
Audit Manager

cc: Lisa Ng, Division of the Budget