

THOMAS P. DiNAPOLI
STATE COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 5, 2007

Mr. James P. Sproat
Chairman
New York State Bridge Authority
P.O. Box 1010
Highland, New York 12528

Re: Report 2007-F-4

Dear Mr. Sproat:

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 Law, we have followed up on the actions taken by officials of the New York State Bridge Authority (Authority), to implement the recommendations contained in our audit report addressing *Internal Controls Over Contracting and Procurement Practices* (Report 2004-S-20).

Background, Scope and Objective

The New York State Bridge Authority, a public benefit corporation created by statute in 1932, operates and maintains five toll bridges, together with all incidental spans, approaches, structures, facilities, and highway connections to and from the bridges. These bridges, which cross the Hudson River and have a reported replacement value of approximately \$1.2 billion, are the Rip Van Winkle, near Catskill; the Kingston-Rhinecliff, near Kingston; the Franklin D. Roosevelt Mid-Hudson at Poughkeepsie; the Hamilton Fish Newburgh-Beacon, linking the cities of Newburgh and Beacon; and the Bear Mountain, located five miles north of Peekskill.

The Authority is self-sustaining; it receives no State funds and operates through the collection of bridge tolls. It is overseen by a five-member Board of Commissioners (Board), which elects a Chair and Vice-Chair, and appoints an Executive Director to manage the Authority's day-to-day operations.

In 2006, the Authority received over \$41 million in revenues, of which approximately \$39 million came from bridge tolls. Revenues for that year were relatively unchanged from the previous year. Operating expenses in 2006 were about \$31 million, including more than \$15.4 million for salaries and benefits for 160 permanent and 57 part time employees, about \$7.3 million in capital costs, and more than \$902,000 for repairs and maintenance. During the same period, the Authority also spent \$1.8 million for insurance, almost \$640,000 for professional services, and over \$275,000 for supplies and materials. The previous year the Authority had shown an operating loss of \$4 million when an additional \$12.4 million in capital expenditures were incurred for rehabilitation,

reconstruction and bridge repairs including the lead abatement and painting of the Kingston-Rhinecliff Bridge and the construction of two additional toll booths on the Newburgh-Beacon Bridge.

Our initial audit report, which was issued on February 16, 2005, examined the Authority's system of internal controls over its contracting and procurement and related functions for the period January 1, 2003 through April 30, 2004. 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 March 6, 2007 of the 11 recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that Authority officials have corrected most of the problems identified in the initial audit, but still have not addressed the issue of document retention related to the package of information distributed to board members in advance of their scheduled meeting. Of the eleven prior audit recommendations, nine recommendations have been implemented, one recommendation has been partially implemented, and one recommendation has not been implemented.

Follow-up Observations

Recommendation 1

Assign the responsibilities of the Internal Control Officer and the Internal Auditor to different individuals.

Status - Implemented

Agency Action - The Authority authorized separate positions for Internal Control Officer and Internal Auditor during its March 17, 2005 Board member meeting. Currently, different individuals hold the positions of Internal Control Officer and Internal Auditor.

Recommendation 2

Distribute the Chief Engineer's monthly report to all Board members.

Status - Implemented

Agency Action - The Authority distributes the Chief Engineer's monthly report to all Board members at every Board member meeting. The report is discussed during the Board member meetings.

Recommendation 3

Maintain records documenting the information provided to Board members about the Authority's contracting and procurement activities.

Status - Not Implemented

Agency Action - Before every Board meeting, there are preliminary and final agenda meetings to put together business agenda documents and reports, which are mailed to Board members and general counsel. We saw documentation showing when these meetings were held, and when the business agenda documents and reports were mailed. However, the Authority has taken no action to archive and retain memoranda, reports or other documents that constitute the package of information mailed to Board members and to general counsel in advance of a scheduled board meeting.

Recommendation 4

Evaluate Board meeting practices and take any actions that are necessary to ensure that Board members are fully informed about the Authority's contracting and procurement activities. In particular, take any actions that are necessary to ensure that Board members are fully informed about increases in Authority contracts and receive sufficient advance notification regarding such increases.

Status - Implemented

Agency Action - Board members are informed about the Authority's contracting and procurement activities at Board meetings. Contractors requesting an increase must appear before the Board to receive Board approval.

Recommendation 5

Prepare Board meeting minutes that identify all the topics discussed at each meeting, provide useful details about each topic, and clearly describe the Board's deliberative process in making decisions.

Status - Implemented

Agency Action - The Authority has prepared Board minutes that identify all topics discussed at each meeting, provide useful details about each topic and explain the Board's decisions made at meetings.

Recommendation 6

Publish Board meeting minutes on the Authority's public Internet site.

Status - Partially Implemented

Agency Action - As of March 1, 2007, the Authority is in the process of redesigning its website and adding Board meeting minutes on the website.

Recommendation 7

Designate additional design and construction contract work as supplemental work only when the work is in fact related to the scope of the original contract. If the additional work is not related to the scope of the original contract, use a competitive process to select a contractor for the work.

Status - Implemented

Agency Action - The Chief Engineer determines whether the additional design and construction work is supplemental work or separate work that needs a competitively selected contractor. That determination is documented in the Chief Engineer's monthly report. All separate work requires a competitive bidding process, and Board vote and approval.

Recommendation 8

Do not allow work to begin on a contract or contract amendment until the contract or contract amendment has been approved by the Board.

Status - Implemented

Agency Action - Work on a contract or contract amendment starts only after the contract is competitively bid, and Board votes on and approves the contract/contract amendment. The Board approval is documented through the Board meeting minutes.

Recommendation 9

Improve the completeness of the annual Procurement Contract Report by including all active contracts and all changes in contract amounts for contracts that are amended or otherwise revised. To facilitate this improvement, either clarify the reporting requirements for the various staff responsible for collecting the report data or make a single individual responsible for collecting the report data.

Status - Implemented

Agency Action - The Procurement Contract Report does account for all active contracts and all changes in amounts for revised/amended contracts. The report is compiled by the Treasurer's staff that canvases each department for a listing of all contracts in their units. The report is reviewed and signed by the Treasurer for submission. We randomly selected a recent contract from the board minutes and traced through to the report to verify the accuracy of the report.

Recommendation 10

Require that all individuals with access to the Authority's computer systems have to change their passwords regularly.

Status - Implemented

Agency Action - According to the Authority's password policy, all system level passwords must be changed quarterly and all user level passwords must be changed every 90 days. We verified this process by reviewing the password policies within the system and by testing through the creation of a "test employee."

Recommendation 11

Develop a written ethics policy and distribute the policy to Authority staff, Authority management and Board members.

Status - Implemented

Agency Action - The Authority issued a code of ethics for Authority staff, management and Board members on March 5, 2005.

Major contributors to this report were Gerry Tysiak, Santo Rendon, Peter Schmidt, and Jay Gwak.

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 Authority for the courtesies and cooperation extended to our auditor during this process.

Very truly yours,

Gerald Tysiak
Audit Manager

cc: Mr. George Sinnott, Executive Director
Mr. John Sewell, Treasurer
Ms. Lisa Ng, Division of the Budget