

ALAN G. HEVESI  
COMPTROLLER



110 STATE STREET  
ALBANY, NEW YORK 12236

STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

October 31, 2005

Mr. Bernard Iacovangelo  
Chairman  
Greater Rochester Community Transportation Foundation  
Faber Homes  
3240 Chili Avenue  
Rochester, NY 14624-5438

Re: Report 2005-F-10

Dear Mr. Iacovangelo:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution, we have followed up on the actions taken by officials of the Greater Rochester Community Transportation Foundation (Foundation) to implement the recommendations contained in our audit report, *Selected Financial Management Practices* (Report 2003-S-46).

**Background, Scope and Objective**

The Rochester-Genesee Regional Transportation Authority (Authority) was created in 1969 by the New York State Legislature to provide for the continuance, further development, and improvement of public transportation and other related services within the Rochester-Genesee regional transportation district, by railroad, omnibus, marine and air. A 13-member Board of Commissioners (Board) governs the Authority.

In January 2001, the Authority's Board authorized the creation of the Foundation. The sole member of the Foundation is the Authority. According to the Certificate of Incorporation, the Foundation is organized as a Type B not-for-profit corporation (a non-business charitable corporation that provides a public benefit) operated exclusively to support and assist the Authority by promoting public transportation and community use thereof and access thereto, including but not limited to enhancing the Authority's ability to provide transportation services to charitable organizations that lack the ability to pay for them. The Foundation solicits and accepts gifts, grants, and donations for this purpose and provides grants or loans to the Authority to be used exclusively for these authorized public purposes. Most of the Foundation's revenue comes from an annual charity golf tournament.

Based on unaudited financial reports prepared by Authority staff, between April 1, 2003 and March 31, 2005, the Authority generated about \$76,600 in revenue and spent about \$84,100 as follows:

|                                     |                  |                     |
|-------------------------------------|------------------|---------------------|
| Book Balance at April 1, 2003       |                  | \$30,095.29         |
| Income:                             |                  |                     |
| Contributions                       | \$76,587.90      |                     |
| Interest                            | <u>60.60</u>     |                     |
| Total Income                        |                  | \$76,648.50         |
| Expenses:                           |                  |                     |
| Program Expenses - Golf Tournaments |                  |                     |
| - Golf Course Rental                | \$25,504.78      |                     |
| - Printing/Postage                  | 4,504.24         |                     |
| - Trophies                          | 749.50           |                     |
| - Photograph                        | 550.00           |                     |
| - Banner                            | 311.00           |                     |
| - Auction Expense                   | 1,191.29         |                     |
| - Beverages/Food                    | 157.47           |                     |
| - Golfer Gifts                      | 6,192.66         |                     |
| - Hole-In-One Insurance             | <u>350.00</u>    |                     |
| Total Program Expenses              | \$39,510.94      |                     |
| Insurance                           | \$ 4,292.00      |                     |
| Postage & Delivery                  | 1,027.47         |                     |
| Legal Fees                          | 487.80           |                     |
| Telephone                           | 190.00           |                     |
| Miscellaneous                       | 165.18           |                     |
| Transportation Grants               | <u>38,444.57</u> |                     |
| Other Expenses                      | \$44,607.02      |                     |
| Total Expenses                      |                  | <u>\$84,117.96</u>  |
| Net Income (Loss)                   |                  | <u>(\$7,469.46)</u> |
| Book Balance at March 31, 2005      |                  | <u>\$22,625.83</u>  |

An eight-member Board of Directors governs the Foundation. The Authority is required by Foundation By-laws to annually elect the directors to the Foundation Board. The Authority Board did approve the election of the directors of the Foundation Board in August 2005. However, prior to August 2005, the Authority Board had not annually approved the election of directors. The Foundation does not have any employees; all business transactions are processed by Authority staff.

Our initial audit report, which was issued on April 15, 2004, examined whether receipts and disbursements were properly accounted for and appropriate. We also evaluated the Authority's involvement in the Foundation for the period January 1, 2001 through March 31, 2003. Our report identified a number of internal control weaknesses. In particular, we found poor controls over revenues and bank deposits as well as controls over disbursing funds only for authorized purposes. We concluded that, because of these and other weaknesses, we could not verify that all revenue generated by the golf tournaments was deposited and we questioned whether Foundation-funded transportation using Authority-owned buses violated Federal regulations regarding charter services.

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 September 29, 2005 of the five recommendations included in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

We found that Foundation officials have made progress in correcting the problems we identified. However, additional improvements are needed. Of our 5 audit recommendations, 3 recommendations have been implemented and 2 recommendations have not been implemented.

### **Follow-up Observations**

#### **Recommendation 1**

*Do not provide Authority transportation service in connection with Foundation transportation grants without documenting that the private charter operator is unable or unwilling to provide such services.*

Status - Implemented

Foundation Action - The Foundation's protocol for providing transportation in connection with Foundation transportation grants now requires documentation that a private charter operator was first requested to provide the transportation and if the private charter operator is unable or unwilling to provide such services then the Authority provides the transportation using its own buses. Additionally, if the Authority is able to provide the transportation using their regular route bus service, then the Foundation purchases Authority bus tokens from the Authority to pay the grantee's transportation cost. During the period April 1, 2003 through March 31, 2005, the Foundation provided three grants totaling \$2,730 that used Authority buses for which a private charter might have been used. However, there was documentation in the Authority's files to show that a private charter operator was contacted first to provide this transportation. The private charter operator sent a "Request for Service" form asking that the Authority provide the transportation because the requested transportation exceeded the private charter operator's capacity.

#### **Recommendation 2**

*Maintain a copy of the golf tournament registration and a copy of the check with each deposit to document the purpose of the check.*

Status - Implemented

Foundation Action - Authority staff now maintain a copy of checks and generally maintained a copy of the registration form to support the check amount. They also do a reconciliation that supports the purpose of each check which ties in to the bank

deposits. We reviewed golf tournament registration forms for 2003 and 2004 and compared the dollar amount on the registration form to a copy of the check that was submitted with the form. We traced the copy of the check to bank deposit slips and bank statements. We also verified that the Authority's reconciliation sheet agreed with registration data and deposit amounts. Based on our review, the Authority has properly accounted for the purpose of each deposit.

### **Recommendation 3**

*Reconcile the number of golf tournament participants and sponsorship level to total bank deposits as evidence of total revenue earned.*

Status - Implemented

Foundation Action - Authority staff reconciliations show the participants and sponsorship levels. They reconcile these amounts to bank deposits. Based on our review of the Authority's reconciliations, registration forms and deposits, the Authority has adequate evidence to support the total revenue earned.

### **Recommendation 4**

*Invest excess funds to generate higher interest income.*

Status - Not Implemented

Foundation Action - The Authority keeps all Foundation funds in a separate checking account. The Authority does not invest excess funds to generate higher interest. Authority staff were able to obtain a higher interest income rate on the Foundation's checking account balance which recently increased .1 percent to .5 percent a year. However, the Authority did not implement our recommendation to pursue higher yielding types of investments, such as short-term certificates of deposit.

The Foundation's balance sheets for the years ended March 31, 2005 and March 31, 2004 shows a checking account balance of \$22,625.83 and \$24,221.29, respectively. We still believe that the Foundation could generate higher interest rates if it invested some of these funds into short-term certificates of deposit. At the closing conference on September 29, 2005, the Authority's Chief Financial Officer advised us that he is in the process of opening a certificate of deposit earning about 3.5 percent a year for a portion of the balance.

### **Recommendation 5**

*Have Foundation financial statements verified or audited annually.*

Status - Not Implemented

Foundation Action - The Authority's Chief Financial Officer told us that, as of August 3, 2005, the Foundation is seeking proposals from independent auditing firms to audit the Foundation's financial statements. He added that he did not know why auditing proposals were not sought sooner.

Major contributors to this report were Gerald Tysiak, Roger C. Mazula, Wayne Bolton, and Bruce Brimmer.

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 auditors during this process.

Very truly yours,

Carmen Maldonado  
Audit Director

cc: Robert Barnes, Division of the Budget  
John G. Doyle, RGRTA Chairman  
Michael Jankowski, RGRTA Audit Committee Chairman  
Mark Aesch, RGRTA Chief Executive Officer  
Robert W. Frye, RGRTA Chief Financial Officer  
Steven Hendershott, RGRTA Chief Operating Officer