



New York State Office of the State Comptroller
Thomas P. DiNapoli

Division of State Government Accountability

Real Estate Portfolio

Rochester-Genesee Regional Transportation Authority



Report 2012-S-90

April 2013

Executive Summary

Purpose

To determine whether the Rochester-Genesee Regional Transportation Authority has accounted for all of its real estate holdings, established a value for those holdings, and determined the need to either hold or dispose of properties. The audit covers from January 2010 through October 2012.

Background

The Rochester-Genesee Regional Transportation Authority (Authority) provides public transportation services in Monroe, Genesee, Livingston, Orleans, Wayne, Wyoming and Seneca counties. Public Authorities Law Section 2896 requires each authority to maintain adequate inventory controls for its property and report annually on all property held. It also requires authorities to determine which property shall be disposed of and transfer or dispose of such property as promptly as possible. The Authority reports it owned 21 properties as of March 31, 2012.

Key Findings

- The Authority has accounted for all of its property holdings and established a value for them. However, it owns two properties that have been identified as excess holdings for over 14 years.
- The Authority did not accurately report its property holdings during the three years ended March 31, 2012. Its annual property reports showed different totals even though it did not buy or dispose of any property during this period.

Key Recommendations

- Promptly dispose of properties once they have been determined to be excess and unneeded for transportation purposes.
- Verify the completeness and accuracy of annual property reports before they are published.

Other Related Audits/Reports of Interest

[Metropolitan Transportation Authority: Real Estate Portfolio \(2009-S-10\)](#)

[Metropolitan Transportation Authority: Real Estate Portfolio \(Follow-up\) \(2011-F-30\)](#)

[Department of Transportation: Review of Real Property Holdings for Disposal \(2010-S-48\)](#)

**State of New York
Office of State Comptroller**

Division of State Government Accountability

April 26, 2013

Mr. James H. Redmond
Chairman
Rochester-Genesee Regional Transportation Authority
1372 East Main Street
Rochester, NY 14609

Dear Mr. Redmond:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of the Rochester-Genesee Regional Transportation Authority entitled *Real Estate Portfolio*. This audit was performed pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution and Section 2803 of Public Authorities Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*

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This report is also available on our website at: www.osc.state.ny.us

Background

The Rochester-Genesee Regional Transportation Authority (Authority) provides public transportation services in Monroe, Genesee, Livingston, Orleans, Wayne, Wyoming and Seneca counties. The Authority is governed by a board of 13 commissioners who oversee public transportation in these seven counties it provides service to.

Public Authorities Law Section 2896 (Section 2896) requires each public authority to maintain adequate inventory controls for all of its property and periodically review this inventory to determine which property shall be disposed of. Section 2896 also requires authorities to publish, at least annually, a report listing all property held and disposed of. The Authority reports it owned 21 properties as of March 31, 2012. These properties encompass its central administrative and maintenance facilities, bus loops, parking lots, service centers, a railroad easement, and two parcels that are leased to other entities. In addition, the Authority leases 11 properties from others at an annual cost of about \$115,700. This includes leases for five regional operation centers, customer service locations, restroom facilities for bus operators, and access to two radio towers.

The Authority acquired title to four land parcels in August and September 2012 to construct a downtown transit center. Site excavation started July 13, 2012 and building construction started January 9, 2013. Authority officials anticipate construction to finish by mid-2015. As part of the project, several existing downtown bus shelters will be removed and the components will be provided to the City of Rochester which owns and maintains them.

The Authority can dispose of property when it is not needed for transportation purposes. Furthermore, the Authority may rent, lease or grant easements or other rights in any land or property it owns. Such arrangements and property disposals should be on terms beneficial to the State. Section 2896 requires authorities to determine which property shall be disposed of and transfer or dispose of such property as promptly as possible.

Audit Findings and Recommendations

Property Inventory and Assessment of Needs

We found the Authority has accounted for all of its property holdings and established a value for them. Specifically, the Authority maintains a perpetual inventory of fixed assets that shows each property's current use. Also, the Authority conducts annual assessments of its property holdings to determine their current market value.

Authority officials said they do not formally document the need to either hold or dispose of property because most of them are used for day-to-day transportation purposes. However, we found the Authority has held two properties for over 14 years which are not imminently needed for transportation purposes. Despite the Section 2896 requirement to promptly dispose of such property, the Authority still owns and leases these properties.

Continued ownership of unneeded property adds to the Authority's maintenance and management responsibilities and consumes valuable resources. Unneeded property may prevent possible development opportunities for public good or to enhance local economies.

We note that one lease for vacant land started in May 1996. The lease terms cover 48 years with a purchase option of \$1. The tenant initially paid \$41,400 in prepaid base rent and pays \$1.00 annually. As a result of our audit, the Authority is researching laws and regulations related to early lease termination and selling this property to the lessee. Based upon this research, the Authority will decide on a course of action by April 2013.

The second lease is for 10 years starting March 2009. The lease is for vacant land used as a parking lot. In 2009, the Federal Transit Administration (FTA) directed the Authority to sell this property. The Authority did not sell it, and the FTA again directed it be sold in May 2012. Although, the FTA reported that the Authority provided a plan for disposing the property by December 31, 2012, Authority officials did not meet this date and estimate they will sell it by April 2013.

Recommendation

1. Promptly dispose of excess properties that are not needed for transportation purposes.

Property Reporting

The Authority did not accurately report its property holdings during the three years ended March 31, 2012. The Authority's annual property reports (Property Report) for these three years showed different totals.

The Property Report dated March 31, 2012 shows 21 properties. Four of these properties were not included on the Authority's Property Reports the prior year, and one property was excluded

in Property Reports for fiscal years 2010 and 2011. Authority officials said employees discovered this omission in 2012 when reconciling Authority fixed asset records to tax bills. Subsequently, the fixed asset records were updated, and the properties added to the March 31, 2012 Property Report.

Two of the four properties added to the March 31, 2012 Property Report are a railroad easement and a bus loop. When we discussed this with Authority officials they investigated further and determined the railroad easement did not belong to the Authority. Instead, the City of Rochester owns it. The other property, a bus loop, is owned by a power company and used by the Authority. Therefore, the Authority plans on removing the two properties from its fixed asset records and future Property Reports.

Recommendation

2. Verify the completeness and accuracy of annual property reports prepared under the Public Authorities Law before they are published.

Audit Scope and Methodology

Our audit determined whether the Authority has accounted for all of its real estate holdings, established a value for those holdings, and determined the need to either hold or dispose of properties. The audit covered the period January 2010 through October 2012. To accomplish our audit objectives, we interviewed Authority officials, and reviewed Authority Board and Committee meeting minutes, related management reports and memorandum, the Authority's Surplus Property Disposition Policy and Procedures, and relevant laws. We also reviewed Monroe, Genesee, Wyoming, Orleans, Wayne, Livingston, and Seneca County and City of Rochester Tax Assessment Records and visited and observed selected Authority properties. In addition, we reviewed property appraisals, leases, licenses, and easements.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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 functions do not affect our ability to conduct independent audits of program performance.

Authority

Our audit was performed pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution and Section 2803 of Public Authorities Law.

Reporting Requirements

We provided a draft copy of this report to Rochester-Genesee Regional Transportation Authority officials for their review and comment. We considered their comments in preparing this final report and the comments are included in their entirety at the end of this report.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Chairman of the Rochester-Genesee Regional Transportation Authority shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

Contributors to This Report

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Vision

A team of accountability experts respected for providing information that decision makers value.

Mission

To improve government operations by conducting independent audits, reviews and evaluations of New York State and New York City taxpayer financed programs.

Agency Comments



ROCHESTER GENESEE REGIONAL TRANSPORTATION AUTHORITY

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April 17, 2013

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Ms. Carmen Maldonado
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

Re: Audit Report: 2012-S-90

Dear Ms. Maldonado:

Thank you for providing the Report 2012-S-90 on the real estate portfolio of Rochester-Genesee Regional Transportation Authority (the Authority). The Authority is pleased that the audit findings were relatively minor with respect to the total real property holdings and overall operations of the Authority.

The recommendations included in your report and the Authority's responses are noted below:

1. Promptly dispose of excess properties that are not needed for transportation services.

The Authority owns two properties that are classified as excess property. Both of these properties currently have long-term leases generating rental income that exceed the costs associated with owning either of these properties. The Authority concurs with the identification of these properties as not being needed for transportation purposes. As such, the Authority will continue our efforts to market both of these properties.

2. Verify the completeness and accuracy of property reports prepared under the Public Authorities Law before they are published.

The report for fiscal year ended March 31, 2013 will be submitted accurately in the Public Authorities Reporting System and be available on the Authority website by the reporting deadline of June 30, 2013.

The Authority notes the efforts of the individual contributors to this report from the State Comptroller's Office. The Authority, as always, will continue to be a responsible financial steward and drive forward to achieve the vision of becoming The Preferred Transportation Choice.

Sincerely,



Scott M. Adair
Chief Financial Officer

Cc:

James H. Redmond, RGRTA Board Chairman
Michael P. Jankowski, Audit Committee Chairman
William C. Carpenter, Chief Executive Officer
Christopher Dobson, Vice President of Finance
Lisa Berrittella, In-House Counsel
David Cook, Vice President of Procurement and Grants Administration