



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

Division of State Government Accountability

Selected Aspects of Discretionary Spending

Central New York Regional Transportation Authority



Report 2012-S-153

September 2014

Executive Summary

Purpose

To determine whether the Central New York Regional Transportation Authority's discretionary spending complied with its guidelines and was reasonable, adequately supported, and properly approved. Our audit period was April 1, 2010 to March 31, 2012.

Background

The Central New York Regional Transportation Authority (Authority) was created in 1970 to develop and improve the public transportation systems in the central region of New York State, including Onondaga, Oswego, Cayuga, and Oneida counties. Its mission is to provide "safe, convenient, reliable, and environmentally responsible" transportation services while maximizing the return on investment for the taxpayers. To accomplish its mission, the Authority incurs direct costs for specific program purposes and it incurs indirect or "discretionary costs" that support overall objectives.

The audit identified a total of \$4.3 million of Authority spending that was discretionary in nature. Each public authority should have formal policies and procedures specifying which types of discretionary spending are appropriate and the dollar thresholds for each. In addition, the policies should state what type of supporting documentation and formal approvals are necessary for such costs.

Key Findings

- The Authority did not have formal policies that explicitly outlined whether certain types of discretionary expenses were proper, what would be considered reasonable amounts for such expenditures, and what documentation would be required to demonstrate that employees used due diligence to obtain the lowest reasonable cost.
- We questioned the propriety of certain discretionary expenditures totaling about \$31,247. Among the items, questionable expenses included the costs for special events, memberships, and subscriptions.
- Although the nature of certain other discretionary expenditures appeared reasonable, we questioned whether the Authority paid the lowest reasonable costs to obtain the benefits intended from such expenditures.

Key Recommendation

- Examine written policies and procedures to determine if they adequately address the various forms of questionable discretionary spending, including definitions of costs and necessary justifications, dollar thresholds, formal approvals, and required supporting documentation.

Other Related Audits/Reports of Interest

[Battery Park City Authority: Selected Aspects of Discretionary Spending \(2012-S-158\)](#)

[State University Construction Fund: Selected Aspects of Discretionary Spending \(2013-S-14\)](#)

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

Division of State Government Accountability

September 30, 2014

Mr. Brian M. Schultz
Chairman
Central New York Regional Transportation Authority
200 Cortland Avenue
P.O. Box 820
Syracuse, NY 13205-0820

Dear Mr. Schultz:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage their resources efficiently and effectively. By so doing, it provides 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 entitled *Selected Aspects of Discretionary Spending*. The 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 the 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

Certain public authority costs pertain directly to the operating purpose of the entity. For example, a transportation authority's expense to pay for vehicle fleet maintenance is an operating cost. However, a public authority also incurs "discretionary" costs to pay for expenses that indirectly support the primary operating purpose. For example, discretionary costs include expenses for travel and entertainment and employee professional development. As with operating costs, discretionary costs must be related to the mission of the public authority and be reasonable. Also, costs must not be incurred for the personal benefit of the board of directors, management, or staff. Each public authority should have formal policies and procedures specifying the types of discretionary costs that are appropriate and the dollar thresholds for each. In addition, the policies should state what type of supporting documentation and formal approvals are necessary for such costs and should require employees to perform due diligence to obtain the lowest reasonable cost.

The Central New York Regional Transportation Authority (Authority) was created in 1970 to develop and improve the public transportation systems in the central region of New York State, including Onondaga, Oswego, Cayuga, and Oneida counties. Its mission is to provide "safe, convenient, reliable and environmentally responsible" transportation services while maximizing the return on investment for the taxpayers. To accomplish its mission, the Authority incurs direct costs for specific program purposes and it incurs indirect or "discretionary costs" that support overall objectives.

The audit identified a total of \$4.3 million of Authority spending that was discretionary in nature. To determine if the Authority's discretionary spending complied with Authority guidelines and was reasonable, adequately supported, and properly approved, we examined 185 payments for discretionary spending totaling \$163,394 for the period of April 1, 2010 through March 31, 2012.

Audit Findings and Recommendations

The Authority did not have formal policies that explicitly outlined whether certain types of discretionary expenses were proper, what would be considered reasonable amounts for such expenditures, and what documentation would be required to demonstrate that employees used due diligence to obtain the lowest cost. We questioned the propriety of certain discretionary expenditures. Also, while the general nature of certain discretionary expenses appeared reasonable, we questioned whether the Authority paid the lowest reasonable cost in those instances.

Questionable Nature of Discretionary Expenses

We questioned the propriety of certain discretionary expenditures totaling about \$31,247. Among the items, questionable expenses included the costs for food and beverages, special events, and memberships and subscriptions.

Food and Beverages

The Authority made 44 payments totaling \$5,104 for meals attended by executive management while out of town. All were supported by only a receipt, without any explanation of the business purpose of the meal or any list of who attended them.

Special Events

The Authority does not have clear policy regarding what types of expenses for special events are allowable and how it determines and documents that costs are reasonable. For example, the Authority had ten payments totaling \$4,227 for participation in a Rodeo competition. The Rodeo is a transit industry competition for bus drivers and mechanics. The Authority paid to rent a location to host its own Rodeo, provide awards to its winners, and send one winner and a guest to a national competition. It is unclear under the Authority policy if, for example, paying for non-employees to attend a national competition is allowable. It is also unclear how the determination was made that these costs were reasonable.

Additionally, the Authority made eight payments totaling \$18,763 for employee award and appreciation programs. Of these, five payments totaling \$14,072 were for holiday lunches held at different Authority locations and three payments totaling \$4,691 were for gift cards and other awards given to employees. In the absence of formal policy and related supporting documentation, it was unclear how the Authority determined that all event-related expenses were appropriate and if the events were held at the lowest reasonable cost.

Memberships Dues and Subscriptions

The Authority had seven payments totaling \$2,400 for memberships in various Chambers of Commerce and Kiwanis Clubs and for a subscription to the Wall Street Journal. It is unclear if

these membership expenses were appropriate as the Authority does not have a policy regarding these types of expenditures.

Other Discretionary Expenses

The Authority made seven payments totaling \$753 for holiday decorations, flowers sent to a sick employee, and food sent to a funeral for a deceased employee. The Authority does not have a policy regarding these types of expenditures.

Costs of Discretionary Expenses

Although the nature of certain other discretionary expenditures appeared reasonable, we questioned whether the Authority paid the lowest reasonable costs to obtain the benefits intended from such expenditures.

Training and Conferences

We questioned \$5,750 for ten employees to attend the same conference. This amount is only the conference registration cost, and does not include the travel costs (transportation, lodging, meals) for these ten employees. There was nothing to document why so many employees needed to attend. According to Authority officials, all travel for training and conferences is approved by executive management based on discussions with staff. However, these discussions are not formally documented.

Travel and Lodging

New York State agencies generally require employees to follow the guidelines set by the U.S. General Services Administration (GSA) for travel and the reimbursement of related costs. The Authority, however, does not require its employees to request or obtain the rate set by the GSA for lodging. Of the 118 travel reimbursements we tested that included lodging, 82 exceeded the stated GSA rates. If the employees had exercised due diligence and obtained the GSA rate, they would have saved the Authority as much as \$15,080. Authority officials stated they did not believe a public authority was eligible to use this rate. However, the Authority is a component unit of New York State, and could adopt a policy requiring employees obtain the federal rate or document any reasons why it was not available prior to the trip.

Other Expenses

We questioned five payments totaling \$125 for annual fees on credit cards. When we brought this to their attention, Authority officials were able to have the annual fees waived for all of its credit cards, resulting in a \$400 refund.

Recommendations

1. Examine written policies and procedures to determine if they adequately address the various forms of discretionary spending, including definitions of such costs and necessary justifications, dollar thresholds, formal approvals, and required supporting documentation.
2. Ensure employees exercise due diligence to obtain goods and services at the lowest reasonable cost to the Authority.
3. Document in detail the business need when sending multiple employees to conferences or seminars.
4. Require employees to request the GSA rate for lodging, or provide a written justification and obtain formal prior approval for lodging costs over the GSA rate.

Audit Scope and Methodology

We audited to determine whether discretionary spending of the Authority complied with its guidelines and was reasonable, adequately supported, and properly approved. The audit covers the period April 1, 2010 through March 31, 2012.

To accomplish our audit objective, we reviewed policies, procedures, and guidelines related to submitting of and paying for discretionary spending. We also interviewed Authority officials and employees to obtain an understanding of internal controls relevant to discretionary spending. We selected a judgmental sample of payments, based on the nature and amount of the payment. We reviewed the supporting documentation for 185 payments totaling \$163,394.

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

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

The 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 the Public Authorities Law.

Reporting Requirements

A draft copy of this report was provided to officials at the Central New York Regional Transportation Authority for their review and comments. Based on the Authority's response to the draft, we made substantive changes to our final report. We have included the Authority's response to our draft in its entirety. Due to our edits, several Authority comments are no longer applicable. Also, our rejoinders to certain Authority comments are included in the report's State Comptroller's Comments.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Chairman of the Central New York 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



Central New York
Regional Transportation Authority

Authority Members
 Brian M. Schultz, Chairman
 Nicholas F. Laino, Vice Chairman
 Darlene DeRosa Lattimore, Secretary
 Deraux L. Branch, Treasurer
 Robert E. Colucci
 Robert F. Cuculich
 Mary O. Davis
 H. J. Hubert
 Louella Williams
 Charles E. Watson *Non-voting Member

Frank Kobliski, Executive Director

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

October 23, 2013

Dear Ms. Maldonado,

On September 20, 2013 we received your draft audit report 2012-S-153, Select Aspects of Discretionary Spending. From the first request for information on July 31, 2012 through the closing conference on February 23, 2013, numerous hours were dedicated to retrieving documents, supplying written policies and procedures and making available the appropriate staff to provide information to support decisions regarding the aspects of discretionary spending. We appreciate this opportunity to address your comments in this report.

The CNYRTA is highly conscious of its obligation to handle its affairs and the funds it receives, a substantial amount of which are taxpayer dollars, in a prudent and efficient manner. It earnestly strives to maintain compliance with all state and federal oversight requirements. When an item comes to our attention which would necessitate a modification or improvement, it is implemented directly. With that in mind, we offer our response in the attachment that will be appended to the final version of this Report.

We appreciate your constructive input since our goal is to improve the processes in our organization.

Sincerely,

Brian Schultz
 Chairman

CNY CENTRO, INC. • CENTRO OF CAYUGA, INC. • CENTRO OF ONEIDA, INC. • CENTRO OF OSWEGO, INC.
 CENTRO PARKING, INC. • CENTRO CALL-A-BUS, INC. • INTERMODAL TRANSPORTATION CENTER, INC.
 Public Benefit Subsidiary Corporations of the Central New York Regional Transportation Authority

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CNYRTA Comments Regarding Draft Audit Report 2012-S-153**OSC Recommendation:**

1. Exercise increased restraint over discretionary spending and discontinue any spending that is not consistent with the mission of the Authority
2. Establish written policies and procedures for Authority discretionary costs, including necessary justification, cost thresholds, formal approval and supporting documentation.

CNYRTA Response #1

During the audit period of April 1, 2010 through March 31, 2012 operating expenses totaled \$116.7 million, of which approximately \$4.3 million or 3.7% was identified by OSC as discretionary in nature. The OSC questioned only \$34,764 of discretionary expenditures tested which constitutes less than 1% of total discretionary expenditures. In our view, the amount of discretionary spending as compared to the entire operating budget of the CNYRTA is restrained, reasonable and consistent with the Authority's obligation to fulfill its mission and legislated purpose.

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Comment
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Through direction of the Board of Directors the Executive Director promotes a culture of control consciousness, integrity, accountability, efficiency, productivity, ethical values and competence of the employees. Therefore we are highly responsive to taxpayer expectations and take great measures to effectively utilize taxpayer funds to fulfill our mission to the community. In the development of our annual budget process, we start at "zero" and build a budget based on need and cost versus the traditional incremental budgeting method which justifies only variances over prior year expenses assuming that the "baseline" is automatically approved. This method often lowers costs by avoiding blanket increases or decreases to the prior year's budget. When authorization is requested for discretionary expenditures, the budget, coupled with all appropriate policy, statutory and sound business practice form the collective foundation by which we determine business necessity. As discretionary expenditures are subjective in nature we require our executive and senior staff, who have direct experience and exposure managing the operations, to properly examine those expenditures and determine the value of the utilization of those funds in order to best manage and progress the mission of the organization, although they may be indirect in nature.

We follow the standards established by the Governmental Accounting Standards Board (GASB), the official source of generally accepted accounting principles (GAAP) for state and local governments. In addition, our financial statements and internal controls exhibit no material weaknesses or audit findings as reported by our independent external auditing firm.

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Comment
2

The Authority has been found to be in full compliance in all 24 areas reviewed in each of the past three Triennial Reviews performed by the Federal Transit Administration (FTA), including a June 2011 Review. The achievement of attaining three perfect scores in this detailed process is unprecedented in Region 2 (New York-New Jersey) of the FTA.

The 24 areas of review are:

1. Legal Capacity
2. Financial Capacity
3. Technical capacity
4. Satisfactory Continuing Control over federally-funded Assets
5. Maintenance
6. Procurement
7. Disadvantaged Business Enterprise
8. Buy America

* See State Comptroller's Comments, page 18.

9. Suspension/Disbarment of Vendors
10. Lobbying
11. Planning/Program of Projects
12. Title VI of Civil Rights Law
13. Public Comment Process for Fare increase/Service Reduction
14. Half-fare Policy
15. Americans with Disabilities Act Compliance
16. Charter Bus Regulation
17. School Bus Regulation
18. National Transit Database reporting
19. Safety and Security
20. Drug Free Workplace
21. Drug and Alcohol Testing Program
22. Equal Employment Opportunity
23. Intelligent Transportation System Architecture
24. Use of and reporting on American Recovery and Reinvestment Act (ARRA) funds

In addition, an extensive Procurement Systems Review conducted by the FTA during March of 2012 looked at six general procurement system requirements, and subjected more than ninety procurement contracts to fifty different requirements each. The final report indicated no deficiencies were found in either the overall system requirements or in the 90+ individual procurement contracts reviewed

The Authority seeks to consistently uphold compliance requirements. The Authority has complied, in a timely manner, with various policy guidance issuances and reporting requirements required by:

New York State

- Public Authorities Law Section 2800 Annual Report that includes information on operations, finances, indebtedness, compensation and benefits, property transactions, internal controls and other management activities, policies and governance practices
- Public Authorities Law Section 2806 Personnel Schedule
- Public Authorities Law Section 2896 Property Report
- Public Authorities Law Section 2879 (6&7) requires Public Authorities to adopt and annually review and approve comprehensive procurement guidelines and reports
- Public Authorities Law Section 2925 requires Public Authorities to adopt and annually review comprehensive guideline and reports
- Public Authorities Law Section 2802 requires public authorities to submit a copy of their annual independent audit report, performed by a CPA firm in accordance with generally accepted government auditing standards
- OSC Data Request, NY Codes, Rules, Regulations Part 201 Accounting, Reporting and Supervision Requirements For Public Authorities
- New York State Single Audit of its use of State funds in accordance with Draft Part 43 of the New York State Codification of Rules and Regulations (NYSCR) that are applicable to state transportation assistance programs. This report includes the following components:
 - Independent Auditor's Report on Compliance and Internal Controls over State Transportation Operating Assistance expended based on an audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
 - Schedule of New York State Transportation Assistance Expended
 - Notes to Schedule of State Transportation Assistance Expended
 - Schedule of Findings and Questioned Costs for State Transportation Assistance Expended

Federal Transit Administration (FTA)

- Semi-annual Capital Program Project Status Meetings with FTA officials
- Quarterly Financial Status Reports for each open grant
- Quarterly Program Progress Reports for each open grant
- National Transit Database (NTD) Report, filed electronically on an annual basis, which is extensive, both financially and operationally, and has both annual and monthly reporting components involving the following areas:
 - Basic Information
 - Contacts
 - Contractual Relationship
 - Financial
 - Sources of funds
 - Uses of Capital
 - Operating Expense
 - Operating Expenses Summary
 - Operator's Wages
 - Assets
 - Stations and Maintenance Facilities
 - Transit Way Mileage
 - Revenue Vehicle Inventory
 - Service
 - Service
 - Fixed Guideway Segments
 - Resources
 - Employees
 - Maintenance Performance
 - Energy Consumption
 - Federal Funding Allocation Statistics
 - Declarations by Chief Executive Officer
 - Independent Auditor Statement for Financial Data
 - Independent Auditor Statement for Federal Funding Allocation Data
- Federal Single Audit Report under Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. This report includes the following components:
 - Independent Auditor's Report on Consolidating Financial Statements
 - Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Consolidating Financial Statements Performed in Accordance with *Government Auditing Standards*
 - Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program, Internal Control over Compliance and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133
 - Schedule of Expenditures of Federal Awards
 - Notes to Schedule of Expenditures of Federal Awards
 - Schedule of Findings and Questioned Costs

The management philosophy as established by the Board, Chief Executive Officer and the executive management team is based in proper stewardship and accountability for expenditure of public funds.

We appreciate the OSC's suggestions and will implement those recommendations that are required by NYS rules, regulations and law, are cost-effective, and promote the strategic mission of our organization.

Memberships and Subscriptions:

Tested 13 payments totaling \$39,025: Exception 12 payments totaling \$2,525

We concur that the Wall Street Journal subscription be canceled. In fact, the subscription was not renewed in March 2012 prior to the arrival of the OSC audit staff. This was communicated to the audit staff at that time. The authority no longer receives the Wall Street Journal. This subscription totaled \$398.48

It was our realization that Centro of Oneida's membership in the Kiwanis Club should have ended when Oneida County joined the CNYRTA. The OSC suggestion that membership in this smaller organization with a somewhat more narrow community role be re-evaluated is accepted by the CNYRTA and membership has not been renewed. These dues totaled \$100.

Our Mission statement requires us to be "...responsive to the transportation needs of the Central New York Community...". In the critical economic development role Centro plays it is our responsibility to partner with the various business organizations/economic development agencies and chambers of commerce in the communities we serve. Our membership and active participation in these community based chambers of commerce provides Centro with the most efficient cost effective manner to exchange ideas and information regarding what the business community needs from our transit system, what Centro might contribute to improve economic development in the communities we serve, and - very importantly - to garner business and community support on behalf of the needs of a sound public transit system. We believe this is an obligation on behalf of the taxpayers/citizens in our transit district. These dues totaled \$1,526.50.

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Comment
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Food and Beverage:

Tested 83 payments totaling \$26,631: Exception 78 payments totaling \$22,875

The employee holiday lunch is self-funded by employee vending machine purchases with no associated taxpayer funds. This is a one time a year event, held inside our bus garage, where all of our employees have an opportunity to come together with each other, and with Board Members, to connect and appreciate the significance of being part of one organization with one mission. This event is not funded in our budget and again, taxpayer funds are not used to hold the event. We appreciate the OSC's discussion of this issue.

We disagree with the OSC's suggestion to discontinue the practice of providing meal per diems for staff while traveling out of town on company business. Per diem reimbursement is addressed in the Travel Policy included as attachment A.

On occasion it may be necessary to require staff to attend operationally based meetings during their designated lunch time in order to minimize interruption to service as well as minimize staffing disruptions which may lead to increased labor cost. Consequently, on an infrequent basis, management has deemed it appropriate to provide a meal which typically comprises of a slice of pizza or a sandwich. However, management will take OSC's recommendation to more thoroughly document the business need for such meals.

Providing coffee and juice for unpaid Board members at Board meetings, which can last for hours, is a nominal expense which provides a simple professional courtesy, recognizing their sacrifice of service with no compensation. Providing basic beverages during the meeting also minimizes breaks and interruptions. We appreciate the OSC's discussion of this issue.

Travel, Training, and Conferences

Tested 50 payments totaling \$13,471: Exception 4 payments totaling \$1,137

The Authority disagrees with "not taking appropriate steps to control travel costs". A review of travel requests are conducted at several levels of the organization including a final approval by the Chief Executive Officer. In fact there was an addendum to our travel policy in 2009 identifying additional ways to reduce travel costs. Travel policy and procedures are written and promulgated. See attachment A.

The four payments deemed to be exceptions were for travel determined by the OSC to have no business need. The Authority disagrees. These expenses were for the operations training supervisor to attend meetings/programs at the state and national transit association meetings regarding improved safety techniques when training bus operators. This directly and immediately improves safety standards of our transit system and consequently diminishes exposure to liability claims. The business need is clear and important to our operation.

The OSC reference to "...the Authority sent ten employees to a conference...but could not show a business need" is incorrect. Of the ten individuals who attended the National Transit Product and Services Exposition (held once every three years) five were Board members, three of whom were new to the Board. Detailed conference registration materials and travel authorization forms establish appropriate documentation of business need in the Authority's view. Typically, members of the Board are invited to meet with industry peers and federal agency representatives to gain updated information on the transit industry. If any Board member is willing to take personal time off from their paid professional job then it is only fitting the Authority allow participation at the conference.

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Comment
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The OSC recommendation to utilize video conferencing when available has been a practice of the Authority however educational and program sessions at outside training conferences are not available. It is currently our policy, as detailed in our travel policy, to limit the number of attendees and invoke a process for conference attendees to meet with and educate staff on information learned at the conference.

Conference attendees are encouraged to attend separate/different educational sessions so that no two attendees are attending the same session. Asking attendees to gather information on as many topics as possible maximizes the effectiveness for the Authority. Typically attendees meet for dinner to catch up and share notes on what sessions they attended during the day. The OCS report correctly notes that Authority policy prohibits any Authority funds to be used to purchase alcoholic beverages, movies, souvenirs or other entertainment items. The report states "...documentation is lost when one employee submits the [meal] receipt for all costs and other employees submit nothing." It is important to clarify this statement because the reader could interpret this as an indication that because of inclusion of the phrase "all costs", unauthorized expenses were submitted for payment. This has never been the case nor did the OSC report indicate unauthorized expenses were submitted for payment.

With respect to the submission of one receipt for a meal for several attendees, it would be impractical and increase administrative costs in processing for multiple meal checks to be obtained, paperwork completed and submitted and in instances where reimbursement checks created, those checks to be processed and mailed. However, the Authority will work to develop a regular process to secure one

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Comment
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detailed meal check from each establishment that would typically clearly show how many meals were purchased and at what cost. This more detailed documentation can then be submitted for processing.

Employee Incentive/Recognition

Tested 6 payments totaling \$4,697: Exception 6 payments totaling \$4,697

The Authority considers a cost of \$4,697 which is 0.1% of discretionary expenditures over two fiscal years to be a reasonable amount for employee morale and professional recognition for over 500 employees. A public transit program that is recognized across the United States which promotes driver safety and proficiency and vehicle maintenance technician aptitude and expertise is a worthy endeavor. This substantiates our commitment to the notion that safety is paramount in our business. This expenditure is arguably insignificant based upon the obligation of any employer to build a strong positive working environment. Employee recognition and incentive is an important foundation of any business. Management will continue a diligent assessment and review of expenditures related to this area. We appreciate the OSC's discussion of this issue.

* Comment 6

Miscellaneous Expenses

Tested 33 payments totally \$79,570: Exception 9 payments totaling \$3,530

Flowers and expressions of sympathy for funerals and sick employees are appropriate particularly for employees that have in many cases dedicated 25+ years of service to the community and New York State. A collective representation of expression of sympathy when an employee loses an immediate family member is important to not only the employee who suffered the loss but for the coworkers of the effected employee. However after discussion, and based upon the OSC commentary, the Authority will review the practice of expending funds to express wishes of good will or speedy recovery to employees when hospitalized.

Other Matters

Best available lodging rates are researched and obtained for travel. Lodging rates can be affected by numerous factors such as number of attendees, geographical location, etc. and meeting the government rate is not always possible or even available. We have adopted a formal policy to request GSA government rates. In the event that the GSA rate cannot be obtained an analysis is performed to determine the cost comparison of alternative accommodations other than the event host hotel.

Management would be open to suggestions from the OSC on alternative methods to book lodging.

CNYRTA Response #2

The Authority has written policies and procedures which were provided to the OSC during the course of their audit. Those policies are included as attachment A. During the time period under review the employee responsible for maintaining all travel and training related approvals and documents fell ill and was required to take an extended leave of absence and then subsequently retired. These duties were re-assigned to other staff as collateral duty, and, although no travel is allowed without proper approval and justification, some of the documents required to support the travel expense were misplaced. Since the time of this audit a new employee has been assigned this function as a direct responsibility tracking all travel, completing the required forms and authorizations and booking hotels and airfare.

CNYRTA Summary Response

The management philosophy as established by the Board of Directors and fulfilled by the Chief Executive Officer and the executive management team, the aforementioned results of third party independent audits and reviews and the timely submission of the numerous compliance reporting requirements indicate a strong control environment geared to support the goals and objectives of the Authority. An internal control system, no matter how well conceived and operated, can provide only reasonable--not absolute--assurance to management and the board regarding achievement of its objectives. The design of an internal control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Thus, while we maintain a strong belief that our internal control system has been designed to mitigate risk and help achieve our objectives, it is not a panacea.

State Comptroller's Comments

1. We did not examine the entire \$4.3 million of discretionary costs. Rather, we reviewed a judgmental sample of 185 payments totaling \$163,394, and questioned 76 payments totaling \$31,247, or 19 percent.
2. This audit was of discretionary spending only. None of the standards from GASB, FTA, or other organizations referenced by the Authority in its response are applicable and were not used by our auditors during the course of their work.
3. The Authority's current mission statement calls for it to provide transportation services, and does not address other activities, such as economic development. Authority officials need to document the business need for the memberships in question over other forums for seeking input from the business community. That documentation should include the input received as well as specific plans they have developed for responding to that input.
4. Authority officials were able to provide receipts and other documentation supporting the expenses incurred for the APTA conference. However, none of the 58 pages they provided us included explanations prepared at the time the travel arrangements were made of how many Board members and employees to send, which ones to send, or the benefit to the Authority from sending them.
5. We do not recommend that separate meal checks be obtained. However, without information about the business purpose for the meal, the attendees, or what was purchased, neither the Authority nor our auditors can determine whether the Authority should have paid these expenses or whether items not allowed under Authority policy (e.g., alcoholic beverages, meals for non-Authority employees) were purchased.
6. The \$4,671 spent on gift cards and other awards is only what our auditors included in their judgmental sample. Because the Authority includes these expenses under the category "Supplies," neither Authority officials nor our auditors could readily determine how much the Authority spent on these expenses during the audit period.