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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

April 7, 2015

Ms. Joan McDonald
Commissioner
Department of Transportation
50 Wolf Road
Albany, NY 12232

Re: Collection of Lease and Permit Revenues
Report 2015-F-1

Dear Commissioner McDonald:

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 the officials of the Department of Transportation (Department) to implement the recommendations contained in our audit report, *Collection of Lease and Permit Revenues* (Report 2012-S-6) issued on March 12, 2013.

Background, Scope, and Objective

The Department issues temporary permits allowing the holder to use Department land that is otherwise not in continual use. The Department is responsible for billing and collecting the amount due on those permits. When a permit holder is more than 30 days past due, the Department adds a penalty and interest on the unpaid balance. According to Department records, the Department received \$4 million in permit fees (including \$7,336 in interest) during the 2014 calendar year. As of December 31, 2014, unpaid lease and permit fees totaled approximately \$6.3 million, of which \$5.6 million was over 720 days past due.

Our initial audit examined whether the Department was collecting all lease and permit revenues it was owed. We found the Department was not effectively collecting all unpaid lease and permit fees. The Department had not taken action on eight permits that had a total of \$417,000 outstanding. When actions to collect outstanding lease and permit fees were unsuccessful, the Department generally did not refer unpaid permits to the Office of the Attorney General's Civil Recovery Unit for collection. The Department had referred only two permits, totaling approximately \$61,500, for collection. We identified another 61 permits, with a total of about \$1.2 million due, which should have also been referred to the Civil Recovery Unit.

The objective of our follow-up was to assess the extent of implementation, as of March 9, 2015, of the four recommendations in our initial report.

Summary Conclusion and Status of Audit Recommendation

We found that Department officials implemented each of the four recommendations in our initial report.

Follow-Up Observations

Recommendation 1

Provide the regions with detailed permit billing information and guidance on which permit holders are delinquent and require follow-up action.

Status - Implemented

Agency Action - Regional offices now have access to various monthly reports about permit invoices, both overall and by region. These include a report on all permit invoices issued for the month; aged accounts receivable reports indicating permit holders with outstanding balances at 60, 90, and 120 days past due; and a report that details the customer transaction history. They also receive a monthly reminder that they need to follow up on the delinquent accounts with a phone call or letter reminding permit holders their accounts are in arrears and prompt payment is due.

Recommendation 2

Refer delinquent accounts to the Office of the Attorney General, as required.

Status - Implemented

Agency Action - Subsequent to our original audit, the Department met with the Office of the Attorney General (OAG) and developed a process for referring delinquent accounts. As part of that process, OAG agreed to accept delinquent accounts that were no more than five years old and at least \$5,000 in arrears. In 2014, the Department submitted 11 delinquent accounts (including seven that were identified by our original audit), totaling \$1.1 million. The Department also identified several delinquent accounts that are at least six years old. Although the Department may no longer sue for collection on these accounts through the OAG, it is pursuing other avenues for payment. As a last resort, the Department may seek approval from the OAG to write off the outstanding balances. The Department is also in the process of finalizing a contract with an outside collection agency. Department officials told us the contract is pending approval, and they will begin referring accounts to the collection agency when it is finalized.

Recommendation 3

Track and communicate account status to appropriate units and staff.

Status - Implemented

Agency Action - All regional Department Property Managers receive monthly e-mail reminders that monthly billing, aging, and detailed transaction history information is available on the Department's shared network drive. Regional offices and the two central office units involved in monitoring permit revenues have improved their internal communications.

Recommendation 4

Remind the regional offices to report permit changes and cancellations to the main office more timely.

Status - Implemented

Agency Action - Effective May 1, 2013, the Department revised its procedures and timelines for permit updates. Regional offices are now required to report all changes that need to be made one week to ten days prior to the next month or billing cycle to ensure that permit records are current and proper bills are issued.

Major contributors to this report were Jennifer Paperman, Dick Gerard, and Sally Perry.

We thank Department management and staff for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Stephen J. Goss, CIA, CGFM
Audit Manager

cc: Theresa Vottis, Internal Audit