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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 27, 2019

Marie Therese Dominguez
Acting Commissioner
Department of Transportation
50 Wolf Road
Albany, NY 12232

Re: Collection of Special Hauling and
Divisible Load Overweight
Permit Fees
Report 2019-F-24

Dear Acting Commissioner Dominguez:

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 officials of the Department of Transportation (Department) to implement the recommendations contained in our audit report, *Collection of Special Hauling and Divisible Load Overweight Permit Fees* (Report [2014-S-52](#)), issued April 15, 2015.

Background, Scope, and Objective

The Department is responsible for regulating the movement of oversize and overweight vehicles and loads on the State highway system through a permitting process that helps maintain highway safety and protect the integrity and reliability of roads and bridges. A special hauling permit is generally used to move a single piece of equipment or other item that exceeds legal dimensions for the highway but cannot be broken down into smaller shipments. Special hauling permits are issued by both the Central Permits Bureau (Bureau) and the regional offices. In contrast, a divisible load is any cargo that can be separated into units of legal weight without affecting the physical integrity of the load, such as sand, soil, or gravel. Divisible load overweight permits are only issued by the Bureau. Collectively, these permits help ensure a safe and efficient transportation system for the traveling public and protect the integrity and reliability of the State's highways and bridges.

Customers who apply for permits through the Bureau can do so online or in person at the Department's central office. The Department implemented the Highway Oversize/Overweight Credentialing System (HOCS) statewide in February 2019. In order to use

HOOCS, customers must first set up an escrow account and deposit money by check or credit card. When the permit application is received by HOOCS, if the customer's account has sufficient funds to cover the cost of the permit, the funds are withdrawn by the system and recorded in HOOCS' accounting module until the Accounting Bureau reconciles the revenue to the issued permits. Some customers who obtain special hauling permits at the regional offices, such as those without Internet access, can also apply in person or by fax, e-mail, or regular mail. Payments can be made at the time of application by check or money order. Regional offices do not accept credit card payments.

Department records indicate that, for the period January 1, 2018 through June 30, 2019, the Bureau issued about 45,694 divisible load overweight permits valued at approximately \$30 million. During the same period, the Bureau issued 144,247 special hauling permits totaling approximately \$8.9 million and the regional offices issued about 11,708 special hauling permits, with fees totaling about \$1.3 million.

Our initial report, covering the period April 1, 2012 through February 5, 2015, examined whether the Department charged and collected the correct fees for special hauling and divisible load overweight permits. The audit found significant weaknesses in the internal controls over the special hauling permits issued by four regional offices we visited. The weaknesses include poor accountability over permits issued and fees collected, a lack of segregation of duties for permit transactions, and minimal oversight by management at both the central and regional levels.

Because of these weaknesses, we concluded that the Department needed to improve its internal controls over permits issued by regional offices by separating key duties and functions, improving accountability over all permits, and increasing oversight over permit transactions. Additionally, we recommended the Department explore other options for payments made at the regional level so as to eliminate responsibility for pre-signed checks submitted by select customers.

The objective of our follow-up was to assess the implementation as of July 17, 2019, of the two recommendations in our initial report.

Summary Conclusions and Status of Audit Recommendations

Department officials made significant progress in addressing the issues identified in our original audit. The two recommendations contained in our initial audit report were implemented.

Follow-Up Observations

Recommendation 1

Improve internal controls over permits issued by regional offices by separating key duties and functions, improving accountability over all permits, and increasing oversight over permit transactions.

Status – Implemented

Agency Action – To strengthen internal controls over permits they issue, the regions established Daily Revenue Reports, which track customer checks, permits issued, and other pertinent information. Department officials stated that the regions perform daily reconciliations with these reports. The implementation of HOOCS has reduced the number of permits issued by the regional offices. Transactions are entered electronically into HOOCS, which applies serial numbers and issues the permits. Because HOOCS requires customers to pay for permits via an escrow account, it helps reduce instances of employees performing incompatible duties. The Department is in the process of establishing kiosks at the regional offices and expects them to be in place by the end of 2019. Once the kiosks are in place, the Department will require all remaining customers who purchase permits at the regional offices, such as those without Internet access, to use HOOCS to obtain permits and pay through an escrow account.

Recommendation 2

Explore additional options for payments made at the regional level so as to eliminate responsibility for pre-signed checks submitted by select customers.

Status – Implemented

Agency Action – Officials at all of the regional offices stated that they no longer accept pre-signed checks.

Major contributors to this report were Amanda Eveleth, Michele Turmel, and Gayle Clas.

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

Very truly yours,

Mark Ren, CISA
Audit Manager

cc: Kevin Kissane, Director – Internal Audit Bureau