

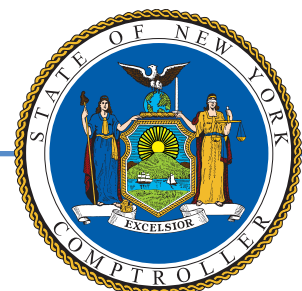
State University of New York Stony Brook University

Select Financial Management Practices at the Office of Transportation and Parking Operations

Report 2018-S-11 | September 2020

OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Division of State Government Accountability



Audit Highlights

Objective

To determine whether financial management practices at Stony Brook University's (Stony Brook) Office of Transportation and Parking Operations (TPO) are appropriate and reasonable. Our audit scope covered the period from January 2, 2014 through December 31, 2018.

About the Program

Stony Brook, located on Long Island, is one of the four university centers operated by the State University of New York. As of fall 2019, about 26,800 students were enrolled. In addition to semester tuition fees, students pay general fees to finance activities that benefit the student body but that are outside the core instructional program. These include the Intercollegiate Athletics, Campus Recreation Facilities, Student Health Services, Technology, and Transportation Fees. These fees totaled about \$1,453 per student for the fall 2019 semester. Stony Brook's Transportation Fee provides support for transit operations across Stony Brook's campuses and is allocated to Stony Brook's TPO.

Expenditures associated with these general fees are paid from Income Fund Reimbursable accounts (IFRs). Each IFR must generate enough revenue to cover costs. Stony Brook's IFR Procedure Manual (IFR Manual) states that expenditures in IFRs must be directly related to the purposes for which income was collected and must fall within the stated purpose of the account. However, because IFR activities are generally funded from current revenues, there is always the risk that revenues will not be sufficient to meet expectations. The IFR Manual states all IFR deficits are to be resolved within one year (with the exception of Service Center IFR accounts, where rates are reviewed every two years).

From January 2, 2014 through April 18, 2018, TPO had 17,110 IFR expenditures totaling approximately \$26 million.

Key Findings

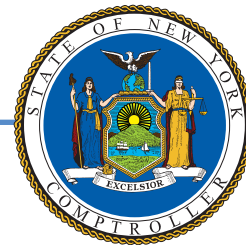
We identified control deficiencies in TPO's management of IFR accounts, expenditures, and collections of revenues that jeopardize its ability to support operations.

- Three of TPO's 21 IFR accounts have operated with a cash deficit balance for at least four consecutive years. Overall, the Transportation Fee account's deficit balances ranged from approximately \$1.3 million to \$3.2 million over a four-year period.
- \$429,420 of the approximately \$3.4 million in TPO's expenditures that we reviewed for the period of January 2, 2014 to April 18, 2018 were not properly supported.
- We identified control deficiencies in the revenue collection process for the Administration Parking Garage (Admin Garage) and Metered Parking IFRs. For example, we found 310 unaccounted-for tickets for the Admin Garage for the ten days in our sample.

Key Recommendations

- Eliminate deficits, as required.
- Comply with all laws, contractual agreements, and Stony Brook policies to ensure that expenditures are appropriate and properly supported.

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- Examine the discrepancies between the number of pulled and returned parking tickets for the Admin Garage, document the outcome of the examination, and take appropriate action for any violations.



Office of the New York State Comptroller Division of State Government Accountability

September 3, 2020

Dr. Maurie McInnis
President
Stony Brook University
State University of New York
Office of the President
310 Administration Building
Stony Brook, NY 11794-0701

Dear President McInnis:

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 entitled *Select Financial Management Practices at the Office of Transportation and Parking Operations*. This audit was performed 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.

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

Division of State Government Accountability

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Glossary of Terms

Term	Description	Identifier
Admin Garage	Administration Parking Garage	<i>Key Term</i>
Guidelines	SUNY's General Income Fund Reimbursable Guidelines	<i>Policy</i>
IFR	Income Fund Reimbursable account	<i>Account</i>
IFR Manual	Stony Brook's Income Fund Reimbursable Accounts Procedure Manual	<i>Policy</i>
Stony Brook	Stony Brook University	<i>Auditee</i>
SUNY	State University of New York	<i>Key Term</i>
TPO	Office of Transportation and Parking Operations	<i>Office</i>

Background

Stony Brook University (Stony Brook), located on Long Island, is one of four university centers operated by the State University of New York (SUNY). Stony Brook's facilities span two campuses. As of fall 2019, about 26,800 students were enrolled.

In addition to semester tuition fees, Stony Brook students are charged general fees to finance activities that benefit the student body but that are outside the core instructional program. Stony Brook's general fees include Intercollegiate Athletics, Campus Recreation Facilities, Student Health Services, Technology, and Transportation Fees. SUNY policy generally sets the level of these fees and administers them through Income Fund Reimbursable accounts (IFRs) – self-supporting accounts that generate revenues and pay expenses for services not included in the State operating budget.

Stony Brook's Transportation Fee provides support for transit operations across Stony Brook's campuses. The Transportation Fee is allocated to Stony Brook's Office of Transportation and Parking Operations (TPO).

TPO has a revenue stream from other fee sources, such as the Administration Parking Garage (Admin Garage), Metered Parking, Premier Parking Lots, Bike Locker Rental, and Stony Brook's Bike Share Program. These revenues and the applicable expenditures are recorded in various TPO IFR accounts – of which there are 21. The IFRs must follow State and campus purchasing and payroll regulations and procedures. Stony Brook's IFR Procedure Manual (IFR Manual) states that expenditures in IFR accounts must be directly related to the purposes for which the income was collected. This means that expenditures made from IFR accounts must fall within the stated purpose of the account, must be related to the reason for which revenue was collected, and must correspond to the approved rate structure. Any violation may result in penalties to the account and/or account closure.

According to SUNY's General Income Fund Reimbursable Guidelines (Guidelines), because IFR activities are generally funded from current revenues, there is always the risk that revenues will not be sufficient to meet expectations. For this reason, the Guidelines state campuses' policies and guidelines should include procedures for frequent periodic reviews of account status and cash controls so that deviations from planned results or irregularities are detected and prompt corrective action can be taken.

To determine if its IFRs are operating on a "break-even or better" accrual basis, Stony Brook internal policy requires officials to complete an IFR Accrual Data Worksheet in December and at the end of each fiscal year (June). Where an IFR has a net balance deficit at year end, officials must submit a deficit elimination plan as part of the annual budget process for the upcoming year and resolve the deficit in one year. Stony Brook's Accounting and Budgeting offices are responsible for monitoring the progress of the deficit elimination plans. If the fiscal year-end target is not realized, the Vice President of Administration will be notified and given a chance to take immediate corrective action.

The only exception to this policy concerns the management of Service Center IFRs, where rates are reviewed every two years. Service centers provide technical/administrative services primarily for university internal operations, and fees are charged to all users based on actual use through a schedule of rates for the specific type of service. When a deficit develops in such an account, that shortfall must be addressed as part of the next rate development exercise. The revised rates in the accounts should be established to eliminate the existing deficit within an approved time period and prevent a new deficit.

From January 2, 2014 through April 18, 2018, TPO had 17,110 IFR expenditures totaling approximately \$26 million.

Audit Findings and Recommendations

Despite Stony Brook’s comprehensive foundation of fiscal policies and guidelines, we determined TPO needs to improve controls to ensure funds are properly managed and administered accordingly. These control weaknesses increase the risk that funds can be misappropriated or revenues overlooked for collection, ultimately posing a threat to operations. For example:

- Although IFRs support activities essential to the campuses’ mission, TPO allowed several of its accounts – including the Transportation Fee IFR – to operate with cash deficit balances for multiple years.
- TPO’s approval process for expenditures needs strengthening to ensure expenses are properly supported. For the period January 2, 2014 through April 18, 2018, we reviewed approximately \$3.4 million in transactions and identified \$429,420 that were not properly supported.
- TPO’s oversight of the collection of some revenues also lacked basic safeguards, such as reconciliations, to ensure that all cash parking fees were, in fact, received. Our analysis of Admin Garage parking transactions for a sample of ten days identified 310 unaccounted-for parking tickets amounting to between \$1,240 and \$8,680 (depending on the amount of time the garage was used) in potential revenue that went uncollected.

IFR Account Deficits

We found that 9 of TPO’s 21 IFR accounts had year-end cash deficit balances, as reported and reviewed by SUNY, for some portion of our audit period, including 3 (Transportation Fee, Admin Garage, and Premier Parking Lots) with deficit balances for all four fiscal years, as shown in Table 1.

Table 1 – Year-End Balances as of June 30, Fiscal Years 2015-18

IFR Account	2015	2016	2017	2018
Transportation Fee	(\$2,056,027)	(\$3,164,298)	(\$2,159,569)	(\$1,269,866)
Admin Garage	(\$981,080)	(\$1,587,961)	(\$2,741,926)	(\$2,757,275)
Premier Parking Lots	(\$50,745)	(\$89,090)	(\$71,232)	(\$37,965)
Electric Charging Station	(\$4,915)	(\$54,743)	(\$52,317)	\$2,476
Auto Service: State	(\$29,593)	(\$50,603)	\$4,968	(\$3,219)
Automotive	(\$5,846)	(\$5,846)	–	–
Bike Locker Rental	(\$1,035)	(\$ 335)	\$36	\$699
Admin Garage Salary	(\$523,246)	–	–	–
Auto Service: Research	\$6,912	(\$20,754)	–	\$4,266

In their written response to our preliminary findings, Stony Brook officials stated that the balances presented in Table 1 are cash balances and that the campus measures individual account positions on an accrual basis. However, the deficit amounts in Table 1 include encumbrances and accruals, as defined in Stony Brook’s own IFR Manual.

Stony Brook officials also acknowledged inaccuracies and certain omissions in the worksheets they used to calculate their account positions. According to the IFR Manual, officials are required to complete an IFR Accrual Data Worksheet in December and at the end of the fiscal year (June) to determine if the account is operating on a break-even or better status. Several of these errors were material. For example, according to Stony Brook officials, the ending cash balance comes from SUNY System Administration. Stony Brook reported an ending cash balance deficit of \$1,050,294 for the Admin Garage IFR Accrual Data Worksheet dated June 30, 2018. However, this amount did not reconcile with SUNY's Income Fund Reimbursable Monthly Cash Balance by Account report, which stated an ending deficit cash balance of \$2,638,129.

Further, in their response to the preliminary findings, Stony Brook officials did not disagree that the majority of the IFR accounts reported above were in deficit balances during either part or all of our review period. However, they disagreed with our assessment of the Transportation Fee account, and offered their own calculations showing a positive balance of \$683,611. We note that the difference in the respective calculations is primarily due to a change in how Stony Brook classified this account over time. For the two fiscal years 2014-15 and 2015-16, Stony Brook did not classify the account as a service center, but in 2016-17 and 2017-18 reclassified it as a service center. Under service center accounting, officials were then able to include the portion of its equipment purchases that were not depreciated in its net balance calculation – helping to achieve a positive net balance after years of being in a deficit.

According to documentation received from Stony Brook officials, the purchases of three new buses and capital improvement projects in fiscal year 2014-15 created a greater than \$1 million net deficit balance in the Transportation Fee IFR. However, the Business Manager did not record the value of unrecovered equipment purchases that fiscal year. For fiscal year 2015-16, officials stated that a larger student fee increase was necessary to eliminate the approximately \$2.4 million net deficit balance reported on their IFR Accrual Data Worksheet and, once again, did not record the value of the unrecovered equipment purchases.

Stony Brook officials acknowledged that the Admin Garage was in a deficit, attributing this to necessary capital improvements and costs. Officials did not dispute that the Premier Parking Lots IFR was in a deficit for our entire review period, but provided documentation showing the account was currently in a positive position on an accrual basis, and projected it will remain so for the remainder of fiscal year 2018-19. However, the IFR Accrual Data Worksheet provided was for the interim period of December 2018; thus, we have no assurance that this account is operating in a positive position as of June 26, 2019.

When deficits and inconsistencies in calculations were identified, Stony Brook officials did not always take prompt corrective action. For example, no deficit elimination plan was created to address the ongoing Admin Garage deficit. Stony Brook officials attributed this to the vacancy of the Vice President of Administration

position at the time, and stated that, with a new Vice President now installed, they are working on a plan to fix the deficit.

Absent a corrective action plan, officials have, in some instances, resorted to raising costs. For instance, from fiscal year 2015-16 through fiscal year 2017-18, daily parking rates for the Admin Garage increased by 100 to 180 percent, as shown in Table 2.

Table 2 – Admin Garage Parking Rates

Prior to 8/22/16		8/22/16–8/25/17		8/26/17–12/31/18	
Hourly Scale	Rate	Hourly Scale	Rate	Hourly Scale	Rate
Up to 1 hour	\$2.00	Up to 1 hour	\$3.00	Up to 1 hour	\$4.00
Up to 2 hours	\$4.00	Up to 2 hours	\$6.00	Up to 2 hours	\$8.00
Up to 3 hours	\$6.00	Up to 3 hours	\$9.00	Up to 3 hours	\$12.00
Up to 4 hours	\$8.00	Up to 4 hours	\$12.00	Up to 4 hours	\$16.00
> 4 hours	\$10.00	> 4 hours	\$15.00	Up to 6 hours	\$24.00
				> 6 hours	\$28.00

In response to our preliminary findings, Stony Brook officials asserted that the Admin Garage deficit did not result in these increased costs but, rather, that costs were increased to compensate for a monthly parking rate that was not sufficiently covering operating and maintenance costs. Officials also stated that senior campus leadership is continuing to work on alternatives to enhance garage revenues and/or identify appropriate funding sources to maintain and operate the garage.

Recommendations

1. Comply with SUNY’s and Stony Brook’s IFR policies and internal procedures.
2. Eliminate deficits, as required.

IFR Expenditures

Stony Brook officials are not always ensuring that appropriate documentation is provided to support expenditures and that expenditures are charged to the appropriate accounts in accordance with Stony Brook policy and applicable laws.

While Stony Brook was able to provide documentation and explain some of the transactions we questioned, we continue to question others. We reviewed approximately \$3.4 million in procurement card, non-contract, and contract transactions and found \$429,420 for six transactions was missing documentation. We could not determine if the product purchased was allowed by the contract and/or did not relate to the stated purpose of the account to which it was charged. In some instances, Stony Brook officials only provided an explanation and did not provide additional documentation to support their explanations, or their documentation still did not answer our questions. Therefore, we still considered these expenditures unsupported.

Recommendation

3. Comply with all laws, contractual agreements, and Stony Brook policies to ensure that expenditures are appropriate and properly supported, and examine the expenditures that were not properly supported.

Revenue Collections

Admin Garage Hourly Parking Fees

TPO is responsible for the revenue collected at the Admin Garage, which is run by an outside vendor (Propark). For hourly parking customers, ticketing is electronic: machines at the two entry lanes – each with a distinct ticket number series – dispense tickets, which are generated in sequential order and automatically stamped with the customer’s entry date and time. When exiting the garage, hourly parking customers turn in their tickets to the exit gate cashier and pay their calculated fee. Propark is responsible for making daily deposits of all fees collected to the Bursar’s Office, along with a daily summary report of all cashier activity.

To determine if TPO collected all revenues for hourly parking at the Admin Garage, we tested a sample of tickets dispensed on ten days and reconciled them with the tickets returned at the exit gate. A summary of our analysis is presented in Table 3.

Table 3 – Auditors’ Analysis of Tickets Dispensed/Returned

Day	No. Tickets Sampled*			No. Tickets Returned	Discrepancy	Propark’s Discrepancy
	Lane 1	Lane 2	Total			
1 (12/5/17)	208	5	213	184	29	24
2 (12/6/17)	255	13	268	205	63	50
3 (12/7/17)	230	1	231	144	87	86
4 (9/18/18)	136	–	136	130	6	6
5 (9/20/18)	191	7	198	186	12	5
6 (9/26/18)	255	1	256	203	53	52
7 (10/1/18)	208	7	215	183	32	25
8 (10/9/18)	57	–	57	56	1	1
9 (10/29/18)	171	4	175	151	24	20
10 (11/21/18)	44	–	44	41	3	3
Totals	1,755	38	1,793	1,483	310	272

* Population count excludes tickets pulled at beginning and end of cashier shift. Count is the difference between the last ticket number in population count, less the first ticket number in population count, plus one.

Of 1,793 tickets dispensed for the ten-day period, only 1,483 were returned; the remaining 310 tickets (17 percent) are unaccounted for. Among other findings:

- Propark’s end-of-shift cashier reports show a total of 272 tickets unaccounted for in Lane 1 for our ten-day sample but did not report ticket data for Lane 2.

To assess for any irregularities with Lane 2 ticket/fee collection, we examined ticket transactions for the consecutive days (1, 2, and 3) of our sample. Although we did not find a break in the ticket sequence numbers, 3 of 19 tickets were unaccounted for during the three-day period.

- Furthermore, according to Stony Brook officials, the Bursar's Office does not reconcile Propark's daily deposits with actual parking transactions, and only verifies that the contents of Propark's deposit bag match the safe drop form.

In explaining the ticket discrepancy, TPO officials stated that free Admin Garage parking is allowed for selected events at the Fine Arts Center. The exit gate is kept open to allow traffic to flow and avoid congestion, and electronic tickets dispensed to patrons at entry are not collected upon exit. However, TPO does not track the number of patrons who utilize the garage on these occasions. Of the ten days in our sample, only three coincided with a paid event at the Fine Arts Center. Therefore, the explanation provided does not explain the discrepancy of 310 tickets that we found. These tickets represent between \$1,240 and \$8,680 in potentially lost revenues for this ten-day period (minimum ticket price, \$4; maximum ticket price, \$28).

As discussed previously, Admin Garage has had a deficit balance for the past four years (fiscal years 2015-18) – and possibly longer – and TPO has increased its fees significantly over the past several years. It thus behooves TPO officials to strengthen their financial management controls and ensure that their practices are appropriate and accurate and that they are receiving all revenues.

Recommendations

4. Develop control practices and procedures over Admin Garage hourly parking revenues, including:
 - Enforcing the terms and conditions under the vendor's contract;
 - Tracking the number of tickets pulled from both entrance lanes; and
 - Identifying patrons who received free parking during special events.
5. Examine the discrepancies between the number of pulled and returned parking tickets for the Admin Garage, document the outcome of the examination, and take appropriate action for any violations.

Metered Parking

TPO is responsible for the metered parking machines throughout Stony Brook's campuses. These meters are programmed by a third-party vendor based on the rate TPO has set. The rates in effect during our audit scope are as follows:

- August 26, 2017–present: \$2.50/hour, up to a maximum of \$17.50

-
- August 22, 2016–August 25, 2017: \$2/hour, up to a maximum of \$14
 - Prior to August 22, 2016: \$1.50/hour, up to a maximum of \$7.50

Our analysis of all parking meter transactions for the period July 1, 2014 through March 31, 2018 identified 33,565 where the incorrect meter fee was charged. This resulted in undercharges and lost revenues of at least \$34,265 and overcharges of \$11,572.

Undercharges/Lost Revenues

We reviewed parking meter transactions totaling \$2,953,713 during the period of July 1, 2014 through March 31, 2018 and found 27,980 settled/approved transactions that were not charged at the authorized rate, including hourly rates such as \$1.99, \$3.59, or \$7.41. These incorrect transactions account for, at a minimum, \$19,648 in lost revenue (the difference between the actual charges and the charges recalculated at the next highest appropriate rate). However, the loss in revenue could be substantially higher if customers should have been charged a higher rate, including up to the maximum rate.

In response, Stony Brook officials explained that, through 2015, their meters were set to prorate the hourly rate and that the charging method was changed beginning in 2016; however, they could not provide documentation supporting that the vendor was instructed to program the machines to prorate. In fact, officials didn't appear to be aware of the unauthorized rates until we brought this issue to their attention in late 2018. In addition, according to the third-party vendor (which also created the meters), parking fees may have been less than the TPO's established rates because the rates were prorated later in the day due to machine-time configuration or rate-download issues. We found that not all rates were prorated around the same time of day.

In addition, for the period July 1, 2014 through February 29, 2016, we identified 3,157 credit card transactions that could not be processed due to parking meter malfunction. These "unsettled/unknown" transactions account for an additional \$14,617 in lost revenue. We could only compute these types of transactions from July 1, 2014 through February 29, 2016 because, in 2016, the vendor transitioned to a new credit card gateway. At the time of our request, the data was no longer accessible.

Off-Hour Parking Fees

According to TPO's meter rates, parking in a metered lot is free to customers on weekends and after 7 p.m. on weekdays. We found, however, that TPO collected \$11,572 for 2,428 transactions during off-hours during our review period. In response, TPO officials asserted it was not a matter of customers being "incorrectly charged" for metered parking, but rather customers paying for off-hours parking despite signage indicating the meter enforcement hours. Given the propensity for customers to overlook the signs posted at the metered lots, Stony Brook officials

should ensure that the machines are programmed not to accept payments during off-hours.

Recommendations

6. Periodically verify that parking meter rates are consistent with TPO-established rates.
7. Examine why the correct meter fees were not charged to customers and credited to TPO, and ensure that the machines are programmed not to accept payments during off-hours.

Audit Scope, Objective, and Methodology

The objective of this audit was to determine whether financial management practices of Stony Brook's TPO are appropriate and reasonable. Our audit scope covered the period from January 2, 2014 through December 31, 2018.

To accomplish our audit objective and assess the relevant internal controls of the TPO's financial management practices in the areas of oversight of expenditures and revenue collection, we reviewed relevant SUNY, Stony Brook, and TPO policies and procedures, records, and pertinent law and regulations. We also met with relevant SUNY, Stony Brook, and TPO officials.

Our audit included both random and judgmental sample selections of the various areas. For expenditures, we selected the top five highest-paid vendors, and then the two highest payments for each of those vendors, for the Meter Parking, Admin Garage, and Transportation Fee IFR accounts because they were active accounts and generated the most revenues. In addition, we selected an additional expenditure for the Transportation Fee IFR because it appeared questionable in nature. We judgmentally selected 28 expenditures, totaling approximately \$3.4 million, from three of TPO's IFR accounts – Transportation Fee, Admin Garage, and Meter Parking – from January 2, 2014 through April 18, 2018 to determine if expenditures were properly supported and related to the stated purpose of the accounts.

We eliminated three expenditures for the Transportation Fee IFR account because they were no longer relevant to our review. For revenue collection of the Admin Garage, we judgmentally and randomly selected ten dates. The judgmental selection consists of three consecutive dates in December 2017 because they had the highest number of reported lost tickets based on the vendor's monthly report submitted to Stony Brook officials. The remaining seven dates were randomly selected from the period of September to November 2018. For metered parking, we analyzed 582,078 metered transactions from July 1, 2014 through March 31, 2018. These samples cannot be projected to the population as a whole.

Statutory Requirements

Authority

The audit was performed 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 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.

Reporting Requirements

We provided a draft copy of this report to Stony Brook officials for their review and formal comment. Their comments were considered in preparing this final report and are included in their entirety at the end of it. While Stony Brook officials disagreed with some of our findings, they noted they will continue to review the issues and make changes where necessary.

Within 180 days of the final release of this report, as required by Section 170 of the Executive Law, the President of Stony Brook 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 if the recommendations were not implemented, the reasons why.

Agency Comments



OFFICE OF THE PRESIDENT

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August 10, 2020

Mr. Brian Reilly
Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street – 11th Floor
Albany, New York 12236-0001

In accordance with Section 170 of the Executive Law, I am providing Stony Brook University's comments on the draft audit report entitled: Select Financial Management Practices at the Department of Transportation and Parking Operations (2018-S-11).

Sincerely,

A handwritten signature in black ink that reads "Maurie McInnis".

Maurie McInnis, Ph.D.
President

Cc: Ms. Byington
Mr. Gomes
Mr. Tufts
Mr. Panico
Ms. McLaughlin/System Administration
Dr. Laursen/System Administration
Mr. Megna/System Administration
Ms. Montalbano/System Administration

**FAR
BEYOND**

Stony Brook University
Response to Draft Audit Report (2018-S-11)
Select Financial Management Practices: Transportation & Parking Operations
August 10, 2020

The draft audit report focuses on three topics within Transportation and Parking Operations (TPO): Income Fund Reimbursable (IFR) accounts, expenditures made from TPO IFR accounts and parking revenue collections. These topics and the related recommendations are addressed below.

Stony Brook agrees that there are always opportunities to improve internal controls. However, we do not agree with auditors' opinion that their findings jeopardize or pose a threat to TPO's operations. We also note that some of the issues cited had already been addressed before the audit commenced.

IFR Account Deficits

We agree that some accounts had deficit cash balances during the period covered by the audit; however, our IFR Procedure Manual clearly states: 1) "IFR accounts are deemed self-sufficient when they operate on a break-even or better accrual basis..." and 2) "An accrual basis will be used to assure a break-even status at fiscal year-end."

The balances presented in Table 1 of the draft audit report do not represent the status of each account on an accrual basis. Therefore, the table and the conclusions reached in the draft audit report are inconsistent with Stony Brook's IFR policies and with our own intent, interpretation and practice. Campus personnel use accrual data to monitor the financial condition of IFR accounts. These accrual data include: the ending cash balance, liabilities that exist as of the status date and non-cash assets (e.g. accounts receivable and the depreciated value of fixed assets) belonging to the respective IFR account.

[Comment 1](#)

The draft audit report refers to 21 TPO IFR accounts, however, in some cases multiple accounts comprise a single IFR activity. TPO manages 11 such IFR activities. Four of the 11 TPO IFR activities had deficit balances on an accrual basis for more than one year during the audit period. In two of these cases, the deficit had been resolved by the time the audit commenced (Automotive and Electric Vehicle Charging). The remaining two activities had deficits on an accrual basis at June 30, 2018, around the time the audit commenced (Premier Parking Lots and Admin Garage).

[Comment 2](#)

The Premier Parking Lots deficit (\$27,734 as of June 30, 2018) was eliminated by December 2018 and the account remains in a positive cash and accrual position as of June 30, 2019. We forwarded documentation supporting this to the Audit Manager on July 1, 2020.

Administration Garage

We have been and are fully aware that there is a deficit in the Admin Garage sub-account on a cash and accrual basis. As we communicated to the audit team, there are challenges with regard to this facility, including:

1. Significant capital improvements, with a cost of approximately \$2.5 million, were required to address deficiencies associated with the structural integrity of the garage, to extend the useful life of the facility as a parking asset and to ensure the safety of garage patrons.

Stony Brook University
Response to Draft Audit Report (2018-S-11)
Select Financial Management Practices: Transportation & Parking Operations
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2. We have been unable to increase the rates charged to monthly patrons represented by collective bargaining units. As a result, the monthly rates have remained unchanged for 30 years while operating costs and the need for capital investment have continued to increase. The CPI-U in December 1988 was 120.5, in December 2019 it was 256.974. The \$16.24 monthly rate charged to patrons in most bargaining units would be at least \$34.63 today if monthly rates could be raised in accordance with inflation. We continue to try to find acceptable solutions to this challenge.

The draft audit report claims that Stony Brook did not always take prompt corrective action when deficits were identified in that no written deficit reduction plan was created for the Admin Garage. We offer that the absence of a written plan does not equate to no action taken. As communicated to the audit team and included in our response to their preliminary findings, but not recognized in the draft audit report, campus personnel and senior leadership have worked and continue to work to identify strategies to address the Admin Garage deficit. To date, these efforts include:

- increasing hourly parking rates in 2016 and 2017;
- obtaining approval from the State to negotiate with the unions on increasing monthly parking rates;
- working with our Labor Relations Office to initiate a dialogue with the unions on increasing monthly parking rates;
- engaging a public accounting firm to verify financial data related to the garage in order to facilitate discussions with unions;
- researching the use of other external funding sources, such as unrestricted capital funds (where available) to address some of the critical capital improvements associated with the Admin Garage (capital funds the State allocates to the campus generally cannot be used for this structure);
- considering vehicle registration fees as an additional revenue source to support the overall parking program;
- considering using funds from other parts of the campus budget to support the Admin Garage (this would have required budget reductions in other areas);
- restricting the eligibility of certain parking patrons for free faculty/staff surface parking permits. Many of these individuals now choose to park in the Admin Garage, enhancing its revenue stream; and,
- engaging and continuing to work with a parking consultant to help produce a comprehensive parking master plan, strategy and revenue model for the long-term vision of the parking program.

Comment 3

The IFR Accrual Data Worksheet referred to on page nine of the draft audit report is not in error. As campus personnel advised the audit team in e-mails dated December 26, 2018 and January 10, 2019, these worksheets are prepared at the master account level, not the sub-account level. In this case, the IFR Accrual Data Worksheet in question is for the Parking Garages master account

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(90110700), including all sub-accounts. The correct ending cash balance for the master account as per the SUNY Accounting Report was (\$1,050,294) as of June 30, 2018, therefore the cash balance on the Worksheet is correct. We will forward supporting documentation to the Audit Manager.

[Comment 4](#)

Transportation Fee

The accrual balances for the Transportation Fee account at June 30, 2015 – 2018 were:

	2015*	2016*	2017	2018
Transportation Fee	(\$1,506,277)	(\$274,257)	\$294,165	\$683,611

The 2015 and 2016 balances do not include the depreciated value of vehicles that were omitted from the year-end accrual statistics for this account in those years. Had the vehicles been included the balances at the end of those years would have been positive, \$1,603,044 in 2015 and \$216,916 in 2016. Therefore, the accounts used to administer the transportation fee and related assets were in a positive financial position on an accrual basis throughout the audit period.

The reassignment of vehicles from the Bus Services account to the Transportation Fee account in mid-2016 was done for the purpose of matching these assets with the source of funds used to purchase them (transportation fees).

[Comment 5](#)

Recommendations

1. Comply with SUNY’s and Stony Brook’s IFR policies and internal procedures.

Response: We will continue to comply with SUNY and campus IFR policies, procedures and guidelines.

2. Eliminate deficits as required.

Response: We will continue our efforts to address the deficit in the Admin Garage IFR sub-account.

IFR Expenditures

The draft audit report questions six transactions, however there were only five items on the list the audit team provided to us. Four of these five items represented one invoice/payment. Therefore, the report questions two payments, and as detailed below, both were for appropriate University purposes. We are pleased that all other payments examined were found to be fully and properly supported.

One of the two cited payments was for the purchase of materials used to construct a parking lot in 2014. We agree the invoice contained an error in the description of the materials and should have been corrected prior to payment; however, goods were delivered and used for the purpose intended.

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The second payment was to reimburse a portion of the costs to construct the above parking lot. The draft audit report appears to question whether some of the costs included in the payment were charged to an appropriate account. The funds in the account used for this payment are unrestricted so Stony Brook may use them for any appropriate University purpose. The payment was supported by legitimate, documented and allowable University expenses. We therefore disagree with this finding.

[Comment 6](#)

Recommendation:

Comply with all laws, contractual agreements, and Stony Brook policies to ensure that expenditures are appropriate and properly supported, and examine the expenditures that were not properly supported.

Response: We will continue to comply with applicable laws, contractual agreements and polices to ensure that payments are appropriate and properly supported. We examined the two questioned payments and our conclusions are noted above.

Revenue Collections

Administration Garage Hourly Parking Fees

As cited in the draft audit report, there were missing parking garage tickets, but not all of them resulted in “lost revenue”. For example, 179 (58%) of the tickets cited as missing occurred on days where the campus suspended parking garage collections at the conclusion of special University events to allow patrons to exit with minimal traffic congestion and/or delays. Also, missing tickets can occur when monthly patrons pull a ticket when entering and use their card to exit.

Attempting to verify whether each exiting garage patron attended these University events would create the traffic congestion and delays that this practice is intended to prevent.

[Comment 7](#)

While the Bursar’s Office is not responsible for reconciling the revenue with parking garage activity, the TPO Parking Manager is responsible for, and conducts, detailed reviews of reports, tickets and other documentation relating to garage operations, parking activity and revenue collections.

Recommendations

3. Develop control practices and procedures over Admin Garage hourly parking revenues, including:
 - Enforcing the terms of the vendor’s contract;
 - Tracking the number of tickets pulled from both entrance lanes; and
 - Identifying patrons who received free parking during special events.

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Response: We will review existing practices and procedures over hourly Admin Garage parking revenues and will strengthen where feasible.

4. Examine the discrepancies between the number of pulled and returned parking tickets for the Admin Garage, document the outcome of the examination and take appropriate action for any violations.

Response: We will review the discrepancies identified, will document the results and determine what action, if any, is appropriate.

Metered Parking

Undercharges/Lost Revenues

The cited “loss” in revenue (\$19,648) represents 0.6 percent of the meter revenues the audit team examined. Nearly all the alleged undercharges were related to approved rates being assessed on a prorated basis at the end of the day. This practice was discontinued in 2016, prior to the audit’s commencement. Appropriate campus personnel were aware of the issue at the time it was addressed. Given that most of the cited “loss” in revenue was related to proration at the end of the day, it is unclear how it could be higher in any material way.

[Comment 8](#)

The draft audit report assumes that all “unsettled” transactions represent “lost revenue”. An unsettled transaction does not necessarily mean that the patron parked in the metered lot without revenue being collected. For example, the patron may have decided to not go through with the transaction or, after a failed attempt, the patron left the lot or used a different payment card. As a compensating control, the University’s parking enforcement team patrols the lots and tickets vehicles parked in spots where the meter is unpaid or expired.

[Comment 9](#)

Unsettled transaction data were available after February 2016 but not in the same format as prior to that date, as requested by the audit team. The vendor was unable to replicate the earlier format due to a system change. It appears that the audit team decided not to examine the data that was available.

[Comment 10](#)

Off-Hour Parking Fees

We agree that some metered lot patrons paid to park after hours and on weekends despite clear existing signage posted at the lots and on the parking meter stations themselves.

The after-hours issue was addressed by June 30, 2016, prior to the commencement of the audit. Since that time, meters have been set to accept payments from 6 AM to 7 PM. If a patron pays before 7 AM, their time starts at 7 AM.

Recommendations

6. Periodically verify that parking meter rates are consistent with TPO-established rates.

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Response: We agree.

7. Examine why the correct meter fees were not charged to customers and credited to TPO, and ensure that the machines are programmed not to accept payments during off-hours.

Response: As indicated above, the causes of the rate differences [proration] observed by the audit team and the issue of after-hours parking meter charges were addressed in 2016. While existing signage at the lots and on the meters should be sufficient notification that patrons do not have to pay to park on weekends, we will direct the vendor to set the meters to prevent patrons from inadvertently paying for weekend parking.

Other Comments on the Draft Audit Report

Comment 11

Page 6, Paragraph 6 - Stony Brook does not have an “Accounting and Budget Office”. We have an Accounting Office and a separate Budget Office.

Page 6, Paragraph 6 - The last sentence is not quoted accurately if the quote is from the IFR Manual – the correct wording from the IFR Manual is: “if a fiscal year-end target is not attained the Vice President will be notified and given the opportunity to take immediate corrective action.” The term “Vice President” refers to the senior administrator with fiscal responsibility for the particular IFR account.

Page 12 states “for those three days with events, patrons were charged for parking during the time of those events”. Our practice has been to charge garage patrons exiting during the event. We only raise the gates and suspend garage revenue collections at the conclusion of the event to allow patrons to exit with minimal traffic congestion and/or delays.

State Comptroller's Comments

1. We acknowledge on page 8 of our report that our balances are cash balances and that Stony Brook measures individual account positions on an accrual basis. In addition, as noted on page 9 of our report, Stony Brook officials acknowledged inaccuracies and certain omissions in the worksheets they used to calculate their accrual account positions.
2. Throughout the audit, the information provided to the auditors always referred to the 21 TPO IFR accounts.
3. While our report states Stony Brook officials did not always take prompt action, it does acknowledge they have taken some actions to address the IFR deficit for the Admin Garage. We stand by our statement, as the account has been in a deficit for the past four years and Stony Brook has not complied with its own internal policy. As noted on page 6 of our report, Stony Brook's IFR Policy states all account deficits must be resolved in one year and the only exception is for Service Center IFR accounts – which the Admin Garage is not – and those rates are reviewed every two years.
4. Upon review of the recent documentation provided by Stony Brook officials, we acknowledge that the \$1,050,294 represents the ending cash balance for the Parking Garage master account. However, we note that the master account balance consists of cash balances not only for the Admin Garage, but also for Stony Brook's Hospital Parking Garage and for its Health and Science Parking Garage, which are not managed by TPO officials.
5. As noted in our report on page 9, Stony Brook did not classify this account the same way over the four-year period, which led to the differences in deficit amounts. When Stony Brook changed its methodology for calculating this balance, it reclassified this account as a service center. Therefore, for the last two years, Stony Brook included the portion of the equipment purchases that were not fully depreciated, helping it to achieve a positive net balance.
6. As the report states on page 10, we could not determine if the product purchased was allowed by the contract. Further, in some instances, Stony Brook officials provided only an explanation without additional supporting documentation, or supplied documentation that still did not answer our questions. Therefore, we still consider these expenditures unsupported.
7. On page 12 of our report, we acknowledge the practice of suspending parking garage collections on event days, but state that this does not explain the full collection discrepancy. Further, we did not request that each patron's ticket be verified, as implied in Stony Brook's response. Rather, we state that TPO officials should strengthen their financial management controls and ensure that their practices are appropriate and accurate and that they are receiving all revenues.
8. As noted on page 13 of our report, Stony Brook officials could not provide documentation supporting that the vendor was instructed to program the machines to prorate. In fact, officials didn't appear to be aware of the unauthorized rates until we brought this issue to their attention in late 2018. We also found that not all rates were prorated around the same time of day.
9. As noted on page 13 of our report, we identified 3,157 credit card transactions that could not be processed due to parking meter malfunction, and we identified these as "unsettled" transactions. When a patron cancels a transaction, it is voided. The unsettled numbers do not include voided transactions.

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- 10.** We disagree with the statement that the audit team decided not to examine the data. On November 9, 2018, the audit team and several Stony Brook officials received an email from the third-party vendor responsible for providing settled and unsettled transaction information. The email stated that the vendor was unable to provide details on whether transactions were settled or not settled because the vendor had transitioned to a new credit card system and the information requested could only be retrieved for the prior two years. The vendor suggested that Stony Brook pull the data from the system annually and save it as an Excel file, so the information would be easily accessible.
 - 11.** Changes were made to the final report based on Stony Brook's responses.

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