

State of Rhode Island and Providence Plantations

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March 2, 2016

Mr. Buddy Croft
Executive Director
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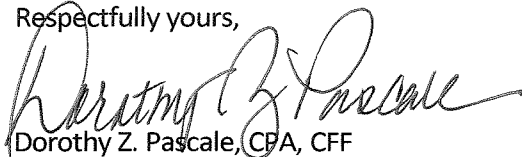
Dear Director Croft:

The Bureau of Audits has completed its limited scope performance audit of the Rhode Island Turnpike and Bridge Authority. The audit was conducted in accordance with Rhode Island General Laws (RIGL) §35-7-3. The recommendations included herein have been discussed with members of management, and we considered their comments in the preparation of this report.

RIGL §35-7-3(b), entitled *Audits performed by bureau of audits*, states that, "Within twenty (20) days following the date of issuance of the final audit report, the head of the department, agency or private entity audited shall respond in writing to each recommendation made in the final audit report..." Accordingly, management submitted its response to the audit findings and recommendations on February 16, 2016, and such response is included in this report. Pursuant to this statute, the Bureau may follow up regarding recommendations included in this report within one year following the date of issuance.

We would like to express our sincere appreciation to the staff of the Rhode Island Turnpike and Bridge Authority for the cooperation and courtesy extended to the members of our team during the course of this audit.

Respectfully yours,



Dorothy Z. Pascale, CPA, CFF
Chief

c-- Michael DiBiase, Director, Department of Administration
Honorable Daniel DaPonte, Chairperson, Senate Committee on Finance
Honorable Raymond Gallison, Chairperson, House Finance Committee
Dennis Hoyle, CPA, Auditor General



AUDIT Executive Summary

Why the Bureau Did This Review

Rhode Island General Laws §42-155-7, Audit of quasi-public corporations, requires the Bureau of Audits to conduct a performance audit of all quasi-public corporations once every five years. The Bureau of Audits established an initial five-year schedule; this audit was performed in compliance with the statute and the established schedule.

Background Information

The Rhode Island Turnpike and Bridge Authority (RITBA) is responsible for the maintenance and operation of the Mount Hope Bridge, the Jamestown Verrazzano Bridge, Route 138 through Jamestown, the Newport Pell Bridge and the Sakonnet River Bridge. RITBA maintains a tolling plaza at the base of the Newport Pell Bridge, and tolls collected from this plaza are dedicated to the maintenance and operations functions.

The authority consists of a five-member Board of Directors. Four of the members are appointed by the Governor, and the fifth member is the Director of the Department of Transportation.

To Improve Controls the Bureau of Audits Recommends:

- Discontinue the practice of directly running charitable events as part of the Authority's official duties.

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Introduction

The Rhode Island Turnpike and Bridge Authority (RITBA) is a quasi-public organization established by the Rhode Island General Assembly (RIGL [§24-12](#)). RITBA is responsible for the maintenance and operation of the Mount Hope Bridge, the Jamestown Verrazano Bridge, Route 138 through Jamestown, the Newport Pell Bridge and the Sakonnet River Bridge. RITBA maintains a tolling plaza at the base of the Newport Pell Bridge, and tolls collected from this plaza are dedicated to the maintenance and operations functions. RITBA does not collect any tolls at any of its other areas of responsibility.

The Authority consists of a five-member Board of Directors. Four of the members are appointed by the Governor, and the fifth member is the Director of the Department of Transportation.

Recommendation for Improved Controls and Management Response

Charitable Activities

The charitable donation policy established by the Rhode Island Turnpike and Bridge Authority was examined, and it was noted that there is no separate board or foundation in place to oversee charitable contributions. Further, there is no clear provision within the policy related to conflicts of interest, third-party/related transactions, etc. The legislation that establishes the Authority does not authorize the Authority to operate charitable events.

RITBA has its board performing regular board functions for the Authority, as well as overseeing charitable contributions. Additionally, in our review we noted that RITBA has provided donations to organizations that do not readily appear to directly fit the guidelines of the charitable donation policy.

When a quasi-government organization provides donations to a charity, a more appropriate structure would be to establish a separate board or foundation to oversee the charitable contributions. Perceived outside independence issues or conflicts of interest could arise. Concerns regarding use of toll payments for charitable functions could also arise.

The Bureau recognizes the public good that the RITBA has accomplished through the charitable activities and encourages RITBA to find a mechanism for these activities to continue while not directly operating charitable events.

Recommendation:

1. RITBA should refrain from operating charitable events.

Management's Response:

Thank you for the opportunity to comment on the draft transmittal and summary for the recently completed limited scope performance audit of the Rhode Island Turnpike and Bridge Authority (RITBA).

Overall, the audit is fairly written and reflects the excellence that we try to achieve daily at RITBA. I would like to commend you and your staff for the professionalism they showed throughout the audit process.

I would like to comment on the findings relative to the "Bridge Run" which you describe under the heading of "*Charitable Activities*". We at RITBA hope the context of our activities is not misconstrued. RITBA endeavors to host bridge runs and bike rides across the Newport Pell Bridge and other bridges we control each year. We do so for a number of reasons. Tax payers and toll payers funded the construction of the bridges and pay for their ongoing maintenance. We view these charity events as a unique chance for citizens to experience these bridges in a new dynamic way.

These bridges are a significant Rhode Island asset and are rarely seen by the general public outside of a vehicle. By participating in the runs or rides, people can enjoy these engineering marvels by foot and bike and get to view the serene vistas and striking scenery these structures offer.

Participants leave these events proud of their state. They also develop a greater sense of the need for and cost of maintaining the bridges. These are the main goals of RITBA's events. The fact we are able to raise money through registration fees that we in turn donate to charities is secondary. If RITBA did not raise any money, and did not give anything to charity, we would still conduct these events. In summary, the "charitable activities" are a great aspect of these events but are only an outgrowth and secondary benefit of them and not the primary impetus for RITBA's hosting of the events.

RITBA concurs with the findings of the report and is in the process of establishing an independent charitable foundation to handle event proceeds. Once formed, RITBA will have no control over the foundation or its award of monies to charities and non-profits.

Thank you for the time and attention you have given to this audit and my response.

Responsible Party: Buddy Croft

Estimated Completion date: 9/30/2016

Objective and Scope

The Bureau of Audits conducted a limited scope performance audit of the Rhode Island Turnpike and Bridge Authority. The purpose of this engagement was to assess the effectiveness and efficiency of operations associated with toll collection and violation enforcement, as well as charitable activities and contributions.

Methodology

As part of our audit work, we gained an understanding of the tolling, violation and charitable giving processes employed by the RITBA. To address our audit objective, we performed the following, as well as other audit procedures as required:

- Reviewed applicable State laws, regulations, and division procedures.
- Performed walk-throughs of the processes conducted daily.

- Researched best practices.
- Performed detailed testing on samples of transactions.

The Bureau used an external audit firm, CliftonLarsonAllen, LLP (CLA), to supplement its staff during the performance of this audit. CLA performed the detailed audit work and was selected using a competitive bidding process.