



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

Division of State Government Accountability

Collection of Special Hauling and Divisible Load Overweight Permit Fees

Department of Transportation



Executive Summary

Purpose

To determine whether the Department of Transportation (Department) charged and collected the correct fees for special hauling and divisible load overweight permits. This audit covers the period April 1, 2012 through February 5, 2015.

Background

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. For the period April 1, 2012 through September 30, 2014, Department records indicate the Bureau issued about 75,000 divisible load overweight permits valued at approximately \$40 million as well as about 229,000 special hauling permits totaling approximately \$13 million. For the same period, the regional offices issued about 31,000 special hauling permits, with reported fees totaling about \$3 million.

Key Findings

- Although the Department accurately charged and collected the correct fee for each transaction we tested, we found significant and pervasive weaknesses in internal control at the regional office level that decrease assurance that all permits are appropriately recorded and the correct fees are collected and deposited. These deficiencies include poor accountability for permits issued and fees collected, a lack of segregation of duties for permit transactions, and minimal oversight by both the central and regional offices.
- Several regional offices are also at increased risk because they have devised systems to informally hold supplies of pre-signed checks provided by select repeat customers in an effort to make their application experiences easier and faster.

Key Recommendations

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

Other Related Audit/Report of Interest

[Department of Transportation: Oversight of Revenue Contracts and Fees \(2009-S-14\)](#)

State of New York
Office of the State Comptroller

Division of State Government Accountability

April 15, 2015

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

Dear Commissioner McDonald:

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 of our audit entitled *Collection of Special Hauling and Divisible Load Overweight Permit Fees*. This audit was performed pursuant to the State Comptroller's authority under 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,

Office of the State Comptroller
Division of State Government Accountability

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Background

The Department of Transportation (Department) is responsible for regulating the movement of oversize and overweight vehicles and their loads on the State highway system. The Department's Central Permits Bureau (Bureau) in Albany issues special hauling permits to move vehicles or objects that exceed legal dimensions as well as divisible load overweight permits for vehicles or loads that exceed the legal weights. The Department's nine regional offices only issue special hauling permits. 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.

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 permit applications must contain information about the route to be traveled. Bureau or regional staff verify that the routes are acceptable and that there are no travel restrictions.

In contrast, a divisible load overweight permit is necessary when a load meets the legal dimensions but exceeds the legal weight. A divisible load is any cargo that could be separated into units of legal weight without affecting the physical integrity of the load, such as sand, soil, or gravel. Divisible load overweight applications contain details on the number of axles on a vehicle or combination of vehicles and their weight. Bureau or regional staff review applications to ensure that the weight of the vehicle or combination of vehicles does not exceed the maximum legal weight as determined by either the New York State Bridge Formula or the Federal Bridge Formula.

Customers who apply for permits through the Bureau can do so online, by fax or e-mail, or in person at the Department's central office. These customers must first set up an account and deposit money by check or credit card. When an application is received, if the customer's account has sufficient funds to cover the cost of the permit, the funds are withdrawn, recorded, and sent to the Department's accounting unit the next day. Customers who obtain special hauling permits at the regional offices 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. However, regional offices do not accept credit card payments. The regional offices are required to keep copies of all the permits they issue, and to send monthly summary reports to the Department's central office showing the number and type of permits issued and the total amount collected.

Special hauling permit fees range from \$40 for a single-trip permit to as much as \$1,320 for an annual permit. Divisible load overweight permit fees range from \$360 for vehicles equipped with three or four axles to \$900 for vehicles with seven or more axles. According to Section 385 of the New York State Vehicle and Traffic Law, no fee is charged for permits issued to municipalities. Although not statutorily required, the Department's policy is to also waive fees for permits issued to other government agencies.

Department records indicate that, for the period April 1, 2012 through September 30, 2014, the Bureau issued about 75,000 divisible load overweight permits valued at approximately \$40 million as well as about 229,000 special hauling permits totaling approximately \$13 million. For the same period, the regional offices issued about 31,000 special hauling permits, with fees totaling about \$3 million.

Audit Findings and Recommendations

Although our tests showed the Department accurately charged and collected the prescribed fees for the special hauling and divisible load overweight permits that we tested, we identified significant weaknesses in the internal controls over the special hauling permits issued by the 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. These weaknesses reduce the level of assurance that all permits that have been issued are actually recorded at the regional offices and, accordingly, that all fees have been accurately collected, recorded, and deposited. We also found several regional offices are at increased risk because they have devised systems to informally hold supplies of signed blank checks provided by select repeat customers in an effort to make their application experiences easier and faster.

Internal Controls Over the Calculation and Collection of Permit Fees

Our tests showed that the Bureau has appropriate internal controls in place governing its permitting system, and that it charged and collected the correct permit fees for each of the special hauling and divisible load overweight permits that we tested. Similarly, at the regional office level, the four locations we visited charged and collected the proper fee for the permits we tested. However, we found significant and pervasive weaknesses in internal control that precluded us, and management, from being assured that all permits had actually been recorded and the proper fees collected and deposited.

A strong system of internal controls over revenue collection is essential for an operation that handles customer payments and should, at a minimum, include provisions for adequate separation of duties so that one employee does not control all phases of a transaction, accountability over all permit fees collected, and sufficient management oversight of the permit issuance and fee collection process. At each of the four regional offices, we found that primarily only one employee is assigned to issue special hauling permits, record the transactions, and collect the permit fees. Ideally, these tasks should be spread among different employees. At a minimum, the permit fees should not be collected by the same person who issues and records the permit.

We also found accountability over the special hauling permits and fees is weak. The permits are hard-copy documents, but are not serially press numbered. Instead, once approved, the customer's permit application form is mechanically stamped with a six-digit code representing the year, the region, and a consecutively issued number. This stamped application is returned to the customer and serves as the approved permit. Copies of the permits are kept only at the regional office and are not entered in the central permit database maintained by the Bureau. This system is weakened because the mechanical stampers can be easily modified or manipulated to issue the same number on more than one permit. In addition, numbers can be skipped, used out of order, or used but not recorded without detection. As a result, if the regional office copy of an issued permit were to be lost or destroyed, it would not be detected and there would be no accountability for any payment received.

Three of the four regional offices we visited do keep their own permit databases, which form the primary record of accountability over the permits they issue and the fees they collect. For these systems to function as intended, management needs to ensure that all permits issued are recorded in the database so that it represents a complete and accurate record of all activity. Our analysis of these records showed they were incomplete, as they were missing permit numbers.

Two of the regional offices explained that their databases only included permits for which a fee was received, and excluded those issued to municipalities and government agencies as well as any permits that were subsequently voided. However, because there are no other records detailing these no-fee transactions, accountability over permits and payments is lost. As a result, management has no assurance that missing permit numbers do not represent commercial transactions for which a fee was paid but never recorded or deposited in Department accounts. In response to our observations, officials from these two regional offices indicated they would immediately begin recording and accounting for all permits, including an explanation for any case where a fee is not charged or collected.

The third regional office database did contain information about permits for which no fee was collected. However, other permit numbers were still missing from that database. In addition, we found a check that was over two years old in the regional office files. This payment was never recorded or deposited even though a permit was apparently issued. Regional officials were unaware of this payment.

The lack of a database at the fourth regional office prevented us from readily determining if all permits issued were appropriately recorded. Collectively though, these situations demonstrate that the regional reports provided to the central office that detail the number of permits issued and fees collected are not always accurate. The deficiencies we identified with the databases were not detected and corrected in large part because there is very limited oversight of the permit process by either regional supervisors or central office staff. For example, during our site visit to one regional office, the employee responsible for issuing permits was absent. The supervisor could not access the permit system to demonstrate it to us, and therefore was not able to check on the work of the employee issuing the permits.

Pre-Signed Checks Held for Some Customers

At three of the four regional offices we visited, we found staff were holding a supply of pre-signed checks provided by customers to fund future permit purchases. The regions indicated that they hold these checks as a courtesy to certain repeat customers in an effort to save them the trouble of traveling to the regional office and to reduce the time it takes to obtain the permit. When an application is received, the regions indicate that they complete one of the checks for the appropriate amount and then mail, fax, or e-mail the approved permit to the customer. While this practice may be customer-friendly, it poses a risk to the Department if the checks are ever misused.

Regional officials expressed concern that stopping this check-holding practice would make it much more difficult for some customers to get permits. They stressed that some customers are

located significant distances from the regional office and therefore cannot easily bring a check in person. Others, they claim, do not have access to a computer with an Internet connection and therefore cannot use the Bureau's automated system. Officials voiced concern that making the process more difficult for such customers could drive them out of business or result in an increase in unpermitted trips, which could impact safety.

While we appreciate the Department's desire to provide good customer service, we encourage officials to examine alternatives that can meet customer needs while still limiting risk to an acceptable level. Examples may include procedures that have already been put in place at the Bureau level, such as establishing deposit accounts or expanding the use of credit card payments.

Recommendations

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

Audit Scope, Objective, and Methodology

The objective of our audit was to determine whether the Department charged and collected the correct fees for special hauling and divisible load overweight permits. This audit covers the period April 1, 2012 through February 5, 2015.

To accomplish our objective, we interviewed Department officials and examined relevant documents and records. We also reviewed relevant laws, regulations, policies, and procedures. We assessed internal controls at both the Department and the regional office level as they relate to the calculation and collection of permit fees. We analyzed data on the special hauling and divisible load overweight permits issued by the Bureau from April 1, 2012 through September 30, 2014, and reviewed documentation supporting a selection of permits to determine if the correct fees were charged and collected. For permits issued by the Bureau, we tested customer accounts to verify that appropriate funds were deducted when a permit was issued. We also reviewed Bureau deposits to verify that the monies went into the general fund, as required. We also made site visits to four regional offices located in Buffalo, Rochester, Utica, and Watertown. We interviewed officials at the regional offices and reviewed the special hauling permits they reported issuing for the period April 1, 2012 through September 30, 2014 to determine if the correct fees were charged and collected. We verified that the amount of money collected by the regions for permits matched the amount the Department had received. We also analyzed regional office permit databases to determine if we could account for all permit numbers issued.

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 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 V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

Reporting Requirements

A draft copy of this report was provided to Department officials for their review and comment. Their comments were considered in preparing this final report and are attached in their entirety at the end of this report. The Department agreed with our recommendations and indicated steps it will take to implement them. Among the proposed actions is the development of the new Highway Oversize/Overweight Credentialing System, which is an automated permits issuance system.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department of Transportation 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



Department of
Transportation

ANDREW M. CUOMO
Governor

JOAN McDONALD
Commissioner

April 1, 2015

Mr. John Buyce
Office of the State Comptroller
Division of State Government Accountability
110 State Street – 11th Floor
Albany, NY, 12236-0001

Dear Mr. Buyce:

The New York State Department of Transportation (NYSDOT) appreciates the opportunity to review the Office of the State Comptroller's (OSC) draft audit report on the *Collection of Special Hauling and Divisible Load Overweight Permit Fees* (Report 2014-S-52). We are pleased that the audit found no issues with the permits issued by NYSDOT and more than 88% of the overall volume of special hauling permits issued are not affected by the recommendations made to our controls. The remainder of the recommendations will be addressed fully in the long term by the new Highway Oversize/Overweight Credentialing System (HOOCs) under development currently.

HOOCs is an automated permits issuance system scheduled to be implemented statewide by the summer of 2016. Once completed, NYSDOT expects that all customers will be required to have prefunded e-accounts, all permits applications will be electronically filed and submitted, and HOOCs will auto-issue a large percentage of the permits after being reviewed by the system. The prefunded e-accounts will take NYSDOT permits staff out of the process of handling any type of account funding while electronic application filing will separate filing from application review and permits issuance. NYSDOT staff are developing a concept of operations to transition from the manual regional permit structure to an automated system under HOOCs with a heightened emphasis on financial and process control that will ensure an appropriate segregation of duties and improved accountability over issued permits. To address the short-term needs identified in your recommendations, NYSDOT offers the following responses.

RECOMMENDATIONS

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.*

NYSDOT Response: Agree. NYSDOT Main Office staff has begun a statewide dialogue with all the regions that issue special hauling permits to implement procedures that address this recommendation. In addition, we are exploring modifications to the existing reports provided to the Central Permits Bureau to better account for permits issued and reconcile revenue collected.

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.*

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Mr. John Buyce
April 1, 2015
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NYSDOT Response: Agree. The practice of holding pre-signed checks will be phased out with the implementation of the new Highway Oversize/Overweight Credentialing System (HOOCs). In the interim, NYSDOT will encourage the limited number of customers using presigned checks to establish prepaid accounts. NYSDOT also will provide regional offices with additional guidance regarding acceptable practices in handling and safeguarding checks.

Should you need further information, please contact Michael Mathioudakis, Central Permits Bureau Director, at (518) 457-9800.

Sincerely,



Phillip Eng, P.E.
Executive Deputy Commissioner