



OFFICE OF INTERNAL AUDIT

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March 11, 2021

Ms. Lori Silveira
Executive Director
Rhode Island Turnpike and Bridge Authority
One East Shore Road, P.O. Box 437
Jamestown, RI 02835

Dear Ms. Silveira:

The Office of Internal Audit (OIA) has completed its limited scope performance audit of the Rhode Island Turnpike and Bridge Authority (RITBA). OIA reviewed RITBA's compliance with the Quasi-Public Corporations Accountability and Transparency Act; process of interagency truck toll collections; and assessment of the effect of the pandemic crisis on the reduction of revenue and the ability to meet bondholder obligations. The audit was conducted in conformance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing and by the authority given to the unit as stated in accordance with Rhode Island General Laws (RIGL) § 35-7.1. The audit results were discussed with members of management in the preparation of this report.

RIGL § 35-7.1-10(d), entitled Annual and interim reports, states that, "Within twenty (20) calendar days following the date of the issuance of the management-response copy of the draft audit report, the head of the department, agency, public body, or private entity audited shall respond, in writing, to each recommendation made in the audit report." Accordingly, management submitted its response to the audit findings and recommendations on March 2, 2021 and such response is included in this report. Pursuant to this statute, the OIA 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 RITBA staff for the cooperation and courtesy extended to the members of our team during this audit.

Respectfully yours,

Dorothy Z. Pascale

Dorothy Z. Pascale, CPA, CFF
Chief

c— Honorable Senator Ryan W. Pearson Chairperson, Senate Committee on Finance
Honorable Marvin Abney, Chairperson, House Finance Committee
Jeff Goulart, Chief Financial Officer, Rhode Island Turnpike and Bridge Authority

Audit Executive Summary

Why the Office of Internal Audit Did This Review

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

The OIA conducted a limited scope audit of the RITBA to review its compliance with the Quasi-Public Corporations Accountability and Transparency Act; resolution of prior report findings; process of interagency truck toll collections; and assessment of the effect of the pandemic crisis on the reduction of revenue and the ability to meet bondholder obligations while maintaining operational and safety requirements.

Background Information

The Rhode Island Turnpike and Bridge Authority was created by the Rhode Island General Assembly in 1954. RITBA was created for the purpose of constructing, acquiring, maintaining, and operating bridge projects within the State. RITBA is comprised of a five-member board of directors, which includes the director of the Rhode Island Department of Transportation and four other members appointed by the governor.

RITBA oversees the operation and maintenance of fourteen bridges and connecting roadways within the State of Rhode Island including: The Newport Pell Bridge, the Mount Hope Bridge, the Jamestown Verrazzano Bridge, and the Sakonnet River Bridge. RITBA is committed to providing safe and efficient access to, and travel over, all four bridges.

What we Found

- Rhode Island Turnpike and Bridge Authority is complying with the Quasi-Public Corporations Accountability and Transparency Act in all areas examined.
- Rhode Island Turnpike and Bridge Authority fully resolved corrective actions from the prior audit report by establishing a foundation, separate and apart from itself, to hold charitable events.
- Appropriate processes and controls to address interagency transactions between RIDOT and RITBA related to truck toll collections and remittances have been implemented.
- Management evaluation of the effects of the pandemic (COVID-19) on the reduction of revenue and the ability to meet obligations to bondholders and maintain operational and safety requirements was appropriate and future projected revenue collections appear reasonable.

Suggested Improvement

- Request the electronic toll processing vendor complete a SOC 1 Type 2 report to ensure complementary user controls are appropriate.

Contents

Introduction..... 4

Recommendations and Management Responses 5

 Require SOC 1 Type 2 Report from Service Provider..... 5

Objective and Scope 5

Methodology 6

Introduction

The Rhode Island Turnpike and Bridge Authority mission is to oversee the operation and maintenance of fourteen bridges within the State of Rhode Island including: The Newport Pell Bridge, the Mount Hope Bridge, the Jamestown Verrazano Bridge, and the Sakonnet River Bridge, as well as connecting roadways. RITBA is committed to providing safe and efficient access to, and travel over, all bridges using funds generated from toll revenue, investments, and a percentage of the gasoline tax collected by the State. RITBA strives to

- Provide safe and efficient access to and travel over the Bridges
- Promote economic development in the State of Rhode Island and the region served by the Bridges
- Remain financially stable and able to fulfill its mission
- Provide excellent customer service
- Maintain a professional and efficient workforce committed to achieving the Authority goals.

As detailed in the *Objective and Scope* section herein, this audit focused on compliance with the Quasi-Public Accountability and Transparency Act; the resolution of prior report findings; process of interagency truck toll collections by evaluating the interagency risk between RITBA and Department of Transportation (DOT); and assessment of the effect of the pandemic crisis on the reduction of revenue and the ability to meet bondholder obligations while maintaining operational and safety requirements.

Included within the scope of this audit, was the effects of the pandemic to revenue. We noted RITBA engaged a consulting firm to perform an impact analysis to help management assess and project an estimated range of the potential impacts of the pandemic to toll revenue for the year ending June 30, 2021. Revenue sensitivity scenarios were prepared that considered three potential outcomes based on specific assumptions that vary based on the extent and the duration of the pandemic. The three potential outcomes were identified as “shorter duration,” “mid-range duration,” and “longer duration.” Management evaluated this information and used the most negative projection to budget for fiscal 2021. Management compares actual results to budgeted amounts on a yearly basis. The budget was prepared and presented to the board for approval on June 10, 2020.

As part of this audit, RITBA cash flow forecast was reviewed and evaluated, as well as requirements to deposit and maintain reserves based on requirements within existing bond indentures. Based on projected Operating Cash Flow, debt service requirements, and capital expenditures and the maintenance of its reserves, RITBA projections appear sufficient to meet its obligations.

Additionally, the Authority complied with the Quasi Transparency Act requirements and addressed the management corrective actions noted in the previous audit prior to the release of this audit report.

Recommendations and Management Responses

Require SOC 1 Type 2 Report from Service Provider

The purpose of a SOC 1 Type 2 report is to provide the contracting party (RITBA) assurance that processes and controls are designed and operating effectively at the service provider. According to the American Institute of Certified Public Accountants:

SOC for Service Organizations reports are designed to help service organizations that provide services to other entities, build trust and confidence in the service performed and controls related to the services through a report by an independent Certified Public Accountant.

RITBA management asserted that the service provider of electronic toll processing does not submit to RITBA a SOC 1 Type 2 report. RITBA utilizes the electronic toll processing vendor to provide the E-ZPass back office systems¹ which interfaces directly with toll points and associated gantries. All types of revenue, E-ZPass and Video transactions, are sent directly to the E-ZPass back office system for processing.

RITBA does not require the service organization to submit a SOC 1 Type 2 report. This report would provide independent assurance regarding the reliability of controls over financial data submitted to RITBA. RITBA assumes an increased risk of third party over reliance as a direct result of not requiring, receiving, or reviewing the vendor SOC report.

Recommendation:

1. Require a SOC 1 Type 2 report annually from the service provider.

Management's Response: RITBA is planning to issue a solicitation (Request for Proposals) for back office operations with an estimated implementation date of June 2022 or June 2023. This RFP will require the selected firm to provide a SOC 1 Type 2 report on an annual basis.

Responsible Party: RITBA

Anticipated Completion Date: June 2022 or June 2023 depending on final implementation schedule for the back-office operation

Objective and Scope

The Office of Internal Audit conducted a limited scope audit of the Rhode Island Turnpike and Bridge Authority (RITBA) for the period of fiscal year end June 30, 2020. The objective of the audit was to determine if RITBA complied with the requirements of the Quasi-Public Corporations Accountability and Transparency Act; document the process of interagency truck toll collections evaluating the interagency risk between RITBA and RI Department of Transportation (DOT); and assess the effect of the pandemic

¹ Back office systems include but are not limited to tolling revenue information which is reported in the RITBA financial statement.

crisis on the reduction of revenue and the ability to meet bondholder obligations while maintaining operational and safety requirements for the period of January 1, 2020 through February 2021.

Methodology

As part of our audit work, the OIA gained an understanding of the processes and controls over truck toll revenue collection and remittances as well as management's ability to compare revenues during the pandemic period to revenues previously forecasted. To address our audit objective, we performed the following:

- Requested information required under the Quasi-Public Corporations Accountability and Transparency Act.
- Searched website for adequate transparency disclosures.
- Reviewed prior OIA issued audit report and followed up on recommendations RITBA.
- Reviewed agreement between RI DOT and RITBA pertinent to truck toll collection.
- Reviewed processes and tested controls related to truck toll collection and remittances.
- Performed procedures to assess the effects of the pandemic and the ability to meet bondholder obligations.
- Compared outside consultant's budget estimates to RITBA internal budgets and projections.

The results of this limited scope audit are communicated within this report. The OIA used an external audit firm, CitrinCooperman, LLP (CC), to supplement its staff during the performance of this audit. CC performed the detailed audit work and was selected using a competitive bidding process.