

CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2012
ISSUED APRIL 19, 2013

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 18, 2013

Independent Auditor's Report

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
New Orleans, Louisiana**

We have audited the accompanying special purpose (legal basis) financial statements of the Crescent City Connection Division, a division of the Louisiana Department of Transportation and Development (DOTD), as of and for the year ended June 30, 2012, as listed in the table of contents. These special purpose financial statements are the responsibility of the Crescent City Connection Division's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1-A to the special purpose financial statements, the accompanying financial statements do not include all of the activity of the Crescent City Connection Division, which should be included to conform with accounting principles generally accepted in the United States of America. Activities relating to such items as movable property, compensated absences, pensions and other postemployment benefits, and certain federally funded capital outlay expenditures are reported separately with DOTD, State of Louisiana. These special purpose financial statements include only those activities as outlined in the notes to the financial statements. Furthermore, the special purpose financial statements have been prepared on a legal basis of accounting prescribed by the Division of Administration. These procedures differ from accounting principles generally accepted in the United States of America as described in the notes to the financial statements.

The effects on the financial statements of the variances between these accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Crescent City Connection Division as of June 30, 2012, or changes in its financial position for the year then ended.

Further, in our opinion, the accompanying special purpose financial statements referred to previously, present fairly, in all material respects, the financial position of the Crescent City Connection Division as of June 30, 2012, and the results of its operations for the year ended June 30, 2012, on the basis of accounting described in notes 1-A and 1-D.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 18, 2013, on our consideration of the Crescent City Connection Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the accompanying special purpose financial statements of the Crescent City Connection Division as a whole. The accompanying supplemental information schedules, including the Special Revenue Funds Combining Balance Sheet; Special Revenue Funds Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances; Debt Service Funds Combining Balance Sheet; and the Debt Service Funds Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances, on pages 19 through 23, are presented for the purpose of additional analysis and are not a required part of the special purpose financial statements of the Crescent City Connection Division. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the special purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special purpose financial statements or to the special purpose financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information is fairly stated in all material respects in relation to the special purpose financial statements as a whole.

This report is intended solely for the information and use of management of the Crescent City Connection Division, DOTD and its trustee bank, others within the entity, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large, prominent "D" and "P".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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CCCD 2012

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
GOVERNMENTAL FUND TYPES**

Combined Balance Sheet (Legal Basis), June 30, 2012

	GOVERNMENTAL FUND TYPES				TOTAL (MEMORANDUM ONLY)
	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUND	
ASSETS					
Cash (note 2)	\$4,700	\$142,623			\$147,323
Investments (note 3)		2,333,428	\$4,159,989	\$20,301,229	26,794,646
Due from DOTD				27,491	27,491
Due from Geauxpass		3,740,418			3,740,418
Due from Louisiana Transportation Authority		32,032			32,032
Due from state treasury (note 11)			6,694,898		6,694,898
Violations receivable		109,367			109,367
Due from other funds (note 9)	6,700,319	162,570		401,818	7,264,707
TOTAL ASSETS	\$6,705,019	\$6,520,438	\$10,854,887	\$20,730,538	\$44,810,882
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$3,112,631			\$387,086	\$3,499,717
Tag deposits		\$1,792,901			1,792,901
Due to DOTD		494,595			494,595
Due to Louisiana Transportation Authority		610,488			610,488
Due to Geauxpass		39,026			39,026
Due to other funds (note 9)	16,454	464,473	\$6,694,898	88,882	7,264,707
Deferred revenue (note 1-K)		3,118,955			3,118,955
Total Liabilities	3,129,085	6,520,438	6,694,898	475,968	16,820,389
Fund Balances:					
Restricted for:					
Operations (note 7)	3,575,934				3,575,934
Debt service (note 7)			4,159,989		4,159,989
Capital projects (note 7)				20,254,570	20,254,570
Total Fund Balances	3,575,934	NONE	4,159,989	20,254,570	27,990,493
TOTAL LIABILITIES AND FUND BALANCES	\$6,705,019	\$6,520,438	\$10,854,887	\$20,730,538	\$44,810,882

The accompanying notes are an integral part of this statement.

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
GOVERNMENTAL FUND TYPES**

**Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2012**

	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUND	TOTAL (MEMORANDUM ONLY)
REVENUES					
Interest on investments		\$15,067	\$49	\$245	\$15,361
Toll revenue		19,783,574			19,783,574
Scrip revenue - bridge and ferry		35,135			35,135
Ferry revenue		276,712			276,712
Highway Fund No. 2 (note 11)			6,694,898		6,694,898
Rental income and other income		390,831			390,831
Total revenues	NONE	20,501,319	6,694,947	245	27,196,511
EXPENDITURES					
Operational expenditures	\$22,500,418				22,500,418
Capital outlay expenditures				6,867,247	6,867,247
Interest expense (note 11)			157,923		157,923
Bonds redeemed (note 11)			2,215,000		2,215,000
Bank charges		49,733			49,733
Total expenditures	22,500,418	49,733	2,372,923	6,867,247	31,790,321
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(22,500,418)	20,451,586	4,322,024	(6,867,002)	(4,593,810)
OTHER FINANCING SOURCES (Uses)					
Transfers in from DOTD		141,433		27,491	168,924
Operating transfers in (note 10)	22,649,913	2,585,180	7,417,804	26,646,091	59,298,988
Operating transfers out (note 10)	(1,062,186)	(23,178,199)	(11,971,066)	(23,087,537)	(59,298,988)
Total financing sources (uses)	21,587,727	(20,451,586)	(4,553,262)	3,586,045	168,924
NET CHANGES IN FUND BALANCES	(912,691)	NONE	(231,238)	(3,280,957)	(4,424,886)
FUND BALANCES AT BEGINNING OF YEAR	4,488,625	NONE	4,391,227	23,535,527	32,415,379
FUND BALANCES AT END OF YEAR	\$3,575,934	NONE	\$4,159,989	\$20,254,570	\$27,990,493

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Crescent City Connection Division (the Division) is a body politic and corporate of the State of Louisiana, incorporated under the authority of Act No. 7 of 1952, with power to acquire by purchase, lease, or otherwise, and to construct, improve, maintain, repair, and operate bridges and ferries across the Mississippi River in the City of New Orleans. Pursuant to the terms of the Reorganization Act of 1976, as amended, the Louisiana Department of Transportation and Development (DOTD), on July 1, 1977, assumed control of the operations of the then Mississippi River Bridge Authority. All of the functions of the authority's General Fund, including maintaining accounting records, issuing all checks for payroll, operations, routine maintenance expenses and contractual obligations were transferred to DOTD on that date. In July 1988, the payment of the operating expenses of the then Mississippi River Bridge Authority again became the responsibility of the authority. However, except for collecting and depositing toll revenues, the accounting records are maintained by DOTD. In April 1992, the Division issued \$30,860,000 of bonds under a Second Supplemental Agreement to the 1954 Indenture and Deed of Trust to construct additional Mississippi River crossings and to make additions or improvements to the bridge and its approaches. In November 2002, the Division issued \$19,900,000 of bonds under an Amended and Restated Indenture and Deed of Trust to provide funds to refund all 1992 Bonds and to pay the costs of issuance. The Division, domiciled in New Orleans, employed 138 people as of June 30, 2012.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates generally accepted accounting principles and reporting standards for state and local governments. These principles are found in the Codification of Governmental Accounting and Financial Reporting Standards, published by the GASB. However, the accompanying special purpose financial statements have been prepared on a legal basis prescribed by the Division of Administration, Office of Statewide Reporting and Accounting Policy, which differs from accounting principles generally accepted in the United States of America as described in the following notes.

Furthermore, the financial statements do not reflect the total activities of the Division. Many of the activities of the Division such as movable property, compensated absences, and postemployment benefits are reported with DOTD, State of Louisiana, and are not readily separable from the records and accounts of DOTD. The Division's financial statements reflect only the following activities:

- Debt service funds for the purpose of refunding all 1992 Bonds and paying the cost of issuance, administered by the Trustee, Bank of New York (formerly JP Morgan Chase & Co.), in accordance with the Amended and

Restated Indenture and Deed of Trust dated as of November 1, 1954, as subsequently amended June 23, 1989; April 1, 1992; and November 1, 2002

- Collection of all tolls, Highway Fund No. 2 monies, and miscellaneous income
- Direct and allocated operating expenses incurred
- Capital projects fund and operating and maintenance expenditures
- Changes in fixed assets as they relate to the majority of the approaches to Bridge No. 2, ferries, and capital projects of the Division
- Changes in the long-term debt as they relate to payments on bonds issued for the purpose of refunding all 1992 Bonds and paying the cost of issuance

The capital assets and long-term obligations of the Division are not recognized in the accompanying financial statements. Amounts have been disclosed in the footnotes to the financial statements for use by the Division of Administration, Office of Statewide Accounting and Reporting Policy (OSRAP), in preparing the Comprehensive Annual Financial Report (CAFR) for the State of Louisiana. In addition, the funds do not include pension and other postemployment benefit obligations. These obligations are reflected in the State of Louisiana's basic financial statements.

B. REPORTING ENTITY

The State of Louisiana has been determined to be the reporting entity under accounting principles generally accepted in the United States of America. The accompanying financial statements present the activity of a division within a department of state government and, therefore, are a part of the funds of the State of Louisiana and its basic financial statements. Annually, the State of Louisiana issues a CAFR, which includes the activity contained in the accompanying financial statements. The CAFR is audited by the Louisiana Legislative Auditor.

C. FUND ACCOUNTING

The Division uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

Funds of the Division are classified as governmental funds. Governmental funds account for the Division's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of fixed assets, and the servicing of long-term debt. Governmental funds of the Division include the following:

1. The General Fund is used for the purpose of accounting for the operating expenses of the bridge and ferries and the administrative expenses of the Division. Transfers from special revenue funds provide the funds for these expenses.
2. Special revenue funds are used to account for the proceeds of specific revenue sources which by law are designated to finance particular functions or activities of the Division.
3. Debt service funds account for the accumulation of resources for, and transactions relating to the payment of long-term debt, principal, interest, and related costs.
4. The Capital Projects Fund accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Tolls paid at the toll booth and all scrip revenue are recorded when received. Prepaid tolls used in conjunction with a toll tag are recorded when measurable and available. Federal grants are recorded when the Division is entitled to the funds. Highway Fund No. 2 revenues are recorded when due. Interest earnings are recorded when the income is earned. Other revenues are recognized when they become measurable and available to finance expenditures of the current period, generally considered 45 days after the end of the fiscal year.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for accumulated annual and sick leave, which are recognized when paid, and principal and interest on long-term debt, which are not recognized until due.

Other Financing Sources (Uses)

Other financing sources (uses), representing transfers between funds, that are not expected to be repaid are recognized when they become measurable and available.

E. BUDGET PRACTICES

Budgets are prepared for all capital projects (Capital Projects Fund) based on estimated costs and are included in DOTD's budget for capital outlays. The budget for the General Fund is included within the budget of DOTD. Debt service funds are not subject to budget because all amounts are paid according to the trust agreement. Special revenue funds are also not subject to budget because most revenues are transferred to other funds. Therefore, budgetary comparison information is not included in these financial statements.

F. CASH AND INVESTMENTS

Cash includes cash on hand, demand deposits with financial institutions, and cash with the paying agent. Under state law, the Division may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States.

The Amended and Restated Indenture and Deed of Trust dated November 1, 2002, authorizes the Division to invest in direct U.S. obligations, U.S. government agency obligations (the principal and interest of which are fully guaranteed by the government of the United States), and direct and general obligations of the State of Louisiana. It also authorizes the Division to invest in certificates of deposit of any state bank or national association whose headquarters are in the State of Louisiana, repurchase agreements, money market funds registered under the Federal Investment Company Act of 1940 (whose shares are registered under the Federal Securities Act of 1933), as amended, and shares of an investment company organized under the Investment Company Act of 1940, as amended. Investments include money market funds, invested in U.S. government securities, U.S. Treasury notes and obligations of U.S. governmental agencies that are stated at fair value as required by GASB 31.

G. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital assets of governmental funds, including public domain and infrastructure assets, are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) at the government-wide level of reporting in the State of Louisiana's CAFR. These assets are valued at historical cost and depreciated using the straight-line method and an estimated useful life of 40 years.

Long-term obligations expected to be financed from governmental funds, including long-term debt due after July 1 of the subsequent year, are accounted for at the government-wide level of reporting in the State of Louisiana's CAFR.

H. COMPENSATED ABSENCES

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

The costs of current leave privileges are included in the operational expenditures on Statement B. The costs of leave privileges not requiring current resources are included in the notes of the annual fiscal report of DOTD and the State of Louisiana's CAFR.

I. FUND BALANCES

In the governmental fund financial statements, fund balances are classified as follows:

1. Non-spendable fund balance - amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted fund balance - amounts that can be spent only for specific purposes because of the Constitution of the State of Louisiana, other state and federal laws, or externally imposed conditions by grantors, creditors, or voter approved propositions.
3. Committed fund balance - amounts that can be used only for specific purposes determined by a formal action by DOTD.
4. Assigned fund balance - amounts that are constrained by DOTD's intent that they will be used for specific purposes.
5. Unassigned fund balance - all other amounts not included elsewhere.

J. FEDERAL FUNDS

The Division follows DOTD's guidelines to document compliance with federal laws and regulations. Federal Transit Administration (FTA) grants provide 80% federal funding for the capital project expenditures in the Capital Projects Fund and up to amounts of federal funding specified in the grant agreement for operation and maintenance expenditures in the General Fund. The capital project expenditures are paid by DOTD, who then receives 80% reimbursement directly from the FTA and is reimbursed the remaining 20% by the Division. The operating and maintenance expenditures are paid by DOTD, who then receives reimbursement from the FTA or the Division. FTA income and the corresponding expenditures that were funded for operations and maintenance are recorded and reported by the Division in the General Fund. FTA income and the

corresponding expenditures that were funded for capital outlay are recorded and reported by DOTD and are not recorded or reported by the Division.

K. DEFERRED REVENUE

Deferred revenue represents prepaid tolls at the end of the fiscal year that will be used in the subsequent accounting period. Prepaid tolls at June 30, 2012, are \$3,118,955.

L. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about amounts reported in the financial statements. Actual results could differ from those estimates.

M. TOTAL COLUMNS ON STATEMENTS

Total columns on the combined statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation.

2. CASH

At June 30, 2012, the Division has cash (book balances) totaling \$147,323 as follows:

Demand deposits with financial institutions	\$139,623
Cash on hand - toll collector change fund	<u>7,700</u>
Total	<u><u>\$147,323</u></u>

Under state law, demand deposits with financial institutions must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2012, the Division has \$63,210 in deposits (collected bank balances) secured by federal deposit insurance and pledged securities held at the Federal Reserve Bank in the name of the Division.

3. INVESTMENTS

At June 30, 2012, investments of the Division in the U.S. Treasury Plus Money Market Fund (money market fund) total \$26,794,646, which is shown on Statement A. The Division used quoted market values to determine the fair value of the investments. The money market fund consists of shares in investments in direct obligations of the U.S. Department of the Treasury including Treasury bills, bonds, and other obligations issued or guaranteed by the U. S. Treasury,

and repurchase agreements backed by such obligations. The Division's investments in the money market fund were rated AAAM by Standard & Poor's and Aaa-mf by Moody's Investors Service.

4. INFRASTRUCTURE

Infrastructure is defined as long-lived capital assets associated with governmental activities that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, tunnels, street signage, street lamps, traffic signals, drainage systems, water and sewer systems, dams, and lighting systems.

In fiscal year 2011, DOTD converted to the LaGov, an enterprise-wide resource program (ERP). The continued effect of the system conversion is reported as restatements of the beginning infrastructure asset balances.

The following information was requested by OSRAP to prepare the government-wide financial statements for the State of Louisiana's CAFR.

Infrastructure at June 30, 2012, is as follows:

	Year Ended June 30, 2012					Balance June 30, 2012
	Balance June 30, 2011	Prior Period Adjustments	Balance June 30, 2011 (Restated)	Additions	Retirements	
Roads and bridges	\$643,280,008		\$643,280,008			\$643,280,008
Less accumulated depreciation	372,088,789	\$84,105	372,172,894	\$15,462,271		387,635,165
Total roads and bridges	271,191,219	(84,105)	271,107,114	(15,462,271)	NONE	255,644,843
Construction-in-progress	13,337,979	(8,705,516)	4,632,463	1,470,189	NONE	6,102,652
Total infrastructure	\$284,529,198	(\$8,789,621)	\$275,739,577	(\$13,992,082)	NONE	\$261,747,495

Changes and balances of furniture, fixtures, automobiles, and operating equipment are not reflected in these financial statements because they are included within DOTD's annual report and reported in the government-wide financial statements in the State of Louisiana's CAFR.

5. LAND AND LAND IMPROVEMENTS

Land acquisitions for right-of-way are reported at cost, estimated cost, or estimated fair value at date of acquisition and include all expenses necessary to obtain title, such as legal fees.

The following information was requested by OSRAP to prepare the government-wide financial statements for the State of Louisiana's CAFR.

	Year Ended June 30, 2012			Balance June 30, 2012
	Balance June 30, 2011	Additions	Retirements	
Right-of-way	\$10,865,967	NONE	NONE	\$10,865,967

6. CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the fiscal year ended June 30, 2012:

	Bonded Indebtedness Payable at June 30, 2011			Bonded Indebtedness Payable at June 30, 2012		Amounts Due Within One Year
	Additions	Retirements				
Bridge Revenue Refund Bonds - Series 2002	\$4,540,000	NONE	\$2,215,000	\$2,325,000	\$2,325,000	

The bonds mature November 1, 2012, and accrue interest at rates of 2% to 5%. The bonds were issued for the purpose of refunding all 1992 Bonds and paying the cost of issuance. The final year of maturity of long-term debt is due during fiscal year ending June 30, 2013, and totals \$2,376,875, including interest payments of \$51,875.

The Division has accumulated a balance of \$4,159,989 dedicated to the payment of bonds.

7. RESTRICTED FUND BALANCES

As shown on Statement A, the Division has restricted fund balances of \$27,990,493 at June 30, 2012, which are restricted by enabling legislation. These balances are restricted as follows:

Restricted for Operations - Monies restricted in the General Fund (Bridge and Ferry) for operations of the Division amounted to \$3,575,934 at June 30, 2012.

Restricted for Debt Service - Monies restricted in the debt service funds in accordance with the Third Supplemental Bond Indenture dated November 1, 2002, amounted to \$4,159,989 at June 30, 2012.

Restricted for Capital Projects - Monies restricted in the Capital Projects Fund for ongoing projects amounted to \$20,254,570 at June 30, 2012.

8. LITIGATION AND CLAIMS

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund or by state General Fund appropriation and are not

reflected in the accompanying special purpose financial statements. The self-insurance fund is operated by the Office of Risk Management, the state agency responsible for the state's self-insurance program.

9. DUE FROM/TO OTHER FUNDS

Individual fund balances due from/to other funds at June 30, 2012, are as follows:

	<u>Due from Other Fund</u>	<u>Due to Other Fund</u>
General Fund	\$6,700,319	\$16,454
Special Revenue Funds:		
Toll Tag Deposits		464,473
Toll Collection Fund	162,570	
Debt Service Funds		6,694,898
Capital Projects Fund	<u>401,818</u>	<u>88,882</u>
Total	<u>\$7,264,707</u>	<u>\$7,264,707</u>

10. OPERATING TRANSFERS IN/OUT

The bond indenture specifies the specific manner in which revenues are to be deposited and distributed to the various funds. Under the 2002 revision of the bond indenture, all revenues pledged for the payment of the bonds, including revenues from the Highway Fund No. 2, are deposited into the Debt Service Fund and then distributed to the General Fund after all debt service requirements have been met. All revenues derived from tolls imposed on the bridges and ferries are deposited into the Toll Collection Fund and then distributed to the General Fund. Monies in the General Fund can be used to operate and maintain the bridges and ferries, for authorized projects, and for any lawful purpose of the Division.

The distributions of these revenues are shown as operating transfers. The following is a summary of the operating transfers in and out for the year ended June 30, 2012.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$22,649,913	\$1,062,186
Special Revenue Funds:		
Toll Tag Deposits		34,035
Toll Collection Fund	2,585,180	23,144,164
Debt Service Funds:		
Reserve Fund		621,068
Sinking Fund	2,710,880	
Interest Fund	51,835	
Debt Service Fund	4,655,089	11,349,998
Capital Projects Fund	<u>26,646,091</u>	<u>23,087,537</u>
Total	<u>\$59,298,988</u>	<u>\$59,298,988</u>

11. PLEDGED REVENUES

The Mississippi River Bridge Authority (the Authority) issued its bridge revenue refunding bonds in 2002 for the Crescent City Connection Project in the amount of \$19,900,000 to refund all or a portion of the outstanding 1992 Bonds and fund the costs of issuance. The bonds are payable from and secured by a pledge of Highway Fund No. 2 monies (comprised of the annual vehicular license taxes collected in six parishes), income earned from investments, and any other monies accruing to the Authority. The Authority has obligated the Highway Fund No. 2 monies to cover the principal and interest requirements until the bonds are fully paid in 2012. The Authority earned \$6,694,898 of Highway Fund No. 2 revenue plus interest earned as of June 30, 2012, and paid principal and interest of \$2,215,000 and \$157,923, respectively, on the bonds. The outstanding bond principal and interest is \$2,325,000 and \$51,875, respectively.

12. COOPERATIVE ENDEAVORS

R.S. 33:9022 defines cooperative endeavor as any form of economic development assistance between and among the state, its local government subdivisions, political corporations, public benefit corporations, the U.S. government or its agencies, or any public or private association, corporation, or individual. The term “cooperative endeavor” includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The Division has entered into one cooperative agreement. The agreement is with the City of Gretna. The agreement is to improve access to the bridges and is funded with toll collections (self-generated revenues). The estimated amount outstanding as of June 30, 2012, for the agreement is \$2,374,083, which is not reflected in the accompanying financial statements.

13. ELIMINATION ENTRIES

Certain information concerning revenue and expenditure transactions and related receivables and payables of the Division is also included in the annual financial statements of DOTD. The Division provided information to OSRAP to allow OSRAP to eliminate this duplicate reporting in the state's CAFR. Information regarding these elimination entries is not included in this report.

14. SUBSEQUENT EVENTS

On November 6, 2012, voters in Jefferson, Orleans, and Plaquemines parishes voted to decide whether or not to renew tolls for a 20-year period. The tolls were set to expire on December 31, 2012. The extension was narrowly approved. However, on March 5, 2013, based on a lawsuit filed in state court, the judge presiding over the case declared the election a nullity and ordered a new election. DOTD suspended collection of the tolls that date. The new election will be held May 4, 2013. Regardless of the outcome of the election to be held on May 4, 2013, Act 866 of the 2012 Regular Legislative Session dissolved the Division and placed all operations related to the CCC bridge and ferries within DOTD, effective January 1, 2013.

SUPPLEMENTAL INFORMATION SCHEDULES

SPECIAL REVENUE FUNDS

TOLL TAG DEPOSIT FUND

The Toll Tag Deposit Fund is used to account for all deposits made on toll tags issued. These deposits are refundable upon return of the toll tag device.

TOLL COLLECTION FUND

The Toll Collection Fund accounts for all tolls imposed on the bridges and ferries collected by the Division.

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
SPECIAL REVENUE FUNDS**

Combining Balance Sheet (Legal Basis), June 30, 2012

	TOLL TAG DEPOSIT FUND	TOLL COLLECTION FUND	TOTAL
ASSETS			
Cash		\$142,623	\$142,623
Investments	\$2,223,365	110,063	2,333,428
Due from Geauxpass		3,740,418	3,740,418
Due from Louisiana Transportation Authority		32,032	32,032
Violations receivable		109,367	109,367
Due from other funds		162,570	162,570
	<u>\$2,223,365</u>	<u>\$4,297,073</u>	<u>\$6,520,438</u>
TOTAL ASSETS			
	<u>\$2,223,365</u>	<u>\$4,297,073</u>	<u>\$6,520,438</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Tag deposits	\$1,792,901		\$1,792,901
Due to DOTD		\$494,595	494,595
Due to Louisiana Transportation Authority		610,488	610,488
Due to Geauxpass		39,026	39,026
Due to other funds	464,473		464,473
Deferred revenue		3,118,955	3,118,955
Total Liabilities	<u>2,257,374</u>	<u>4,263,064</u>	<u>6,520,438</u>
Fund balance	<u>(34,009)</u>	<u>34,009</u>	<u>NONE</u>
TOTAL LIABILITIES AND FUND BALANCES			
	<u>\$2,223,365</u>	<u>\$4,297,073</u>	<u>\$6,520,438</u>

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
SPECIAL REVENUE FUNDS**

**Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2012**

	TOLL TAG DEPOSIT FUND	TOLL COLLECTION FUND	TOTAL
REVENUES			
Interest on investments	\$26	\$15,041	\$15,067
Toll revenue		19,783,574	19,783,574
Scrip revenue - bridge and ferry		35,135	35,135
Ferry revenue		276,712	276,712
Rental income and other income		390,831	390,831
Total revenues	<u>26</u>	<u>20,501,293</u>	<u>20,501,319</u>
EXPENDITURES - bank charges	<u>NONE</u>	<u>49,733</u>	<u>49,733</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>26</u>	<u>20,451,560</u>	<u>20,451,586</u>
OTHER FINANCING SOURCES (Uses)			
Transfers in from DOTD		141,433	141,433
Operating transfers in		2,585,180	2,585,180
Operating transfers out	(34,035)	(23,144,164)	(23,178,199)
Total financing sources (uses)	<u>(34,035)</u>	<u>(20,417,551)</u>	<u>(20,451,586)</u>
NET CHANGES IN FUND BALANCES	(34,009)	34,009	NONE
FUND BALANCES AT BEGINNING OF YEAR	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
FUND BALANCES AT END OF YEAR	<u>(\$34,009)</u>	<u>\$34,009</u>	<u>NONE</u>

SUPPLEMENTAL INFORMATION SCHEDULES

DEBT SERVICE FUNDS

RESERVE FUND

The Reserve Fund is used to account for those funds restricted by the indenture to be used to pay bond principal and interest should the other funds not have sufficient funds to meet current obligations. The trustee is directed to use these funds to meet debt payments only if the Debt Service Sinking Fund is exhausted.

SINKING FUND

The Sinking Fund is used to account for those expenditures made to liquidate current bond principal.

INTEREST FUND

The Interest Fund is used to account for expenditures related to the accrued interest on bonds.

DEBT SERVICE FUND

The Debt Service Fund is used to account for those revenues pledged to the payment of bonds issued under the amended and restated bond indenture.

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
DEBT SERVICE FUNDS**

Combining Balance Sheet (Legal Basis), June 30, 2012

	RESERVE FUND	SINKING FUND	INTEREST FUND	DEBT SERVICE FUND	TOTAL
ASSETS					
Investments	\$1,213,975	\$2,946,014			\$4,159,989
Due from state treasury				\$6,694,898	6,694,898
	<u>\$1,213,975</u>	<u>\$2,946,014</u>		<u>\$6,694,898</u>	<u>6,694,898</u>
TOTAL ASSETS	<u><u>\$1,213,975</u></u>	<u><u>\$2,946,014</u></u>	<u><u>NONE</u></u>	<u><u>\$6,694,898</u></u>	<u><u>\$10,854,887</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities - due to other funds				\$6,694,898	\$6,694,898
Fund balance - restricted for debt service	\$1,213,975	\$2,946,014			4,159,989
	<u>\$1,213,975</u>	<u>\$2,946,014</u>		<u>\$6,694,898</u>	<u>4,159,989</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$1,213,975</u></u>	<u><u>\$2,946,014</u></u>	<u><u>NONE</u></u>	<u><u>\$6,694,898</u></u>	<u><u>\$10,854,887</u></u>

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
DEBT SERVICE FUNDS**

**Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2012**

	RESERVE FUND	SINKING FUND	INTEREST FUND	DEBT SERVICE FUND	TOTAL
REVENUES					
Interest on investments	\$14	\$35			\$49
Highway Fund No. 2				\$6,694,898	6,694,898
Total revenues	<u>14</u>	<u>35</u>	<u>NONE</u>	<u>6,694,898</u>	<u>6,694,947</u>
EXPENDITURES					
Interest expense			\$157,923		157,923
Bonds redeemed		2,215,000			2,215,000
Total expenditures	<u>NONE</u>	<u>2,215,000</u>	<u>157,923</u>	<u>NONE</u>	<u>2,372,923</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES					
	<u>14</u>	<u>(2,214,965)</u>	<u>(157,923)</u>	<u>6,694,898</u>	<u>4,322,024</u>
OTHER FINANCING SOURCES (Uses)					
Operating transfers in		2,710,880	51,835	4,655,089	7,417,804
Operating transfers out	(621,068)			(11,349,998)	(11,971,066)
Total financing sources (uses)	<u>(621,068)</u>	<u>2,710,880</u>	<u>51,835</u>	<u>(6,694,909)</u>	<u>(4,553,262)</u>
NET CHANGES IN FUND BALANCES	<u>(621,054)</u>	<u>495,915</u>	<u>(106,088)</u>	<u>(11)</u>	<u>(231,238)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>1,835,028</u>	<u>2,450,100</u>	<u>106,088</u>	<u>11</u>	<u>4,391,227</u>
FUND BALANCES AT END OF YEAR	<u>\$1,213,974</u>	<u>\$2,946,015</u>	<u>NONE</u>	<u>NONE</u>	<u>\$4,159,989</u>

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws and regulations and other matters required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 18, 2013

Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards*

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
New Orleans, Louisiana**

We have audited the special purpose (legal basis) financial statements of the Crescent City Connection Division, a division of the Louisiana Department of Transportation and Development (DOTD), as of and for the year ended June 30, 2012, and have issued our report thereon dated April 18, 2013. Our report was modified to include an adverse opinion on the presentation of the financial statements in accordance with generally accepted accounting principles (unqualified opinion on legal basis presentation). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Crescent City Connection Division is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Crescent City Connection Division's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Crescent City Connection Division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Crescent City Connection Division's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material

weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies to be material weaknesses.

Weaknesses in Controls Over Toll and Violation Collection

The Crescent City Connection Division (Division) continues to have weaknesses in its controls over collecting Crescent City Connection (CCC) bridge tolls and violations as follows:

- Since implementation (December 2008) until May 2012, the upgraded electronic toll collection system did not charge a toll or issue a violation against a user's Geauxpass account if it had an insufficient balance. Geauxpass account holders who had insufficient funds in their accounts were allowed repeated free passage until new funds were added to the account.
- Approximately one million violation images from prior years remain unprocessed and unbilled because of system and personnel constraints. The risk of not collecting these violations increases the longer they remain unbilled.
- The Division has failed to send notices of delinquency for approximately 206,700 toll violations as required by Louisiana Revised Statute 47:820.5.2(G). After issuing a violation notice, state law requires the Division's violation clerk to notify violators by first class mail after 30, 45, and 60 days of their delinquency in paying. However, no first, second, or third notices of delinquency have ever been mailed out for CCC toll violations. State law also allows the Division to charge late fees ranging from \$5 to \$20 depending upon the length of time the violator fails to respond to the first violation notice. In addition, state law requires that the third notice of delinquency should generate a notification to the Louisiana Office of Motor Vehicles to prevent renewal of the violator's driver's license or registration of the vehicle until the matter has been resolved. Failure to issue delinquency notices impairs the Division's ability to collect violation fines and fees and places the Division in noncompliance with state law.

- Violations of vehicles with out-of-state license plates remain unbilled through fiscal year 2012 because there was no process in place to identify the registration details of these vehicles. Toll revenues may be permanently lost if the vehicle owners are not properly identified and notices sent in a timely manner.
- Management did not have a function in place to request updated credit card information or to notify Geauxpass account holders of a card rejection. The lack of such a function leads to an excessive amount of rejections and violations from customers who assumed that payment was made. Personnel and system resources are required to process these violations and there is potential loss of revenues if the violations are not billed in a timely manner.

Good business practices require that controls related to collection of tolls and violations enable the Division to maximize revenue collections.

Management should ensure the following: (1) Geauxpass accounts are modified to ensure that all toll transactions are properly charged against a valid Geauxpass account or a violation notice generated if funds were insufficient. (2) All outstanding violation images are processed promptly and violators billed timely. (3) Procedures are implemented to ensure that violation notices are mailed properly and proceed through the entire violation process timely and in accordance with state law. (4) A process is developed to identify the registration details of out-of-state vehicles and timely bill those violators. (5) An automatic or manual procedure to request updated credit card information and/or inform customers when the credit card transaction has been rejected. Management substantially concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-4).

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency to be a significant deficiency.

Inadequate Controls Over Accounts Payable

The Division incorrectly classified four (22%) of 18 expenditure transactions tested as fiscal year 2013 transactions instead of fiscal year 2012 transactions, resulting in a \$217,444 understatement of General Fund accounts payable, expenditures, and related note disclosures.

Although the Division has procedures in place for multiple levels of review to ensure transactions are entered accurately and in the correct fiscal year, the 22% error rate in transactions tested indicates that the review process needs improvement to be effective in preventing these types of errors from occurring.

Good internal controls over financial reporting should include (1) adequate procedures to record, process, and transmit financial data needed to prepare accurate and complete

financial statements; (2) adequate training and supervision of staff; and (3) an effective review of financial statement data to ensure errors are detected and corrected before submitting the financial statements to the Legislative Auditor for audit and to the Division of Administration, Office of Statewide Reporting and Accounting Policy for inclusion in the state's Comprehensive Annual Financial Report.

Management should ensure that employees post transactions to the correct fiscal year and that supervisors conduct an effective review of these transactions to ensure they are posted to the correct fiscal year. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 5-6).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Division's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Division's responses to the findings identified in our audit are attached in Appendix A. We did not audit the Division's responses, and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management of the Division, DOTD and its trustee bank, others within the entity, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

JRH:RR:EFS:THC:ch

CCCD 2012

APPENDIX A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



Office of Operations

PO Box 94245 | Baton Rouge, LA 70804-9245
Phone: 225-379-1836

Bobby Jindal, Governor
Sherri H. LeBas, P.E., Secretary

March 5, 2013

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804

**RE: Crescent City Connection Division
Single Audit Finding
Weakness in Controls over Toll and Violation Collection
Legislative Auditor Letter dated February 8, 2013**

Dear Mr. Purpera:

The Department is in receipt of your single audit finding titled "Weakness in Controls Over Toll and Violation Collection". I appreciate the opportunity to respond to the finding and also to have my response letter included as an attachment in the final report.

The DOTD's tolling system which serves toll facilities on the Crescent City Connection (CCC) in New Orleans and La. 1 in Fourchon is now functional and specifically able to access violator information. Since the late 2011 settlement of the lawsuit with the previous system integrator, DOTD staff and consultants have made great strides to ensure the toll collection software is fully functional and meets industry standards. Many of the improvements and fixes have been in the part of the system that creates the violation notices, specifically working with the state's Office of Motor Vehicles to ensure the accuracy of the registered owner of the vehicles is up to date. DOTD has also negotiated reciprocity contracts with Texas and Mississippi to share information for identification of out-of-state violators. This has been an issue with tolling systems across the country. The ultimate goal is to work toward an agreement whereby other state collection services can be utilized to obtain tolls due to Louisiana.

NOTE: Louisiana Legislative Auditor (LLA) Statements and Findings are italicized and preceded by "LLA".

LLA: The Crescent City Connection Division (CCCD) continues to have weaknesses in its controls over collecting Crescent City Connection (CCC) Bridge tolls and violations as follows:

LLA: Since implementation (December 2008) until May 2012, the electronic toll collection system did not charge a toll or issue a violation against a user's Geauxpass account if it had an insufficient balance. Geauxpass account holders who had insufficient funds in their accounts were allowed repeated free passage until new funds were added to the account.

DOTD RESPONSE: We concur with the finding. This system problem was corrected on May 2, 2012. The statute, La.R.S.47:820.5.2, allows for payment by charge to "valid" account. Per the statute, the toll tag must have a minimum of \$0.40 in the account to be a "valid account" for CCC. Prior to May 2, 2012, a system enforced business rule existed that would NOT allow a toll account to be driven negative; the result being accounts with LESS than \$0.40 would not incur a toll as the account did not have a sufficient balance to pay the toll. Since May 2, 2012, each and every toll tag (GeauxPass) equipped vehicle that passes over the bridge having a GeauxPass account balance less than the full amount of the incurred toll is treated as a violator. A violation notice is sent to the registered owner of the vehicle.

LLA: *Approximately one (1) million violation images from prior years remain unprocessed and unbilled because of system and personnel constraints. The risk of not collecting these violations increases the longer they remain unbilled.*

DOTD RESPONSE: We concur with the finding. There are approximately one (1) million images from CCC that must be reviewed. DOTD is contracting out the review of these images. A task order has been issued to an existing retainer contract for image review.

LLA: *The Division has failed to send notices of delinquency for approximately 206,700 toll violations as required by Louisiana Revised Statute 47:820.5.2(G). After issuing a violation notice, state law requires the Division's violation clerk to notify violators by first class mail after 30, 45, and 60 days of their delinquency in paying. However, no first, second, or third notices of delinquency have ever been mailed out for CCC toll violations. State law also allows the Division to charge late fees ranging from \$5 to \$20 depending upon the length of time the violator fails to respond to the first violation notice. In addition, state law requires that the third notice of delinquency should generate a notification to the Louisiana Office of Motor Vehicles to prevent renewal of the violator's driver's license or registration of the vehicle until the matter has been resolved. Failure to issue delinquency notices impairs the Division's ability to collect violation fines and fees and places the Division in noncompliance with state law.*

DOTD RESPONSE: We concur with the finding. La.R.S. 47:820.5.2 is the controlling statute for CCC tolls. However, violation notices were sent out in FY12 even though late notices were not sent. As of June 30, 2012, there was only one FY12 violation for a known, Louisiana licensed violator which had not received at least the first notice required by law. Furthermore, the Louisiana Attorney General's office is pursuing collection on behalf of the Division for amounts owned as of the date of final delinquency.

Out-of-state plate violators are not included and the one (1) million in the administrative backlog remain for handling. The actions taken in FY12 regarding the backlog is discussed below.

LLA: *Violations of vehicles with out-of-state license plates remain unbilled through fiscal year 2012 because there is no process in place to identify the registration details of these*

vehicles. Toll revenues may be permanently lost if the vehicle owners are not properly identified and notices sent in a timely manner.

DOTD RESPONSE: We concur with the finding. This is not a system issue, but a legal and common industry issue that has been addressed with Texas and Mississippi. Texas and Mississippi are the two out of state plates that DOTD sees most often in toll violations. During FY12, DOTD entered into an agreement with the North Texas Toll way Authority and Mississippi DOR to exchange violator license plate numbers. ETC, the electronic toll vendor, has modified the CCCD/LA1 back-office system to reciprocally exchange vehicle owner information for toll violators whose out-of-state license plates were captured at the tolling point on a regular basis so DOTD Customer Service representatives may begin to routinely issue toll violations to Texas and Mississippi violators. DOTD is identifying a path with other States to access their license plate data bases as well.

LLA: *Management does not have a function in place to request updated credit card information, or to notify Geauxpass account holders of a card rejection. The lack of such a function leads to an excessive amount of rejections and violations from customers who assumed that payment was made. Personnel and system resources are required to process these violations and there is potential loss of revenues if the violations are not billed in a timely manner.*

DOTD RESPONSE: We concur in part with the finding. GeauxPass Account holders who pass through ANY toll lane at CCCD have always been notified via a series of red/yellow/green lights, that there is a problem with the toll tag account and that the customer should call the tag office. Note that the customer notification light is not intended to be used as an account management tool; it is intended to communicate a predefined range of funds in an account. The burden to maintain an account in good standing is the responsibility of the GeauxPass holder. The auto-replenishment agreement, warns the customer, "You are responsible for updating all credit card information when needed." As originally scoped and currently set up, the system DOES NOT notify customers by mail that their credit card is about to expire. We have explored the addition of this functionality to the current system. ETC can provide DOTD with an enhancement which will generate four types of letters: a low balance letter, negative balance letter, credit card expiration letter, and a failed auto-replenishment letter. The notices can be mailed and/or emailed. DOTD is having this service added as a system enhancement for about \$60,000-\$80,000. This feature will be available for use in the spring of 2013. Additionally, there will be an additional cost to process and mail the letters.

Corrective Action Plan

As evidenced by our Management Responses contained herein, we believe that corrective action plans are in place to address controls related to collection of tolls and violations.

Specifically, our action plans will insure that:

- *Geauxpass accounts are modified to ensure that all toll transactions are properly charged against a valid Geauxpass account, or a violation notice generated if funds are insufficient.*
- *All outstanding violation images are processed promptly and violators billed timely.*
- *Procedures are implemented to ensure that violation notices are mailed properly and proceed through the entire violation process timely and in accordance with state law.*
- *A process is developed to identify the registration details of Texas and Mississippi out-of-state vehicles and timely bill those violators.*
- *An automatic or manual procedure to request updated credit card information and/or inform customers when the credit card transaction has been rejected.*

Thank you for the opportunity to respond to this report and to have this Management Response letter included in the final audit report. Please feel free to contact me, or Michael Bridges, Undersecretary, should you have any questions.

Sincerely,



Sherri H. LeBas, P.E.
Secretary

C: Mr. Ricky Rodriguez, CPA, LLA
Mr. Rhett Desselle, DOTD Asst. Secretary
Mr. Michael Bridges, P.E., DOTD Undersecretary
Mr. David Tippett, CCCD Administrator
Ms. Beverly Hodges, DOTD Financial Service Administrator
Mr. John Lyon, DOTD External Audit Director



Office of the Secretary
PO Box 94245 | Baton Rouge, LA 70804-9245
ph: 225-379-1200 | fx: 225-379-1851

Bobby Jindal, Governor
Sherri H. LeBas, P.E., Secretary

April 16, 2013

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804

**RE: Department of Transportation and Development Crescent City Connection
Audit Finding – Inadequate Controls over Accounts Payables**

Dear Mr. Purpera:

The Department is in receipt of your single audit finding titled “Inadequate Controls over Accounts Payables”. I appreciate the opportunity to respond to the finding and also to have my response letter included as an attachment in the final report.

We concur with the finding.

The accounts payables were recorded when CCCD, Account Specialist entered the invoices for payment, which were reviewed by the CCCD Account Manager on location and then forwarded to HQ Financial Services for posting. Financial Services conducts a second review of the documentation prior to posting. These two levels of review are designed to identify and correct any inaccuracies. During the 45-day close both prior and current periods remain open for posting which increases the likelihood a posting error may occur. Two levels of review are designed so that accuracy inclusive of posting period is reviewed and corrected when in error.

Action Plan – Act 866 of the 2012 session terminated the CCCD effective January 1, 2013. Consequently, 2012 is the last fiscal close with accruals for CCCD. The recording duties will be transferred to the business offices of existing DOTD sections (45, 02, 55) respectively. The accounts payable period misclassification is a training issue. As noted in the DOTD Agency audit, the Districts will be reminded of the importance of proper period posting in our annual AFR training and Financial Services Disbursements staff will receive additional training to ensure that the proper accounting period is recorded in the 45-day close. DOTD may consider a yearly

Daryl Pupera
April 16, 2013
Page 2 of 2

Internet notice to vendors, prior to the 45-day close, requesting outstanding invoices. A reduction in the necessity to post in the prior period could ultimately reduce the number of postings and chances for inaccuracies.

Thank you for the opportunity to respond to this audit finding and to have this Management Response letter included in the final audit report. Please feel free to contact me or Michael Bridges, Undersecretary, should you have any questions.

Sincerely,



Sherri H. LeBas, P.E.
Secretary

C:

Mr. Ricky Rodriguez, C.P.A., LLA
Mr. Michael Bridges, P.E., DOTD Undersecretary
Ms. Beverly Hodges, C.P.A., DOTD Financial Services Administrator
Ms. Linda McNeil, Internal Auditor
Mr. John Lyon, DOTD External Audit Director