

Public Private Partnerships Internal Control and Oversight

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by

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Picking Up The Tab Funds Needed in the Next 20 Years

Roads & Bridges*	\$460,000,000	**
Wastewater	\$390,000,000	
Drinking Water	\$220,000,000	
Schools	\$127,000,000	
Rails	\$125,000,000	
Navigable Waterways	\$125,000,000	
Dams	\$20,000,000	

* 27% of US' 590,000 bridges are rated structurally deficient

** Motorist currently pay \$54 billion per year for road repairs & maintenance

Source: Business Week May 7, 2007

Picking Up The Tab

Show me the Money!

Morgan Stanley, estimates that 30 funds are being raised around the world that could wield as much as \$500 billion in buying power for U.S. assets.

Source: Business Week May 7, 2007



***Hey buddy...
Wanna Buy a
Bridge?***

**Other Examples of P-P-P
Throughout History.....**



*Great Pyramids
At Giza*



*17th Century
Dutch & British
Trading
Companies*



*Original IRT, BMT
& IND NYC
Subway Lines*

Public Purpose – Public Good

“Property does become clothed with a public interest when used in a manner to make it of public consequence, and affect the community at large”

Source: Munn vs. Illinois 94 US 113 (1877)

How Government Reins in Private Enterprise that Affects Public Purpose

- o *Regulation*
- o *Antitrust Laws*
- o *Public Enterprise*

Who Develops Our Public Works

- ***Government Agency Using Public Employees and/or Private Contractors***
- ***Public Authorities/Public Enterprise***
- ***Private Sector Donations***
- ***Public-Private Partnerships***
- ***Private Developers***

Oversight Over Public Works: Public vs. Private

- *No Difference in Objectives*
- *No Difference in Methods/Techniques*
- *Private Development/Operation May be More Complex*
- *Private Development/Operation May require more timely oversight*

COSO Internal Control Objectives

- o *Effectiveness & Efficiency of Operations*
 - o *Reliable Financial (and other) Reporting*
 - o *Compliance with Laws & Regulations*
- Plus GAO Performance Audit Standard:*
- o *Safeguarding of Assets*

COSO Elements of Internal Control

- o *Control Environment*
- o *Risk Assessment*
- o *Control Procedures*
- o *Communications*
- o *Monitoring*

NYS Industrial Access Program Overview

- o *Chapter 54 of the Laws of 1985*
- o *About \$25 million per year for access roads, ports and rail facilities*
- o *Designed to support economic development projects where no other sources are available*
- o *municipal sponsor (typically an IDA)*
- o *60% grant/40% interest free loan*

NYS Industrial Access Program Controls

- o *Project approval*
- o *Written agreement (State-Sponsor-Business-Contractor)*
- o *Cost Reimbursement*
- o *Independent Public Accountant (IPA) Audit*
- o *Project Acceptance*
- o *Audit Review*

NYS Industrial Access Program Audit Review Issues

- o Invoice for work before project authorization*
- o No repayment agreement*
- o No Verification of project acceptance*
- o No Verification of contractor payments*

Other P-P-P Issues

- o *Monitoring performance*
- o *Monitoring lease and financing terms*
- o *Procurement procedures*
- o *Guidelines for buy-out or lease transfer*
- o *Related parties/excessive compensation*
- o *Asset valuation*
- o *Other compliance issues*

P-P-P Oversight – What's Needed

- o *Develop Guidance*
- o *Train audit, procurement and program/project management staff on monitoring and oversight.*

+++

Where is John Jeffers when you need him?



***There is nothing new
under the sun!***

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