

PERFORMANCE AUDIT REPORT

Pennsylvania Turnpike Commission

September 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General

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TIMOTHY L. DEFOOR
AUDITOR GENERAL

August 24, 2022

The Honorable Wadud Ahmad
Chair
Pennsylvania Turnpike Commission
P.O. Box 67676
Harrisburg, PA 17106-7676

Mr. Mark P. Compton
Chief Executive Officer
Pennsylvania Turnpike Commission
P.O. Box 67676
Harrisburg, PA 17106-7676

Dear Commission Chair Ahmad and Mr. Compton:

This report contains the results of the Department of the Auditor General's performance audit of the Pennsylvania Turnpike Commission (Commission). This audit was conducted pursuant to Section 706(b) of the Administrative Code of 1929, added by Act 122 of 1988, which provides that "the Auditor General shall, on a quadrennial basis, conduct a financial audit and compliance audit of the affairs and activities" of the Commission.¹ In addition, in accordance with Section 8204(b)(1) of Title 74, Part IV, Chapter 82 (Turnpike Commission Standards of Conduct), Act 44 of 2007, as amended by Act 89 of 2013, the audit now includes a review of the performance, procedures, operating and capital budgets, debt, and accounts of the Commission.²

The audit was conducted in accordance with applicable *Government Auditing Standards*, as issued by the Comptroller General of the United States.³ 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹ 71 P.S. § 246(b).

² 74 Pa.C.S. § 8204(b)(1).

³ U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision Technical Update April 2021.

To fulfill our financial-related mandates, we did not conduct our own multi-year financial statement audit but instead, continued our past practice of reviewing the financial audit reports and working papers of the independent CPA firm that audited the Commission's financial statements for the fiscal years ended May 31, 2018, 2019, 2020, and 2021. Accordingly, we reviewed the CPA firm's financial audit reports and supporting audit documentation. We also performed additional procedures related to the Commission's operating and capital budgets. Further, we reviewed the Commission's debt as part of our performance audit discussed below.

Our performance audit covered the period June 1, 2018, through June 13, 2022, unless otherwise noted, with updates through the report date, and included the following three objectives:

- Determine if the Commission's revenue collections are meeting projected toll revenue expectations in order to meet its payment obligations and planned capital improvement projects.
- Evaluate the Commission's process for collecting tolls, including but not limited to E-ZPass and Toll By Plate (TBP), determine both the amount of tolls collected and the amount not collected, and examine possible enforcement mechanisms for uncollected tolls.
- Evaluate the Commission's vendor contracts and its related policies pertaining to customer service at rest areas for provisions regarding prohibiting racial discrimination and sexual harassment.

Our methodology to satisfy these audit objectives, along with our evaluation of management's internal controls significant to these audit objectives, is included in *Appendix A* of this report. This report presents three findings and 23 recommendations, 21 directed to the Commission and two to the Pennsylvania General Assembly.

As discussed in *Finding 1*, we found the Commission continues to face significant challenges to raise toll revenue in order to make future payments to the Pennsylvania Department of Transportation under the current Act 44/89 financial structure, its associated debt payments, and expenditures for capital projects. Specifically, we found:

- The consultants lowered traffic and revenue projections in its 2021 report from previous projections in 2018 due, in part, to the negative impact from the pandemic.
- The Commission's ability to make its projected debt payments depends upon traffic transactions continuing to recover from the effects of the pandemic, incurring less debt, and continuing to make positive adjustments to minimize expenses as it has in response to the pandemic.
- Annual costly toll increases continue to place an undue burden on Turnpike travelers.

In *Finding 2*, we discuss the Commission's uncollected tolls increases. We reviewed the Commission's bad debt expense which represents uncollected toll amounts billed from all tolling methods, including TBP and E-ZPass and the percentage of bad debt expense to Net Toll Revenue. We also reviewed the Commission's Revenue Assurance Plan Metric Report for the period June 2020 through May 2021 that reported \$104,955,858 in TBP transactions that did not generate revenue.

In *Finding 3*, we conclude the Commission's anti-discrimination language in its contracts for amenities provided to its customers at service plazas is outdated and lacking content. Additionally, we found the Commission failed to monitor the lessees' compliance with provisions included in the non-discrimination sections.

In addition to our current audit objectives, we conducted procedures to determine the status of the implementation of our prior audit findings and recommendations as presented in the audit report released in March 2019. Our prior performance audit covered the period June 1, 2015, through January 30, 2019, and contained two findings, one of which had a total of six recommendations. The prior report also contained the status of five previous prior audit findings, four of which had a total of seven additional recommendations.

The first finding in our prior audit report, related to the sustainability of the Commission, is incorporated into our current performance audit report in *Finding 1*. Our previous prior year finding relating to the increasing number of toll violations and total violation accounts receivable from the owners of vehicles, both in and out-of-state, that fail to pay the prescribed toll, is discussed in our current performance audit report *Finding 2*.

Regarding the other three previous prior findings with recommendations, we found that the two findings related to the amount of toll-free travel permitted for Commission employees and the tunnel project to install video cameras and an automatic fire detection system are partially resolved. For the third previous prior finding related to non-Commission employees, we continue to believe the Commission should be transparent regarding instances of toll-free usage of the Turnpike; however, since we made this recommendation in our last three audits, we will not reissue our recommendation. Our discussions regarding the two partially resolved findings include two recommendations.

In closing, we thank the Commission for its cooperation and assistance during the audit. The Commission is in general agreement with *Findings 1* and *2* and committed to implementing many of the recommendations. Regarding *Finding 3*, although the Commission disagreed with recommendations related to amending anti-discrimination language in its contracts, it generally agreed with recommendations regarding posting customer complaint signage and establishing policies or procedures to monitor lessees' compliance with contract non-discrimination

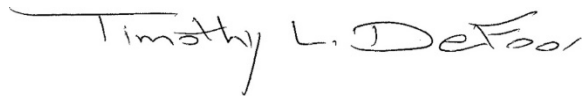
The Honorable Wadud Ahmad and Mr. Mark P. Compton

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requirements. We reserve the right to follow up at an appropriate time to determine whether and to what extent our recommendations have been implemented.

Sincerely,

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a horizontal line extending from the left of the first name.

Timothy L. DeFoor
Auditor General

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Executive Summary

The Department of the Auditor General is required by state law to routinely audit the Pennsylvania Turnpike Commission (Commission). Specifically, state law mandates that “the Auditor General shall, on a quadrennial basis, conduct a financial audit and compliance audit of the affairs and activities of the Commission.”⁴ Also, pursuant to Act 44 of 2007, as amended by Act 89 of 2013, the audit must now include a review of the performance, procedures, operating and capital budgets, debt, and accounts of the Commission.⁵

To fulfill our financial-related mandates, we reviewed the working papers and financial audit reports of the CPA firm, for the fiscal years ended (FYE) May 31, 2018, 2019, 2020, and 2021. We also performed additional procedures related to the Commission’s operating and capital budgets. Further, we reviewed the Commission’s debt as part of our performance audit discussed below. See the *Financial Results* section of this report.

Our performance audit encompassed objectives related to the following: the Commission meeting its payment obligations and planned capital improvement projects – discussed in *Finding 1*; the Commission’s process for collecting tolls and examining possible enforcement mechanisms for uncollected tolls – discussed in *Finding 2*; and the Commission’s vendor contracts and its related policies pertaining to customer service at rest areas for provisions regarding racial discrimination and sexual harassment – discussed in *Finding 3*. See *Appendix A – Objectives, Scope, Methodology, and Data Reliability* for additional information.

Our performance audit provides 23 recommendations, 21 directed to the Commission and two to the Pennsylvania General Assembly. The Commission is in general agreement with *Findings 1* and *2* and has stated its commitment to implementing many of the recommendations. Although the Commission disagreed with recommendations in *Finding 3*, regarding amending anti-discrimination language in its contracts, it generally agreed with recommendations in terms of posting customer complaint signage and establishing policies or procedures to monitor lessees’ compliance with contract non-discrimination requirements.

Finding 1 - The Pennsylvania Turnpike Commission continues to face significant challenges to raise toll revenue in order to make future payments to the Pennsylvania Department of Transportation under the current Act 44/89 financial structure, its associated debt payments, and expenditures for capital projects.

With the enactment of Act 44 of 2007, as amended by Act 89 of 2013, the Commission will pay PennDOT a total of \$9.65 billion through 2057 to provide funding for roads, bridges, and transit throughout the Commonwealth. As of May 31, 2022, the Commission paid PennDOT \$7.9

⁴ 71 P.S. § 246(b).

⁵ 74 Pa.C.S. § 8204(b)(1).

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billion. Additionally, since the passage of Act 44/89, the Commission recorded interest expenses of approximately \$3.05 billion through FYE May 31, 2021, on debt used to fund the Act 44/89 payments to PennDOT. Based on our audit procedures, which included reviewing traffic and toll revenue projections by Commission consultants, it appears the Commission will be able to meet its debt payments over the next 20 years if conditions remain consistent with those relied upon in the consultants' reports.

Yet, inherent uncertainties with projecting future traffic and toll revenue and the occurrence of unforeseen circumstances have caused concerns about the capacity of the Commission to maintain its ongoing debt payments, including the amounts due to PennDOT and the associated accumulated debt. Unforeseen circumstances include the pandemic, unexpected road closures, economic downturns, and fuel price surges. We therefore determined that a combination of the Commission's ability to raise toll revenue to cover Act 44/89 payments to PennDOT, its associated debt payments, and expenditures for capital projects remains a significant challenge.

Finding 2 – Uncollected tolls have continued to increase and therefore, the Commission must continue to seek new ways to collect tolls due from both in and out-of-state travelers.

In July 2021, the Commission produced an unaudited Revenue Assurance Plan Metrics Report (RAP) for the period June 2020, through May 2021, that included statistics on toll collections and various reasons why tolls have gone uncollected. The RAP reported \$104,955,858 in Toll By Plate (TBP) transactions that did not generate revenue (referred to in the document as leakage).

The Commission's RAP provided four reasons for why some of the TBP leakage occurred which included: 1) TBP transaction invoices that were not paid by the traveler, 2) unidentifiable license plates, 3) address of motorist was unavailable from the Department of Motor Vehicles, and 4) invoices returned as undeliverable.

The Commission can use various enforcement mechanisms to try to collect unpaid tolls, including registration suspension, collection agencies, reciprocity agreements with other states, and legal action. Although the Pennsylvania General Assembly and the Commission implemented these toll collection enforcement tools, the results demonstrate the tools did not yield the collection of outstanding tolls to the extent intended. The Commission, working with the Commonwealth, needs to continue its ongoing efforts and pursue additional means to collect tolls from both in and out-of-state travelers.

Finding 3 - The anti-discrimination language in the Commission's contracts for amenities provided to its customers at service plazas is outdated and lacking content.

As a result of the news media reporting an alleged incident of racial discrimination in October 2019 at one of the Commission's service plazas, we evaluated the Commission's lessee contracts

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and policies pertaining to customer amenities at service plazas for provisions regarding the prohibition of racial discrimination and sexual harassment. We found the anti-discrimination language in these contracts is outdated and lacking content, as it does not contain language similar to that found in the Pennsylvania Department of General Services' (DGS) standard contract terms and conditions. This standard language prohibits discrimination regarding gender, sexual orientation, and gender identity or expression. Furthermore, the lessee contract language does not include other helpful items such as requiring the posting of signage that provides customers with contact information of the lessee's management at each establishment in order to contact them with issues or complaints. We also found the contracts should include language stating that such violations can result in the rejection of future contracts/debarment of the lessee by the Commission. Additionally, the Commission failed to monitor the lessees' compliance with provisions included in the non-discrimination sections.

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Introduction and Background

This report by the Department of the Auditor General presents the results of a performance audit of the Pennsylvania Turnpike Commission (Commission). State law mandates that “the Auditor General shall, on a quadrennial basis, conduct a financial audit and compliance audit of the affairs and activities of the Pennsylvania Turnpike Commission.”⁶ Pursuant to more recent additions to law, the audit must now include a review of the performance, procedures, operating and capital budgets, debt, and accounts of the Commission.⁷

In lieu of conducting a financial audit to fulfill the above indicated mandate, we reviewed the reports and supporting audit documentation of the independent CPA firm that conducted the annual audits of the Commission’s financial statements during the fiscal years ended (FYE) May 31, 2018, 2019, 2020, and 2021, which included a review of the procedures, debt, accounts, and internal controls of the Commission.⁸ We also evaluated debt as part of our performance audit and obtained and reviewed budget information directly from the Commission to fully satisfy the requirements in Act 44 of 2007 as amended.⁹

Our performance audit has three objectives and includes the period of June 1, 2018, through June 13, 2022, unless otherwise noted, with updates through the report’s release. See *Appendix A – Objectives, Scope, and Methodology* for more information. In the sections that follow, we present background information about the Commission. Additional information can be found on its website: <https://www.paturnpike.com/>.

The Pennsylvania Turnpike Commission and the Turnpike

The General Assembly created the Commission in 1937 as an instrumentality of the Commonwealth to build a 160-mile turnpike system and aid in work-relief projects during the Great Depression.¹⁰ The Pennsylvania Turnpike (Turnpike) opened on October 1, 1940. Over

⁶ 71 P.S. § 246(b) (added by Act 122 of 1988). Please note that the General Assembly did recently amend 71 P.S. § 246 (Adm. Code § 706) pursuant to Act 70 of 2021 by adding Subsection (e) but this subsection relates to an entirely different subject matter (i.e., a municipal authority).

⁷ 74 Pa.C.S. § 8204(b)(1) (added by Act 44 of 2007, as amended by Act 89 of 2013).

⁸ U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision Technical Update April 2021, Paragraphs 8.80 and 8.81 describe requirements for using the work of other auditors. These standards state that auditors should determine whether other auditors have conducted audits that could be relevant to current audit objectives. If auditors use the work of other auditors, they should perform procedures that provide a sufficient basis for using that work.

⁹ Ibid.

¹⁰ 36 P.S. § 652d (added by Act 211 of 1937, as amended by Act 154 of 1974). See also <https://www.paturnpike.com/about-us/turnpike-history>. Please note that all of the provisions of the Pennsylvania Turnpike Commission Act including Section 652d were “repealed insofar as inconsistent with the Turnpike

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eighty years later, the Turnpike evolved from “America’s First Superhighway” to a 565-mile system with five tunnels, serving as a connector between Ohio and New Jersey (the Mainline Turnpike), and with a Northeast Extension and a Southwestern Expansion.¹¹

The Commission reports that it has completed over 152 miles of total reconstruction with an additional 10 miles in the construction phase and 88 miles in the design phase.¹² The Commission also widened many of the reconstructed sections of the Turnpike from four to six lanes. This widening will allow future maintenance to occur with minor disruption to Turnpike customers.¹³

The Commission operates 73 toll interchanges, 17 service plazas, 22 maintenance facilities, two regional offices, and a main headquarters/administrative building located in Middletown, Pennsylvania (at the Harrisburg-East exit).¹⁴

Commission Organization and Structure

A Commission governs the Turnpike, which consists of five members, one of whom is the Pennsylvania Secretary of Transportation serving as an ex-officio voting member. The Secretary of Transportation may authorize the Deputy Secretary for Highway Administration to act and vote on his/her behalf. The Governor appoints the other four commissioners upon advice and consent of two-thirds of the members of the Pennsylvania Senate.¹⁵

The Commission pays the chairman an annual salary of \$28,500 and pays the three other appointed voting commissioners annual salaries of \$26,000.¹⁶ The Commission also reimburses members of the Commission for necessary expenses incurred in the performance of their duties.¹⁷ The Commission employed 1,470 individuals as of May 31, 2022.¹⁸

Organization, Extension and Toll Road Conversion Act” pursuant to Act 61 of 1985. *See now* 74 Pa.C.S. § 8101 *et seq.* (Act 44 of 2007, as amended).

¹¹ Pennsylvania Turnpike Commission’s Act 44 Financial Plan Fiscal Year 2023.

¹² *Ibid.*

¹³ <https://www.paturnpike.com/about-us/investor-relations/capital-plan> (accessed March 23, 2022).

¹⁴ Pennsylvania Turnpike Commission’s Official Statement Turnpike Revenue Bonds, Series C of 2021 and the 2021 Annual Comprehensive Financial Report (ACFR).

¹⁵ 36 P.S. § 652d and 74 Pa.C.S. § 8105. These four commissioners must be qualified Pennsylvania electors for a period of at least one year preceding their appointment.

¹⁶ 74 Pa.C.S. § 8105(g) (Act 44 of 2007, as amended by Act 89 of 2013). These salaries are to be paid in equal installments every other week.

¹⁷ 74 Pa.C.S. § 8203(a)(3)(i). This statutory provision pertaining to the Turnpike Commission Standard of Conduct provides as follows: “No member or executive-level employee shall be paid or receive any fee or other compensation other than salary and expenses provided by law for any activity directly pertaining to the duties of the commission.”

¹⁸ Obtained the number of employees from Commission management due to the Commission’s FYE May 31, 2022 ACFR not yet issued at the time of our audit procedures.

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Mission and Vision

According to the Commission, its vision is to drive the standard for safety, customer service, and mobility with a mission to operate a safe, reliable, customer-valued toll road system that supports national mobility and commerce. The Commission further states that it is committed to: (1) improve safety-zero fatalities, no work-zone injuries, and reduced incidents; (2) achieve accessible, reliable, and uninterrupted travel; (3) manage all assets in a restorative manner; and (4) be the leader in transportation services.¹⁹

Funding

The Commission generally receives its operating revenue from customer tolls and fees, accounted for as “Mainline” in the Commission’s Annual Comprehensive Financial Report (ACFR), which represents 80 percent or more of the Commission’s total revenue.²⁰ The Commission also receives funding from the Commonwealth’s oil company franchise tax revenues and the Commonwealth’s motor license registration fee revenues in the form of annual capital contributions. The Commission keeps these capital contributions in separate funds as required by their respective bond indentures. Non-operating revenues (consisting mostly of investment earnings) during the current audit period, represented approximately 6 and 7 percent of total revenues in fiscal year ended (FYE) May 31, 2019, and 2020, respectively, before decreasing to only 2 percent in FYE May 31, 2021. The following table shows the breakout of these revenues over the past three years:

¹⁹ www.paturndpike.com/about-us/ (accessed March 25, 2022). Safety-zero fatalities means zero deaths on the Turnpike.

²⁰ For accounting purposes, the Commission maintains its records in three sections: Mainline, Oil Franchise, and Motor License. These sections are based on the types of revenues and the associated bond issues. The Mainline section consists of income and expenses directly associated with the operations of the Turnpike System.

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2019 to 2021 Schedule of Commission Revenues (Amounts in 000's)						
FYE May 31	Operating vs. Non-Operating Revenue	Mainline	Oil Franchise	Motor License	Total Revenue	Percent of Total Revenue
2019	Operating Revenue	\$1,336,605	-	-	\$1,336,605	80.0%
	Non-operating Revenue	\$76,150	\$27,488	\$2,006	\$105,644	6.3%
	Capital Contributions	\$59,543	\$141,843	\$28,000	\$229,386	13.7%
	TOTAL	\$1,472,298	\$169,331	\$30,006	\$1,671,635	
2020	Operating Revenue	\$1,283,783	-	-	\$1,283,783	81.8%
	Non-operating Revenue	\$82,268	\$28,491	\$2,279	\$113,038	7.2%
	Capital Contributions	\$11,688	\$133,798	\$28,000	\$173,486	11.0%
	TOTAL	\$1,377,739	\$162,289	\$30,279	\$1,570,307	
2021	Operating Revenue	\$1,231,549	-	-	\$1,231,549	86.5%
	Non-operating Revenue	\$19,143	\$9,290	(\$101)	\$28,332	2.0%
	Capital Contributions	\$11,969	\$124,178	\$28,000	\$164,147	11.5%
	TOTAL	\$1,262,661	\$133,468	\$27,899	\$1,424,028	

Source: Produced by staff of the Department of the Auditor General based on information in the Commission's 2019, 2020, and 2021 Annual Comprehensive Financial Reports (ACFR).

For FYE May 31, 2021, a total of 169.6 million vehicles traveled on the Turnpike including 136.7 million (80.6 percent) revenue generating Class 1 (Passenger) vehicles and 30.8 million (18.2 percent) revenue generating Class 2-9 (Commercial) vehicles. Additionally, total fare revenue amounted to over \$1.2 billion. The following table shows the breakout of the number of vehicles and the gross fare revenue over the past ten years:

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Number of Vehicles and Gross Fare Revenue								
(Amounts in 000's)								
FYE May 31	Class 1 (Passenger) Revenue Vehicles ^{a/}	Class 1 (Passenger) Total Vehicles ^{b/}	Class 1 Gross Fare Revenue	Class 2-9 (Commercial) Revenue Vehicles ^{a/}	Class 2-9 (Commercial) Total Vehicles ^{b/}	Class 2-9 Gross Fare Revenue	Total Vehicles ^{c/}	Total Gross Fare Revenue
2012	164,960	167,971	\$455,133	24,127	24,860	\$342,646	192,831	\$797,779
2013	163,690	166,960	\$471,514	24,207	24,985	\$350,226	191,945	\$821,740
2014	163,788	167,387	\$497,671	24,891	25,729	\$368,395	193,116	\$866,066
2015	166,192	170,371	\$533,054	26,144	27,130	\$401,198	197,501	\$934,252
2016	171,565	176,369	\$588,295	27,319	28,414	\$443,325	204,783	\$1,031,620
2017	172,617	178,244	\$638,787	27,686	28,898	\$476,189	207,142	\$1,114,976
2018	172,502	179,125	\$678,720	28,652	29,985	\$524,438	209,110	\$1,203,158
2019	167,691	181,946	\$740,205	28,993	31,346	\$595,180	213,292	\$1,335,385
2020	146,421	158,738	\$683,511	28,451	30,602	\$606,050	189,340	\$1,289,561
2021	136,713	137,714	\$610,353	30,875	31,887	\$648,458	169,601	\$1,258,811

^{a/} - Prior to 2019, the Commission only reported traffic volume classified as revenue transactions in its ACFR.
^{b/} - Amounts represent both revenue and non-revenue type vehicle transactions as reported in the Commission's 2021 ACFR.
^{c/} - Amounts represent both revenue and non-revenue type transactions for both passenger and commercial vehicles as reported in the Commission's 2021 ACFR.

Source: Produced by staff of the Department of the Auditor General based on information provided by Commission management and in the Commission's 2018 and 2021 ACFR.

Toll collection methods²¹

Prior to March 16, 2020, customers not using E-ZPass would obtain a ticket upon entering the Turnpike and pay using either cash or a credit/debit card to a Commission tollbooth operator upon exiting.²² The Commission suspended cash and credit/debit card collection methods at most toll plazas on March 16, 2020, due to the COVID-19 pandemic. As of June 16, 2020, all Turnpike toll interchanges transitioned to All-Electronic Tolling (AET).²³

AET provides Turnpike customers numerous options to pay their tolls, which include the use of E-ZPass and Toll By Plate (TBP), with E-ZPass as the least expensive method, as discussed below:

²¹ 74 Pa.C.S. §§ 8116 (relating to Collection and disposition of tolls and other revenue) and 8117 (relating to Electronic toll collection) (Act 44 of 2007).

²² Beginning in January 2016, Toll By Plate was used at a few of the Turnpike toll plazas.

²³ The Commission planned to transition to AET in late 2021; however, it implemented AET earlier due to the COVID-19 pandemic. Between March 16, 2020, and June 16, 2020, a limited number of toll plazas still collected cash as a form of payment through contactless coin baskets located at the exit lanes of toll plazas.

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E-ZPass

Customers obtain an E-ZPass transponder, register their vehicles, and set up an account with a credit or debit card. The transponders are electronically read when entering and exiting the Turnpike through designated tollbooths and charges customers accordingly. E-ZPass customers receive a discounted rate compared to TBP customers.

With the ease of use and lower toll rates, E-ZPass is popular among Turnpike customers. According to the statistical section of the Commission's 2021 ACFR, the Commission collected approximately 85 percent of all revenue through E-ZPass in 2021.

Cashless Tolling/Toll By Plate

In January 2016, the Commission began a cashless tolling program at the bridge over the Delaware River in Bucks County where vehicles pass under an overhead gantry at highway speed without toll booths eliminating the need for the exchange of tickets and cash. Instead, the Commission charges customers either via their E-ZPass account or by TBP. With TBP, cameras mounted on the overhead gantry photograph a vehicle's license plate and the Commission sends an invoice through the mail to the registered owner of the vehicle, using the current TBP rate (which, depending on the traveler's entry and exit points, could be more than 60 percent higher than the E-ZPass rate).²⁴

Under AET, the Commission now uses TBP as the default billing method used system-wide for any customer that does not have an E-ZPass. In 2021, the Commission implemented a new billing option to its Registered Toll By Plate (RTBP) program.²⁵ The new autopay feature provides a 15 percent discount to non-E-ZPass customers who pre-register their vehicle and provide payment card information as means of electronic payment.²⁶

V-Toll Charges for E-ZPass Customers

Since the E-ZPass program began in December 2002, the Commission has assessed a flat toll rate based on the vehicle class, known as a V-Toll, when a vehicle's E-ZPass transponder is not read when exiting the Turnpike and the actual distance traveled cannot be determined.²⁷ Typically, the issue occurs when the transponder is improperly mounted or malfunctions. The Commission can assess the V-Toll when its image processing system can link either the vehicle's license plate or by matching the registration information of the vehicle to the name and address

²⁴ <https://www.paturndpike.com/e-zpass> (accessed May 10, 2022). See also *Appendix B* in this audit report for example toll rates from Valley Forge (Exit 326) to Pittsburgh (Exit 57).

²⁵ The RTBP program was launched in January 2016 when the Commission first started AET at the Delaware River Bridge.

²⁶ The 15 percent discount is dependent upon a successful payment by the due date indicated on the invoice.

²⁷ V-Tolls can be appealed.

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on an E-ZPass account. On January 1, 2019, the V-Toll rate for vehicle class 1 and 2 increased from \$5 to the current fee of \$10.²⁸

Partnership with PennDOT

On July 18, 2007, Act 44 was signed into law.²⁹ Act 44 of 2007 was enacted to generate revenue for road and bridge repairs and for public transit agencies across the state. Act 44 required the Commission to pay the Pennsylvania Department of Transportation (PennDOT) \$750 million, \$850 million, and \$900 million respectively, in fiscal years 2008, 2009, and 2010. The annual amount paid thereafter and through fiscal year 2057 would be indexed for inflation against the prior year payment amount.³⁰ The original plan included tolling Interstate 80 (I-80) and transferring control of I-80, including the collection of tolls on that interstate, from PennDOT to the Commission. The Federal Highway Administration ultimately denied Pennsylvania permission to toll I-80 on April 6, 2010.³¹ As a result, the annual payment was reduced to \$450 million through fiscal year 2057. Act 89 of 2013 enacted the reduction of the annual payment of \$450 million to \$50 million beginning July 1, 2022, and continuing through 2057.³²

Act 44 required the Commission to make substantial annual payments to PennDOT. As a result, on October 14, 2007, a Lease and Funding Agreement was entered into between the Commission and PennDOT for a period of 50 years. Act 89 of 2013, which amended Act 44, includes the reduced annual payment amount to PennDOT and altered the mandate such that payments are no longer dedicated to highways and bridges, but rather all the payments are allocated to support transit capital, operating, multi-modal and other non-highway programs.³³ While the reduction in annual payment amount to PennDOT alleviated a significant amount of the future debt burden, the Commission's financial situation continues to decline as measured by net financial position. This was due, in part, to the increased issuance of debt, the Commission's capital spending plan for maintenance and improvements to the Turnpike, and the significant negative impact resulting

²⁸ https://www.paturnpike.com/help-center/faqs?q=%2Fi-noticed-a-charge-on-my-account-statement-called-a-v-toll.-what-does-it-mean&page=1&per_page=10&filter=All%20Types (accessed April 5, 2022). Class 1 and 2 vehicles include most passenger and commercial vehicles and weigh 15,000 pounds or less. Class 3 and above vehicles (those that weigh more than 15,000 pounds) are charged the maximum toll rate from the furthest point of entry.

²⁹ See 74 Pa.C.S. § 8101 *et seq.*

³⁰ 75 Pa.C.S. §§ 8901 (see in particular, definition of "Scheduled annual commission contribution"), 8915.3(1).

³¹ <https://www.fhwa.dot.gov/pressroom/fhwa1006.cfm> (accessed May 9, 2022).

³² 74 Pa.C.S. § 1506(b)(1)(ii),(iii).

³³ See definition of "Scheduled annual commission contribution" in 75 Pa.C.S. § 8901 (relating to Definitions) pursuant to Act 89, which amended Act 44. See also Section 45 of Act 89 which authorized "PennDOT and the Commission to amend the lease agreement entered into by them pursuant to 75 Pa.C.S. § 8915.3 [relating to lease of Interstate 80; related agreements] in order to conform the provisions of the lease to the amendments to the rights and obligations of the Department of Transportation and the Pennsylvania Turnpike Commission" as contained in the act. In accordance with an amendment to the Agreement with PennDOT, the Commission delayed two scheduled Act 44/Act 89 payments during FYE May 31, 2021 due to COVID-19 but ultimately paid its full \$450 million before the end of that fiscal year.

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from the COVID-19 pandemic.³⁴ The following table shows both the actual payments already made to date and projected future payments, totaling \$9.65 billion in payments to PennDOT:

Annual Act 44/89 Payments Commission makes to PennDOT	
Actual payments made to date (FYE May 31):	
2008	\$750,000,000
2009	850,000,000
2010	900,000,000
2011	450,000,000
2012	450,000,000
2013	450,000,000
2014	450,000,000
2015	450,000,000
2016	450,000,000
2017	450,000,000
2018	450,000,000
2019	450,000,000
2020	450,000,000
2021	450,000,000
2022	450,000,000
Total Payments as of May 31, 2022	\$7,900,000,000
Future payments due annually:	
2023 – 2057 (\$50,000,000 per year)	\$1,750,000,000
Total Actual and Future Payments	\$9,650,000,000

Source: Produced by staff of the Department of the Auditor General based on payments reported in the Commission's Act 44 Financial Plan Fiscal Year 2020 and 2022 and the Commission's 2020 and 2021 ACFR.

See *Finding 1* for more information regarding Act 44/89.

Service plazas vendor contracts

The Commission entered into long-term agreements with two lessees to provide customer service at its 17 service plazas along the Turnpike. One lessee operates restaurants at all 17 service plazas and the second lessee operates fueling and convenience store services at all 17 service plazas, as well as food service at two service plazas. The term of the first lessee's contract is September 1, 2006, through August 25, 2036, and the original term of the second lessee's contract was February 1, 2007, through January 31, 2022, with the first of three 5-year optional extensions executed through January 31, 2027.

³⁴ For reporting purposes, we use the term, "Turnpike" when referring to the actual roadway system. <https://www.governor.pa.gov/newsroom/gov-wolf-sec-of-health-pa-chamber-outline-covid-19-mitigation-guidance-for-pennsylvania-schools-businesses-and-additional-closures-in-delaware-county/> (accessed May 31, 2022).

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Both contracts contain the following non-discrimination provision:

Service shall be provided to all customers without discrimination as to race, color, religion, sex, disability, national origin, age, or on any other basis that is prohibited by federal, state or local law.

Federal laws prohibit discrimination based on a person's national origin, race, color, religion, disability, sex, and familial status.³⁵ In addition, the Pennsylvania Human Relations Commission (PHRC) promotes equal opportunity for all and enforces state laws prohibiting discrimination, including the Pennsylvania Human Relations Act (PHRA), which covers discrimination in employment, housing, commercial property, education, and public accommodations, including any accommodation that is open to, accepts, or solicits the patronage of the general public, including government services.³⁶ The PHRA's public accommodation provision protects the rights of individuals using the customer services offered at the Commission's service plazas.

See *Finding 3* related to our evaluation of the Commission's lessee contracts and its related policies pertaining to food and fuel provided to customers at service plazas for provisions regarding prohibiting racial discrimination and sexual harassment.

³⁵ <https://www.justice.gov/crt/federal-protections-against-national-origin-discrimination-1> (accessed February 18, 2022).

³⁶ <https://www.phrc.pa.gov/AboutUs/Pages/About-PHRC.aspx> (accessed February 18, 2022) and the Pennsylvania Human Relations Act, Act 222 of 1955, as amended. See 43 P.S. § 951 *et seq.*

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Finding 1 – The Pennsylvania Turnpike Commission continues to face significant challenges to raise toll revenue in order to make future payments to the Pennsylvania Department of Transportation under the current Act 44/89 financial structure, its associated debt payments, and expenditures for capital projects.

In 2007, immediately prior to Act 44 being enacted, the Pennsylvania Turnpike Commission (Commission) reached its highest net position value at \$1.76 billion.³⁷ Since the Act 44 payments began, the Commission's net position declined into a deficit. **The Commission's May 31, 2021, annual comprehensive financial report (ACFR) reported a net position of negative \$7.27 billion, a decrease of \$9.03 billion in 14 years.**³⁸

As of May 31, 2022, the Commission paid the Pennsylvania Department of Transportation (PennDOT) \$7.9 billion of the total \$9.65 billion required per the act. The \$7.9 billion represents 87 percent of the 14-year negative change in net position. Since the passage of Act 44/89, the Commission recorded interest expenses of approximately \$3.05 billion through fiscal year ended (FYE) May 31, 2021, on debt used to fund the Act 44/89 payments to PennDOT. Adding this interest expense to the \$7.9 billion more than accounts for the \$9.03 billion decrease in net position, emphasizing the magnitude of the negative effect Act 44/89 has had on the Commission's net position.³⁹

To provide additional context to the extent of the Commission's debt, we found the amount of Commission debt was approximately \$1.5 billion more than the total amount of government activities general obligation debt for the entire Commonwealth of Pennsylvania as illustrated below.

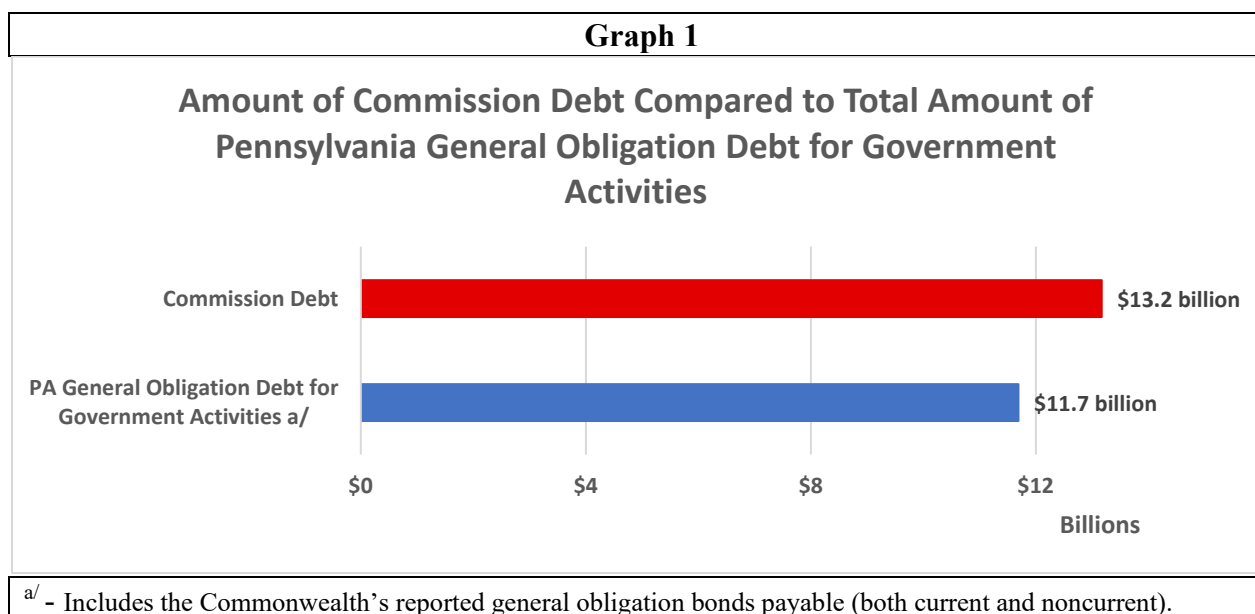
³⁷ Net position (total assets minus total liabilities) indicates the strength of an entity's financial position. The stronger the financial position, the better the financial condition. <https://business-accounting.net/net-financial-position/> (accessed June 21, 2022).

³⁸ This also represents a decrease of more than \$1.63 billion since our prior audit in March 2019.

³⁹ We additionally compared the Commission's net position to neighboring state turnpike systems' net positions over a fifteen-year period between 2006 through 2020 (see comparison in *Appendix C*). The neighboring states in our comparison included Ohio, West Virginia, New Jersey, and New York. While these other states had changes in net position, most had remained fairly stable. Further, all of the other states in our analysis, except for Ohio, which reported a negative net position for the first time in 2020, currently have positive net positions.

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Source: This graph was developed by the staff of the Auditor General from information in the Commonwealth's and Commission's 2021 ACFRs.

The Commonwealth's 2021 ACFR included an "Emphasis of Matters" that notes the Commission committed to making significant payments to PennDOT as required by Act 44 of 2007 and Act 89 of 2013. This section of the ACFR also notes the Turnpike's ability to make such payments depends on its continuing capability to issue bonds to fund such payments and ultimately to raise tolls sufficient to repay its bonded debt and current lease payments.

In the Auditor General's *Special Report on Turnpike Debt* issued in June 2013, as well as in both the September 2016 and March 2019 (prior audit) performance audit reports on the Commission, we concluded the Commission may not have the ability to raise enough toll revenue in the future to cover the Act 44/89 payments to PennDOT, its associated accumulated debt, and its expenditures for capital projects. This conclusion remains a concern based on the results of our current audit.

Revenue vs. Debt Projections

Based on our review of traffic and toll revenue projections by Commission consultants, it appears the Commission will be able to meet its debt payments over the next 20 years if conditions remain consistent with those relied upon in the consultants' reports. Yet, inherent uncertainties with projecting future traffic and toll revenue and the occurrence of unforeseen circumstances have caused concerns about the capacity of the Commission to maintain its ongoing debt payments, including the amounts due to PennDOT and the associated accumulated debt. Unforeseen circumstances include the pandemic, unexpected road closures, economic

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downturns, and fuel price surges.⁴⁰ Therefore, we determined the Commission's ability to raise toll revenue to cover Act 44/89 payments to PennDOT, its associated debt payments, and expenditures for capital projects remains a significant challenge.

The following table shows actual (2018 through 2021) and future (2022 through 2041) projected toll revenue (under the assumption that traffic will recover from decreases resulting from the pandemic, traffic will continue to increase every year, and that toll revenue will increase by almost 150 percent over the next 20 years [from 2022 through 2041]), total outstanding debt, and projected future debt payments based on Commission-provided information:

Table 1

Turnpike Revenue vs. Debt Forecast Fiscal Years Ending 2018 through 2041 (Amounts in 000's)						
Fiscal Year Ending May 31 ^{a/}	Projected Toll Revenue	Funds Remaining After Operating Expenses	Total Scheduled Debt Payments	Projected Total Outstanding Debt	Amount of Act 44 Debt Payable	% of Debt Attributable to Act 44
2018	\$1,196,606	\$769,725	\$573,797	\$11,284,780	\$6,136,885	54.38%
2019	\$1,327,031	\$918,268	\$702,203	\$11,416,981	\$6,032,191	52.84%
2020	\$1,279,740	\$842,227	\$669,102	\$12,415,483	\$6,672,208	53.74%
2021	\$1,190,419	\$821,386	\$545,478	\$13,169,163	\$7,097,993	53.90%
2022	\$1,386,368	\$815,469	\$703,591	\$13,868,480	\$7,482,080	53.95%
2023	\$1,517,333	\$895,177	\$787,288	\$14,028,259	\$7,368,820	52.53%
2024	\$1,632,077	\$997,599	\$858,203	\$14,152,979	\$7,244,470	51.19%
2025	\$1,757,049	\$1,005,486	\$947,033	\$14,164,810	\$7,103,825	50.15%
2026	\$1,885,782	\$1,070,995	\$1,003,831	\$14,092,349	\$6,945,090	49.28%
2027	\$1,996,176	\$1,120,108	\$1,031,802	\$13,952,262	\$6,741,000	48.31%
2028	\$2,081,919	\$1,196,686	\$1,031,110	\$13,808,156	\$6,522,350	47.24%
2029	\$2,165,751	\$1,271,135	\$1,066,635	\$13,670,533	\$6,281,230	45.95%
2030	\$2,254,878	\$1,300,685	\$1,105,420	\$13,448,012	\$6,037,115	44.89%
2031	\$2,347,656	\$1,383,691	\$1,133,443	\$13,177,416	\$5,776,590	43.84%
2032	\$2,444,003	\$1,370,066	\$1,154,074	\$12,881,039	\$5,498,695	42.69%
2033	\$2,543,857	\$1,359,743	\$1,176,581	\$12,497,329	\$5,202,210	41.63%
2034	\$2,647,033	\$1,352,534	\$1,200,167	\$12,031,154	\$4,882,730	40.58%

⁴⁰ An example of an unexpected road closure is the temporary 2017 closure of the Delaware River Bridge for seven weeks as a result of the need for emergency repairs.

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2035	\$2,753,677	\$1,348,579	\$1,223,444	\$11,470,652	\$4,539,715	39.58%
2036	\$2,863,919	\$1,348,007	\$1,239,002	\$10,788,933	\$4,171,520	38.66%
2037	\$2,977,795	\$1,410,447	\$1,247,598	\$10,046,533	\$3,776,305	37.59%
2038	\$3,094,621	\$1,495,204	\$1,244,731	\$9,261,452	\$3,355,440	36.23%
2039	\$3,215,332	\$1,583,199	\$1,235,889	\$8,447,600	\$2,928,025	34.66%
2040	\$3,340,365	\$1,674,857	\$1,091,079	\$7,741,489	\$2,573,305	33.24%
2041	\$3,469,811	\$1,770,255	\$1,164,105	\$6,930,039	\$2,145,920	30.97%

^{a/} - Information for FYE May 31, 2018, through May 31, 2021, is based on actual data reported in the Commission's respective years ACFR and the Commission's Fiscal Years (FY) 2019 and 2022 Act 44 Financial Plans. Information for the FYE May 31, 2022, through May 31, 2041, is based on projections in the Commission's FY 2022 Act 44 Financial Plan and information provided by Commission management. The FY 2023 Act 44 Financial Plan was issued June 1, 2022; however, information provided by Commission management and used in our audit procedures was based on data in the FY 2022 Act 44 Financial Plan. Our review of the projections in the FY 2023 Act 44 Financial Plan revealed that projections did not significantly change due to its use of the same 2021 traffic projection report utilized for the FY 2022 Act 44 Financial Plan and therefore did not affect conclusions in the finding. A new 2022 traffic projection report is expected from the Commission's consultants but was not issued in time to use for the release of the FY 2023 Act 44 Financial Plan.

Source: This table was compiled by the staff of the Auditor General based on information provided by Commission management. For the projected amounts for the fiscal years ending 2022 through 2041, the reliability of this data has not been determined as noted in Appendix A. However, this data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

Table 1 reflects projections that, even with the negative impacts from the pandemic, the Commission can sustain its debt payments over the next 20 years. Many variables affect these projections which include the very fragile balance between keeping expenses down and actually having sufficient vehicle traffic on the Turnpike to generate the necessary projected toll revenues.⁴¹ Although the Commission's consultants in its 2021 report reduced long-term projected annual traffic in each of the years reported and reduced its projected toll revenue through the year 2026 (as reported later in Table 3), which Commission management believes are conservative projections, we believe the revised projections, which indicate that the Commission will continue to generally have increasing traffic volume in the post-pandemic years, may still be highly optimistic, especially as toll rates continue to rise.

Based on our current audit procedures covering the three FYE May 31, 2019, 2020, and 2021, we provide the following updates from the conditions described in our prior audit released in 2019:

- The consultants lowered traffic and revenue projections in its 2021 report from previous projections in 2018 due, in part, to the negative impact from the pandemic.
- The Commission's ability to make its projected debt payments depends upon traffic transactions continuing to recover from the effects of the pandemic, incurring less debt,

⁴¹ The Commission projects that it will be able to meet its debt payments in that "Funds Remaining After Operating Expenses" is greater than "Total Scheduled Debt Payments."

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and continuing to make positive adjustments to minimize expenses as it has in response to the pandemic.

- Annual costly toll increases continue to place an undue burden on Turnpike travelers.

The following sections provide further details with updates since our prior audit regarding payments the Commission made to PennDOT, the Commission's financial position, and reductions to projections regarding Commission revenue, traffic data, and debt payments.

The consultants lowered traffic and revenue projections in its 2021 report from previous projections in 2018 due, in part, to the negative impact from the pandemic.

Our prior audit of the Commission included, similar to Table 1, the projections for traffic, toll revenue, and debt as reported by the Commission in 2018. In order to determine the reasonableness of the projected amounts reported in the prior audit, as presented in Table 2 below, we compared the projections to actual amounts for FYE May 31, 2019 through 2021. We also included for comparative purposes the years that were reported in the prior audit to show that the Commission's consultant decreased its projections on vehicle transactions from its March 2016 report to its April 2018 report:

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Table 2

Turnpike Projected vs. Actual Traffic, Revenue, and Debt (Amounts in 000's)										
Fiscal Year Ended May 31	Estimated Total Vehicle Transactions	Actual Total Vehicle Transactions	Projected Toll Revenue	Actual Net Toll Revenue	Projected Funds Remaining After Operating Expenses	Actual Funds Remaining After Operating Expenses	Projected Total Scheduled Debt Payments	Total Debt Payments	Projected Total Outstanding Debt	Total Outstanding Debt
2016 ^{a/}	197,128	198,884	\$1,022,289	\$1,030,115	\$613,988	\$634,419	\$479,797	\$473,608	\$9,967,377	\$10,059,052
2017 ^{a/}	199,656	200,303	\$1,112,611	\$1,111,061	\$622,620	\$704,763	\$573,666	\$516,008	\$11,493,371	\$10,719,015
2018 ^{a/}	204,228	201,154	\$1,195,848	\$1,196,606	\$689,153	\$775,857	\$663,059	\$573,441	\$12,462,029	\$11,284,780
2019	199,225 ^{b/}	203,054 ^{c/}	\$1,250,929 ^{c/}	\$1,327,031 ^{f/}	\$702,590 ^{g/}	\$918,268 ^{h/}	\$670,405 ^{e/}	\$702,203 ^{i/}	\$11,689,946 ^{j/}	\$11,416,981 ^{j/}
2020	199,024 ^{b/}	181,570 ^{c/}	\$1,329,382 ^{c/}	\$1,247,779 ^{f/}	\$797,913 ^{g/}	\$842,227 ^{h/}	\$750,138 ^{e/}	\$669,102 ^{i/}	\$12,427,655 ^{j/}	\$12,415,483 ^{j/}
2021	199,574 ^{b/}	170,501 ^{d/}	\$1,410,906 ^{c/}	\$1,190,419 ^{f/}	\$829,160 ^{g/}	\$821,386 ^{h/}	\$786,576 ^{e/}	\$545,478 ^{i/}	\$13,088,055 ^{j/}	\$13,169,163 ^{j/}

^{a/} - Amounts reported in the prior audit of the Commission.

^{b/} - Estimated amounts as reported by a Commission consultant in April 2018.

^{c/} - Actual amounts as reported by a Commission consultant in May 2021.

^{d/} - Actual amount provided by Commission management due to consultant's report for FYE May 31, 2021 not being released as of the date of this report.

^{e/} - Projected amounts as reported in the Commission's 2019 Act 44 Financial Plan, issued June 1, 2018.

^{f/} - Actual amounts as reported in the Commission's FYE May 31, 2021 ACFR.

^{g/} - Amounts calculated by Commission management based on amounts reported in the Commission's 2019 Act 44 Financial Plan, issued June 1, 2018.

^{h/} - Amounts calculated by Commission management based on amounts reported in the Commission's respective FYE May 31, 2019, 2020, or 2021 ACFR and the 2022 Act 44 Financial Plan, issued June 1, 2021.

^{i/} - Amounts as reported in the Commission's 2022 Act 44 Financial Plan, issued June 1, 2021.

^{j/} - Amounts provided by Commission management.

Source: This table was compiled by the staff of the Department of the Auditor General from information reported in our prior Commission audit report, information provided by Commission management and confirmed in the Commission's ACFRs and Act 44 Financial Plan for Fiscal Year 2019, 2020, and 2021, and information provided by Commission management that is of undetermined reliability as noted in Appendix A. However, this data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

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As reported in Table 2 and in the prior audit, the actual vehicle transactions were greater than the estimated transactions for two of the three years (2016 and 2017) and the actual toll revenue was greater for two of the three years (2016 and 2018). However, in the current audit period, the Commission met and exceeded the estimated vehicle transactions and the projected toll revenue amounts only in 2019. As a result of the pandemic, the Commission's 2020 and 2021 actual total vehicle transactions and toll revenue were significantly less than the amounts projected in 2018.

Commission management stated that it experienced a dramatic drop in passenger car traffic and revenue for the FYE May 31, 2020; however, commercial vehicle traffic did not drop as dramatically and showed stronger resilience than passenger traffic. The FY 2022 Act 44 Financial Plan, dated June 1, 2021, reported the pandemic continued to impact the Commission's traffic and revenue performance in FYE May 31, 2021, primarily with respect to passenger car traffic and revenues. Commercial traffic and revenue demonstrated strong resilience, quickly returning to pre-pandemic levels and continuing to rise since then.⁴²

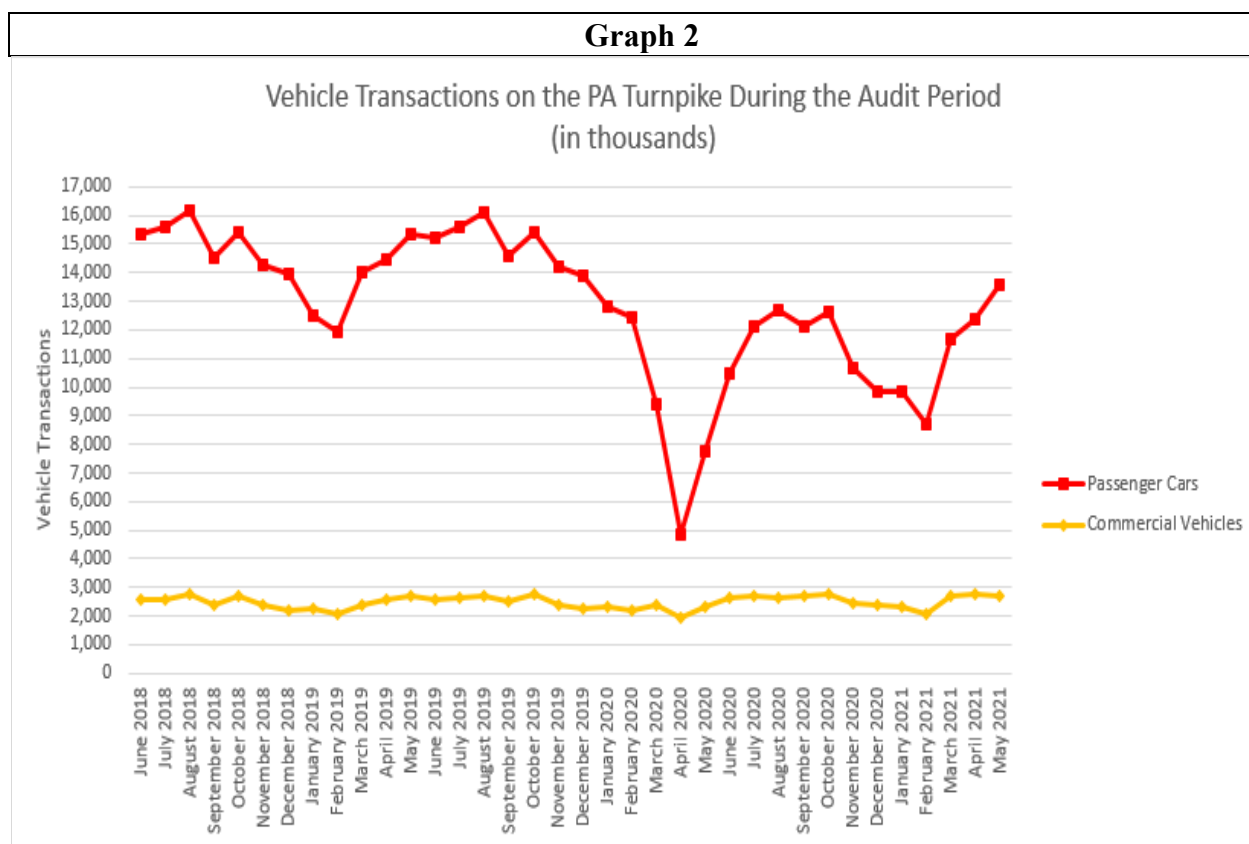
The following graph shows the dramatic fluctuation in monthly passenger car traffic compared to the stable traffic of commercial vehicles both during and after the height of the pandemic:

⁴² According to Commission management, traffic during the period June 2021 through April 2022 continued to improve from the FYE May 31, 2021, with both passenger and commercial traffic volume exceeding prior year levels and commercial traffic volume exceeding pre-pandemic levels.

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Graph 2



Source: This graph was compiled by the staff of the Department of the Auditor General from information in a Bring Down Letter prepared by Commission consultants issued in July 2022. The information is of undetermined reliability as noted in Appendix A. However, this data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

Fewer vehicle transactions resulted in less toll revenue, as reported in Table 2. Although the Commission's actual toll revenue was less than projected, steps taken by the Commission to mitigate the impact of the pandemic allowed for sufficient funds to be available to make its required debt payments. This included early implementation of all-electronic tolling (AET) in June 2020, reducing operating expenses, and completing cash defeasances of debt principal.⁴³

⁴³ According to Commission management, it completed cash defeasances to pay debt service with available cash in the General Reserve Fund. Defeasance is a financing tool by which outstanding bonds may be retired without a bond redemption or implementing an open market buy-back. <https://www.munibondadvisor.com/defeasance.htm> (accessed August 5, 2022).

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We further compared projected long-term traffic and toll revenue in the consultants' 2018 reports to the 2021 reports as shown in Table 3.

Table 3

Comparison of 2018 vs. 2021 Projections for Vehicle Transactions and Toll Revenue Fiscal Years Ending 2019 through 2040 (Amounts in 000's)						
Fiscal Year Ending May 31	Estimated Total Vehicle Transactions (April 2018)	Estimated Total Vehicle Transactions (May 2021)	Annual Change in Estimated Total Vehicle Transactions	Projected Toll Revenue (Act 44 Financial Plan FY 2019 ^{a/})	Projected Toll Revenue (Act 44 Financial Plan FY 2022 ^{b/})	Annual Change in Projected Toll Revenue
2019	199,225	203,054	3,829	\$1,250,929	\$1,327,031	\$76,102
2020	199,024	181,570	(17,454)	\$1,329,382	\$1,279,740	(\$49,642)
2021	199,574	170,245	(29,329)	\$1,410,906	\$1,190,419	(\$220,487)
2022	203,467	189,679	(13,788)	\$1,495,468	\$1,386,368	(\$109,100)
2023	209,703	197,797	(11,906)	\$1,589,229	\$1,517,333	(\$71,896)
2024	212,402	201,375	(11,027)	\$1,684,343	\$1,632,077	(\$52,266)
2025	215,027	206,550	(8,477)	\$1,785,814	\$1,757,049	(\$28,765)
2026	217,707	212,517	(5,190)	\$1,888,350	\$1,885,782	(\$2,568)
2027	220,362	217,189	(3,173)	\$1,981,635	\$1,996,176	\$14,541
2028	222,700	219,411	(3,289)	\$2,068,126	\$2,081,919	\$13,793
2029	225,001	221,640	(3,361)	\$2,151,047	\$2,165,751	\$14,704
2030	227,245	223,881	(3,364)	\$2,236,615	\$2,254,878	\$18,263
2031	229,436	226,055	(3,381)	\$2,325,657	\$2,347,656	\$21,999
2032	231,603	228,182	(3,421)	\$2,419,605	\$2,444,003	\$24,398
2033	233,745	230,279	(3,466)	\$2,517,943	\$2,543,857	\$25,914
2034	235,826	232,310	(3,516)	\$2,619,547	\$2,647,033	\$27,486
2035	237,857	234,292	(3,565)	\$2,724,656	\$2,753,677	\$29,021
2036	239,842	236,230	(3,612)	\$2,833,400	\$2,863,919	\$30,519
2037	241,788	238,130	(3,658)	\$2,945,731	\$2,977,795	\$32,064
2038	243,628	239,926	(3,702)	\$3,060,971	\$3,094,621	\$33,650
2039	245,424	241,679	(3,745)	\$3,180,057	\$3,215,332	\$35,275
2040	247,204	243,417	(3,787)	\$3,303,400	\$3,340,365	\$36,965
^{a/} - Commission's Act 44 Financial Plan FY 2019 was issued on June 1, 2018.						
^{b/} - FYE May 31, 2019, 2020, and 2021 are actual amounts reported in the respective years' ACFRs. FYE May 31, 2022 through 2040 are projected amounts reported in the Commission's Act 44 Financial Plan FY 2022 issued on June 1, 2021. As previously noted, the Commission's FY 2023 Act 44 Financial Plan was issued June 1, 2022; however, since the projections in the new report did not significantly change from the FY 2022 report, we used information from the FY 2022 Act 44 Financial Plan that was available for use during the time audit procedures were performed.						

Source: This table was compiled by the staff of the Department of the Auditor General based on information provided in the Commission's Act 44 Financial Plans and Traffic and Revenue Forecast Studies, both performed by Commission consultants. The reliability of this data has not been determined as noted in Appendix A. However, this data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

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We found that the consultants lowered the projections for the Commission's vehicle transactions for each of the next 20 years but only lowered its toll revenue through FYE May 31, 2026. Due to toll rate increases already implemented and the anticipated annual increases scheduled to occur along with assumptions that the negative impact on travel due to the pandemic will no longer be an issue, the consultants projected revenues to increase.

Commission management stated that the consultants update the forecast for traffic and toll revenue based on items such as general economic conditions, fuel prices, and actual traffic and revenue experience. The projected increase in revenue beginning in FYE May 31, 2027, depends upon whether any negative impacts to travel remain from the pandemic. If situations occur such as: (1) travel on the Turnpike does not continue to recover as projected; (2) further unexpected scenarios negatively impact travel; or (3) a significant number of travelers do not use the Turnpike due to the toll rate increases the Commission intends to implement every year, the Commission's ability to collect revenues needed to sustain its operations could be jeopardized. In a later section within this finding, the effects of Turnpike toll increases are further discussed.

The Commission's ability to make its projected debt payments depends upon traffic transactions continuing to recover from the effects of the pandemic, incurring less debt, and continuing to make positive adjustments to minimize expenses as it has in response to the pandemic.

Through the FYE May 31, 2021, the Commission issued almost \$7.1 billion in new debt since the inception of Act 44 in 2007 to meet the mandated payments to PennDOT. As part of our audit, we performed procedures to analyze how the Commission can project that it is able to meet future debt payments despite the negative impacts of the pandemic on Turnpike travel and the reductions to traffic and toll revenue projections over the next few years. We found that in comparing reports prepared in 2018 to reports prepared in 2021, the Commission also reduced its projected annual scheduled debt payments in all but six of the next 20 years. In fact, without reductions to projected future debt payments, the Commission would have been unable to meet the projected debt payments previously reported in 2018. Table 4 below illustrates the projected decreases in debt payments over the next 20 years as reported in 2021 compared to the amounts reported in 2018.

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Table 4

Comparison of 2018 vs. 2021 Projections for Debt Payments Fiscal Years Ending 2021 through 2040 (Amounts in 000's)					
Fiscal Year Ending May 31	Total Toll Revenue Projected in 2021 ^{a/}	Total Funds Remaining After Operating Expenses Projected in 2021 ^{a/}	Total Scheduled Debt Payments Projected in 2018 ^{b/}	Total Scheduled Debt Payments Projected in 2021 ^{a/}	Annual Change in Total Scheduled Debt Payments ^{d/}
2021	\$1,190,419	\$821,386	\$786,576	545,478	\$(241,098)
2022	\$1,386,368	\$815,469 ^{c/}	\$854,597	703,591	\$(151,006)
2023	\$1,517,333	\$895,177 ^{c/}	\$896,169	787,288	\$(108,881)
2024	\$1,632,077	\$997,599	\$927,801	858,203	\$(69,598)
2025	\$1,757,049	\$1,005,486	\$957,884	947,033	\$(10,851)
2026	\$1,885,782	\$1,070,995	\$986,334	1,003,831	\$17,497
2027	\$1,996,176	\$1,120,108	\$1,015,543	1,031,802	\$16,259
2028	\$2,081,919	\$1,196,686	\$995,418	1,031,110	\$35,692
2029	\$2,165,751	\$1,271,135	\$1,032,866	1,066,635	\$33,769
2030	\$2,254,878	\$1,300,685	\$1,057,373	1,105,420	\$48,047
2031	\$2,347,656	\$1,383,691	\$1,083,856	1,133,443	\$49,586
2032	\$2,444,003	\$1,370,066	\$1,157,627	1,154,074	\$(3,553)
2033	\$2,543,857	\$1,359,743	\$1,186,180	1,176,581	\$(9,600)
2034	\$2,647,033	\$1,352,534	\$1,220,776	1,200,167	\$(20,609)
2035	\$2,753,677	\$1,348,579	\$1,261,978	1,223,444	\$(38,534)
2036	\$2,863,919	\$1,348,007	\$1,289,081	1,239,002	\$(50,079)
2037	\$2,977,795	\$1,410,447	\$1,308,157	1,247,598	\$(60,559)
2038	\$3,094,621	\$1,495,204	\$1,319,511	1,244,731	\$(74,780)
2039	\$3,215,332	\$1,583,199	\$1,320,341	1,235,889	\$(84,452)
2040	\$3,340,365	\$1,674,857	\$1,203,027	1,091,079	\$(111,947)

^{a/} - Source of amounts is information in Table 1 of this Finding. The Commission's Act 44 Financial Plan FY 2022 was issued on June 1, 2021. As previously noted, the Commission's FY 2023 Act 44 Financial Plan was issued June 1, 2022, however, since the projections in the new report did not significantly change from the FY 2022 report, we utilized information from the FY 2022 Act 44 Financial Plan that was available for use during the time audit procedures were performed.

^{b/} - The Commission's Act 44 Financial Plan FY 2019 was issued on June 1, 2018.

^{c/} - The "Total Funds Remaining After Operating Expenses" projected in the 2021 report were less than the amounts that would have been needed for the "Total Scheduled Debt Payments" as previously projected in the 2018 report.

^{d/} - "Total Scheduled Debt Payments Projected in 2018" minus the "Total Scheduled Debt Payments Projected in 2021".

Source: This table was compiled by the staff of the Auditor General based on information provided in the Revenue vs Debt Forecast prepared by Commission management and Commission Act 44 Financial Plans. The reliability of

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this data has not been determined as noted in Appendix A. However, this data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

Commission management stated that it completed two cash defeasances of outstanding debt in FYE May 31, 2021, that reduced its debt service payable from net toll revenues by approximately \$160 million.⁴⁴ Additionally, in response to the pandemic, it implemented cost-mitigation measures that reduced operating expenses and projected debt payments. Commission management provided the following cost-mitigation measures, which helped to reduce the FYE May 31, 2021, operating expenses:

- Instituted a hiring freeze for “non-essential” management and union positions.
- Offered an early retirement program to management employees.
- Implemented a telework policy, where feasible.
- Eliminated in-person toll collection after a measure to lay off approximately 500 employees effective June 18, 2020 (primarily employees related to fare collection) was unanimously approved by the Turnpike Commissioners on June 2, 2020.

In addition to those cost-mitigation measures, Commission management stated it increased the scheduled January 2021 toll increase from five to six percent, as well as implemented a 45 percent increase for Toll By Plate (TBP) customers.⁴⁵

Regarding the reduction in projected future debt payments, Commission management stated it reduced its capital spending by 15 percent and only proceeded with Turnpike protection projects.⁴⁶ Therefore, its debt from capital spending also decreased. Further, the Commission funded, and intends to continue funding, more of its capital budget during the FYE May 31, 2022, through 2025 from available cash (PAYGO) than was estimated in 2018, thereby reducing future year debt service payments.⁴⁷

Additionally, debt service projections from 2018 did not predict the subsequent dramatic lowering of both short-term and long-term interest rates as a means to spur economic growth that occurred after the onset of the pandemic. The lower interest rates resulted in lower actual Commission debt service payments for debt issued to date versus that which was assumed in 2018, and also lowers assumptions for debt service on debt to be issued through FYE May 31,

⁴⁴ Act 44 Financial Plan Fiscal Year 2021. Link to report available at <https://www.paturndpike.com/about-us/investor-relations/act-44-plan#:~:text=While%20the%20PTC%27s%20annual%20Act,obligations%20from%202007%20through%202022.>

⁴⁵ The additional 45 percent increase for TBP only occurred at the toll plazas that were not previously using TBP. The Commission noted that the increase was necessary to mitigate the loss of revenue due to unpaid TBP transactions. See *Finding 2* for details on uncollected tolls.

⁴⁶ Includes only projects necessary to maintain the safe operation of the Turnpike system and not the non-critical projects.

⁴⁷ PAYGO – Pay as you go fund that sweeps surplus cash when the General Reserve Fund is greater than an amount established by the Commission and utilizes the surplus cash to reduce bonding.

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2025. The recent rise in interest rates in 2022 may negatively impact future projected debt payments.

As the Commission saw traffic and revenues begin to recover, it reversed several of the earlier cost-saving actions as follows:

- Lifted the hiring freeze on “non-essential management and union positions” and began filling “vital operational positions (maintenance workers)” on September 15, 2020, and all other positions on January 7, 2021.
- Eliminated the 15 percent reduction in capital spending effective with the adoption of the FYE May 31, 2022, capital budget.
- Ended the early retirement incentive effective July 2, 2020.

The previously described mitigation efforts allowed the Commission to operate and meet its debt obligations through the FYE May 31, 2022, despite the negative impacts of the pandemic. The current requirements in Act 89, if unchanged, will decrease the annual payments from \$450 million to \$50 million beginning with FYE May 31, 2023.⁴⁸ This reduction is dependent upon the Governor and the legislature not enacting any legislation to change the scheduled decrease.

However, if the Commission does not meet these projections (traffic count and toll revenue increases), and/or if the Commission’s required payments to PennDOT do not decrease to \$50 million during FYE May 31, 2023, the Commission will be in jeopardy of potentially being unable to meet its scheduled debt payments, without taking corrective actions, and/or needing to further reduce its capital spending levels in the future.

Annual costly toll increases continue to place an undue burden on Turnpike travelers.

Turnpike Traffic and Toll Rates

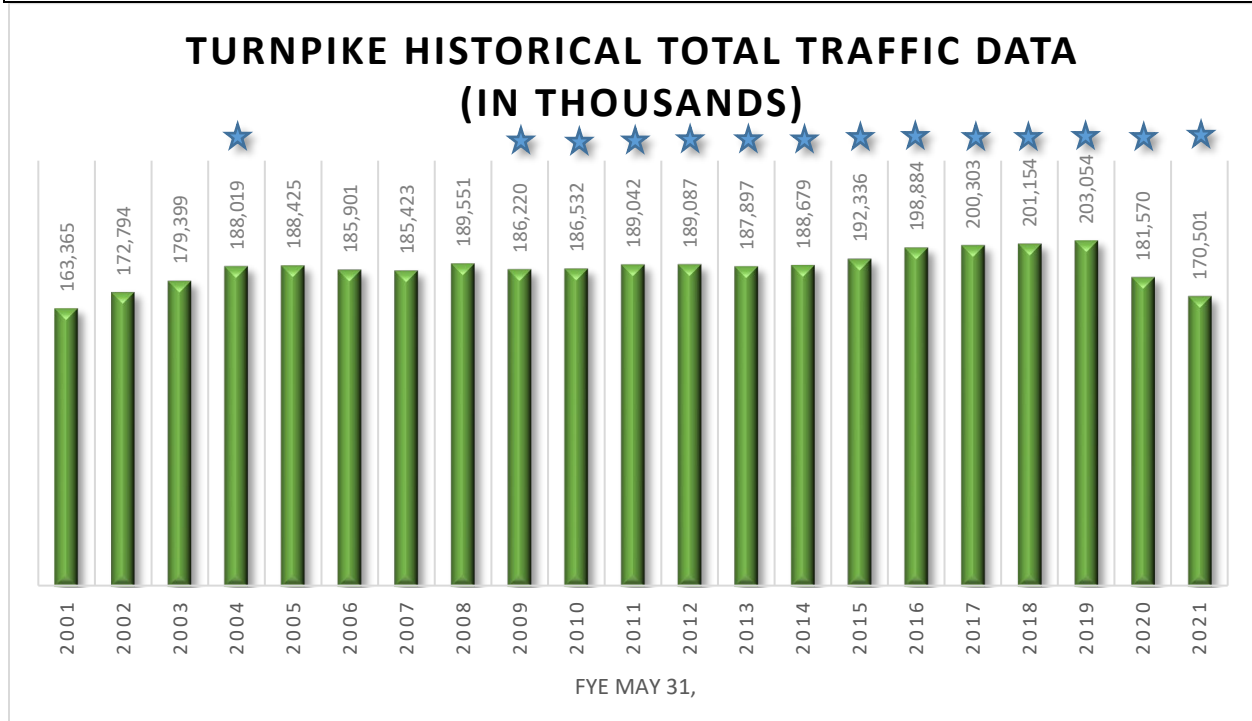
The Commission’s ACFRs reported that historically, the total number of vehicles that traveled the Turnpike increased each year until the beginning of the pandemic; however, we noted traffic volume remained relatively flat since 2004. Notably, with traffic decreasing due to the pandemic, the traffic volume in FYE May 31, 2021, retreated to near the volume reported 20 years ago. The following graph shows the total number of vehicles traveling the Pennsylvania Turnpike per year over the last 20 years and when toll increases occurred:

⁴⁸ 74 Pa.C.S. § 1506(c)(3.4); see also 72 P.S. § 7238.

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Graph 3



Source: This graph was developed by the staff of the Auditor General based on information reported in the Commission's ACFRs, Traffic and Toll Revenue Bring Down Letter prepared by a Commission consultant, and information provided by Commission management. For the FYE May 31, 2019 through 2021 whose information came from a Commission's consultant and Commission management, the information is of undetermined reliability as noted in Appendix A. However, this data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.



Indicates Toll Increase

Before the enactment of Act 44, the Commission only increased tolls five times in 64 years compared to 13 increases over the last 13 calendar years. The passage of Act 44 and the Commission's increasing debt load forced the Commission to increase tolls each year since January 1, 2009, with each increase being greater than the rate of inflation for that respective year, until 2022 when the rate of inflation exceeded the toll rate increase. In recent years, the annual toll increase has been six percent until 2022, when it was reduced to five percent (see Table 1 in *Appendix B* for detail on the rate of inflation and the toll increase for the calendar years 2009 through 2050). The Commission plans to increase tolls each year through 2050 in order to meet its Act 44/89 obligations.

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To better understand the effects of these toll increases, we calculated toll rates for traveling between Philadelphia and Pittsburgh, entering the Turnpike system at Valley Forge (Exit 326), and exiting at Pittsburgh (Exit 57). We calculated future toll rates using the projected increases described in Table 1 in *Appendix B*. We scheduled the toll rates for a passenger vehicle (Class 1, with 2-axes) and a commercial vehicle (Class 6: 45,001 – 62,000 lbs., with 5-axes). The results for 2022 and 2050 are presented as follows (See Table 2 in *Appendix B* for detail on future toll rates calculated for all calendar years 2022 through 2050):

Table 5

Projected Toll Rates from Valley Forge (Exit 326) to Pittsburgh (Exit 57) Calendar Year 2022 and 2050				
270.18 Miles				
Passenger Vehicle, 2-Axles			Commercial Vehicle, 5-Axles	
Year	E-ZPass	Toll By Plate (TBP) ^{b/}	E-ZPass	TBP
2022 ^{a/}	\$33.00	\$67.40	\$125.30	\$253.10
2050	\$81.15	\$165.75	\$308.14	\$622.43
^{a/} - The E-ZPass and TBP amounts for 2022 are the actual toll rates according to the Commission's online toll calculator.				
^{b/} - By using the new autopay feature for the Registered Toll By Plate (RTBP) program, non-E-ZPass customers who pre-register their vehicle and provide payment card information as means of electronic payment receive a 15 percent discount on their invoice with a successful payment.				

Source: This table was compiled by the staff of the Department of the Auditor General based on the 2022 current toll rates and the assumed toll rate increases based on Traffic and Revenue Forecast Studies performed by a Commission consultant. The assumed toll rate increases are of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

The one-way toll costs between Philadelphia and Pittsburgh shown in Table 5 will increase at the same rates for traveling other distances on the Turnpike. We believe that, at some point, the increased cost of toll rates for Turnpike travel, which is projected to almost triple by 2050, may prompt some motorists to seek alternate, toll-free routes. This would negatively impact the Commission's revenues while increasing traffic on other roads. The relatively stagnant traffic growth from 2004 to 2019 and the estimated reduction in projected Turnpike traffic and toll revenue through 2026, as shown in Table 3, indicate that such Turnpike traveler avoidance may already be occurring. However, factors such as the pandemic-related decline in traffic in 2020 and 2021 and negative impacts from recent economic challenges and fuel cost increases prevent us from drawing definitive conclusions in this regard.⁴⁹

⁴⁹ A contracted consultant for the Commission noted in its *2021 Traffic and Toll Revenue Bring Down Letter* the unpredictable nature of the pandemic and the changing COVID-19 infection rates. A key assumption in its analysis was that pandemic related negative impacts would continue through FYE May 31, 2026. The consultant prepares

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Effects on Credit Rating and Debt Financing Costs

The Commission's credit ratings decreased slightly after the passage of Act 44 but remained steady in recent years.⁵⁰ Although the Commission's current credit ratings (A1 and A+) from two agencies remain unchanged since our prior audit, both credit rating agencies (i.e., Moody's Investors Service and Fitch Ratings) noted concerns with the Commission's projections regarding Turnpike traffic levels and related toll revenue.⁵¹ Moody's Investors Service cited traffic falling short of forecasted levels as a factor that could lead to a downgrade of the rating and noted in a November 1, 2021, rating action:

*Over the long term, Moody's expects revenue growth will primarily be driven by toll rate increases as normalized traffic growth will likely remain at or below one percent per year with commercial traffic providing most of the revenue growth. While the pandemic and the transition to all electronic tolling caused a drop in traffic and revenue, the Commission's high proportion of commercial traffic limited revenue losses and has helped the Commission's monthly revenues return to pre-pandemic levels since March 2021. While the Commission's commercial traffic exceeds pre-pandemic levels, passenger traffic continues to lag in its recovery and will remain below pre-pandemic levels in the near-term. The pandemic has been manageable due to strong liquidity, resilient commercial traffic, continued willingness to adjust toll rates, and management's swift response to cut expenses in both the short and long-term.*⁵²

Fitch Ratings noted that given the uncertainty in relation to the pandemic and the Commission's substantial and ongoing borrowing plans for the near term, upward rating action is not likely at this time. Specifically, in a November 1, 2021, rating:

The A+ rating and a Stable rating outlook reflects the Commission's strong traffic profile, ability and willingness to raise tolls and history of prudent cost management, all of which somewhat mitigate its sizable debt burden. Commercial traffic is above and passenger traffic is nearing pre-pandemic levels in recent months. The ratings account for the turnpike's dependence on sustained toll rate increases above inflation to cover the entire cost base. It further notes that the Commission is dependent upon commercial traffic which although is 19 percent, it

Bring Down Letters to update traffic and toll revenue forecasts reported in the full forecast study. The Commission's most recent forecast study was issued in April 2018.

⁵⁰ For a short period after the beginning of the pandemic, its outlook was moved from stable to negative. The move from stable to a negative outlook was only for the Commission's subordinate revenue bonds; the Commission's senior revenue bonds remained at a stable outlook.

⁵¹ Both ratings of A1 and A+ are defined as an upper medium grade and signify the bonds are of high-quality but do carry a slightly higher degree of long-term investment risk. <https://www.investopedia.com/terms/a/a-a1.asp> (accessed May 24, 2022).

⁵² https://www.moody.com/research/Moodys-assigns-A1-to-Pennsylvania-Turnpike-Commission-2706-million-Turnpike--PR_907449870 (accessed December 13, 2021).

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*constitutes 52 percent of gross toll revenues as of fiscal year 2021. Additionally, the Commission benefits from unlimited legal authority to raise rates and has implemented above inflationary increases historically. However, there may be political risk associated with implementing toll rates above inflation for multiple years, as is anticipated in the Commission's financial plan.*⁵³

The rating further noted that the reduction of annual Act 44 payments from \$450 million to \$50 million starting in fiscal year 2023 will ease the overall debt burden, allowing for greater accumulation of cash flow for PAYGO funding.

Effects on Travelers

As previously reported, the Commission accumulated a considerable amount of debt in order to pay PennDOT \$7.9 billion as of May 31, 2022. The Commission must pay the associated debt service for approximately the next 30 years. According to Commission management, over the years, the payments to PennDOT and the associated debt left the Commission in a position of focusing only on “protection” projects that maintain the roadway and delaying “performance” projects that improve the Turnpike system.

With the reduced annual payment amount due to PennDOT, the Commission now plans to invest more in improving the Turnpike system. The Commission's 2022 capital plan notes they intend to spend \$7 billion over the next 10 years, with annual amounts ranging from almost \$650 million to more than \$751 million. According to Commission management, plans include completely rebuilding and widening sections of its roadway, making various tunnel improvements, replacing three bridges, and undertaking several new interchange projects.

Although the Commission made its last \$450 million Act 44 payment to PennDOT in July 2021 (as previously reported, the annual payment, starting in 2022, drops to \$50 million), Turnpike customers will not feel toll relief. Due in part to the previously reported 30-year debt obligation and the funds required for its capital projects, the Commission plans to annually increase toll rates through 2050 as shown in Table 1 in *Appendix B*. Toll price increases directly impact the travelers who provide the Commission with most of its revenue. Every annual toll increase is a burden for Pennsylvania consumers, as companies that transport goods by commercial vehicles on the Turnpike could pass the additional costs onto consumers. Additionally, annual toll increases place a heavy burden on those travelers who use the Turnpike for their daily commute. These planned annual increases in toll rates may therefore be an unsustainable practice for the Commission to meet its Act 44/89 related debt service and capital improvement expenses over the long term.

⁵³ <https://www.fitchratings.com/research/us-public-finance/fitch-rates-penn-turnpike-senior-revs-series-2021c-a-outlook-01-11-2021> (accessed December 13, 2021).

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Recommendations for Finding 1

We recommend the Commission:

1. Ensure that traffic projections used to forecast toll revenue are conservative and realistic based on data related to current and immediate future projections.
2. Evaluate and scrutinize sources of revenue and operating expenses to find ways to increase revenues while reducing costs. Several immediate recommendations are made in *Finding 2* to increase collection of toll violation fees and *Previous Prior Year Finding 1* to reduce toll-free use of the Turnpike by employees.
3. Evaluate ways to increase passenger car and commercial use of the Turnpike.
4. Continue to analyze and manage its debt, especially considering the recent increase in interest rates.
5. Pursue opportunities to collaborate with other state agencies to reduce operational and administrative costs, when possible.

We recommend the Pennsylvania General Assembly:

1. Immediately re-evaluate Acts 44/89 and consider drafting and enacting new legislation to help ensure the current debt burden placed on the Commission is considerably mitigated for the continued viability of the Commission and the toll road system in Pennsylvania. We again note, as previously stated in our prior audit, this could be aided through the use of a joint taskforce comprised of representatives of the Senate and House Appropriations and Transportation Committees, the Commission, PennDOT, and trucking industry/driver's associations, including possibly focusing on reasonable alternative revenue sources.
2. Refrain from increasing the \$50 million annual payment scheduled to begin during the fiscal year ending May 31, 2023, and further consider removing the Commission's requirement to pay PennDOT \$50 million each year through 2057.

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Finding 2 – Uncollected tolls have continued to increase and therefore, the Commission must continue to seek new ways to collect tolls due from both in and out-of-state travelers.

In July 2021, the Pennsylvania Turnpike Commission (Commission) produced a Revenue Assurance Plan Metrics Report (RAP) for the period June 2020 through May 2021, that included statistics on toll collections and various reasons why tolls have gone uncollected.⁵⁴ The RAP reported \$104,955,858 in Toll By Plate (TBP) transactions that did not generate revenue (referred to in the document as leakage). This unaudited total calculated by the Commission is the only leakage amount calculated and available during our audit period.⁵⁵

As a result, and for consistency of reporting results in this finding covering the fiscal years of our audit period, we will use, in some of the sections in this finding, the Commission's bad debt expense amounts obtained and confirmed by both Commission management and the Commission's contracted independent CPA firm (CPA firm) that audits the Commission's financial statements. To be clear, bad debt expense is not calculated the same as the Commission-reported TBP leakage amount. Leakage, unlike bad debt expense, includes not only billed but unpaid TBP transactions, it also includes transactions the Commission is unable to bill due to problems such as unreadable license plates (further described in the *Reasons for Uncollected Tolls* section later in the finding). Bad debt expense represents uncollected toll amounts billed from all tolling methods, including E-ZPass, and is calculated for financial reporting purposes.⁵⁶ Our audit procedures included reviewing the work performed by the CPA firm and its conclusions, which did not note any issues with the Commission's toll collection processes/procedures and are described in detail in the *Introduction and Background* section of this report.⁵⁷

The problem of uncollected tolls is not a new one for the Commission. The Department of the Auditor General (Department) first reported on the issues of toll violations and collections in September 2016. Our audit reported that during the Fiscal Years Ended (FYE) May 31, 2011, through 2015, at the same time the number of vehicles using the Turnpike increased by less than

⁵⁴ Commission management stated the RAP was developed to serve primarily as an indicator of operational performance and although the report does in portions relate the operational performance to revenue, it is not considered an official source of Commission financial data. The data reported in the RAP is of undetermined reliability as noted in *Appendix A*. However, this data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

⁵⁵ Subsequent to our audit procedures, the Commission released an updated RAP that reported the estimated amount for all transactions that are expected to be unbillable or uncollected was \$155 million for the period April 2021, through March 2022. https://files.paturndpike.com/production/docs/default-source/resources/investor-relations/revenue-assurance-plan/rap-may-2022.pdf?sfvrsn=69f3d046_1 (accessed July 19, 2022).

⁵⁶ See footnote in Table 1 of this finding for details regarding how the Commission records bad debt expense.

⁵⁷ We found the work performed by the CPA firm to be reliable as noted in *Financial Results – Financial-Related Mandates, Procedures, and Results* section of this report.

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two percent for each of the years, the number of violation notices invoiced increased by more than 15 percent per year, except for 2013 which only increased by 4 percent. Our subsequent audit report released in March 2019 reported the number of vehicles using the Turnpike rose each year during the FYE May 31, 2016 through 2018, by three percent the first year and less than one percent in each of the last two years; however, the number of violation notices invoiced grew by 19 percent or more per year.

The following sections discuss toll revenue and uncollected tolls as well as the enforcement mechanisms for uncollected tolls.

Toll Revenue

According to information in the Commission's annual comprehensive financial report (ACFR) and information provided by Commission management, which we confirmed by reviewing documentation provided by the CPA firm that annually audits the Commission's financial statements, the table below presents the Commission's toll revenue and bad debt expense for the FYE May 31, 2014, through May 31, 2021:

Table 1

Commission Bad Debt Expense and Toll Revenue for the FYE May 31, 2014, through May 31, 2021					
FYE May 31	Bad Debt Expense ^{a/}	Bad Debt Expense Dollar Increase	Bad Debt Expense Percentage Increase	Net Toll Revenue	Percentage of Bad Debt Expense to Net Toll Revenue
2014	\$15,699,554	N/A ^{b/}	N/A ^{b/}	\$861,846,000	1.82%
2015	\$21,826,541	\$6,126,987	39.03%	\$932,146,000	2.34%
2016	\$27,505,002	\$5,678,461	26.02%	\$1,030,115,000	2.67%
2017	\$40,019,482	\$12,514,480	45.50%	\$1,111,061,000	3.60%
2018	\$64,778,545	\$24,759,063	61.87%	\$1,196,606,000	5.41%
2019	\$81,277,065	\$16,498,520	25.47%	\$1,327,031,000	6.12%
2020	\$88,831,567	\$7,554,502	9.29%	\$1,247,779,000	7.12%
2021	\$98,809,674	\$9,978,107	11.23%	\$1,190,419,000	8.30%
^{a/} - Bad debt expense is based on the Commission's experience to conservatively record an allowance for E-ZPass and TBP accounts that may not be collected. The allowance is adjusted each month using a formula based on the age of each account. E-ZPass and TBP invoices in the first 30 and 60 days, respectively, are calculated at 25 percent for the allowance account. Additional adjustments occur, however, after 60 days for TBP and 90 days for E-ZPass, all notices are calculated at 100 percent. Bad debt expense includes both toll amounts and associated fees assessed to outstanding tolls.					

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^{b/} - Because we did not review Bad Debt Expense prior to 2014, increases for 2014 are not applicable (N/A).

Source: Produced by the staff of the Department of the Auditor General from information provided by Commission management, the Commission's independent CPA firm, and reported in the Commission's ACFR for FYE May 31, 2021.

As reported in the above table, bad debt expense amounts increased each year along with the percentage of bad debt expense to net toll revenue.⁵⁸ According to work performed by the CPA firm, these increases conservatively reflect the collectability of balances due and reflect the Commission's collection experience, as well as the Commission converting to all-electronic tolling (AET) and other COVID-19 pandemic-related impacts. The CPA firm concluded the amounts reported by the Commission were appropriate.

Specifically, regarding the largest dollar increase recorded in FYE May 31, 2018, which was prior to the implementation of AET in June 2020, Commission management stated an adjustment made in December 2017 accounted for approximately half of the increase. The Commission made this adjustment to catch-up on bad debt expense needed when the Commission entered a contract with a new collection agency.⁵⁹

Reasons for Uncollected Tolls

Although the prior section discussed the Commission's audited bad debt expense amounts with a year-to-year comparison, in this section, we discuss details specific to the \$104 million TBP leakage amount reported by the Commission for the FYE May 31, 2021, which includes not only uncollected tolls billed but also reasons for why a toll was unbillable. As previously noted, the unaudited RAP that originally reported the \$104 million TBP leakage was developed to serve primarily as an indicator of performance and not official financial records of the Commission. The Commission includes in the RAP various reasons for why some of the TBP leakage occurred. The following table summarizes these reasons:

⁵⁸ It should be noted, in part, that as traffic volumes and toll revenue increase, bad debt expense will also increase.

⁵⁹ Commission management stated that although the new contract began in September 2016, there were technical issues and the length of time needed to transition all of the uncollected accounts to the new agency took longer than planned.

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Table 2

Reasons for Commission Reported TBP Leakage			
Reason	Number of Transactions	Dollar Amount	Percent
TBP Transaction Invoice Not Paid By Traveler	6,676,892	\$63,446,929	60%
License Plate Unidentified	1,808,529	\$17,185,485	16%
Address Unavailable from the Department of Motor Vehicles	1,513,305	\$14,380,129	14%
Invoice Returned as Undeliverable	1,046,393	\$9,943,314	10%
Total TBP Leakage	11,045,119	\$104,955,857	100%

Source: This table was compiled by the staff of the Department of the Auditor General based on information provided in the Commission's unaudited RAP. The information is of undetermined reliability as noted in Appendix A; however, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

The sections below discuss the four reasons for the TBP leakage.

TBP Transaction Invoice Not Paid By Traveler

Unpaid TBP invoices account for the largest share, 60 percent of the TBP leakage. Commission management stated that although uncollected amounts are significant and every effort should be made to collect all amounts due, it meets the industry standard for toll collections.⁶⁰ Commission management stated that in a continuing effort to increase overall collection of toll revenues, it continues to explore adding new payment options for travelers. In this effort, the Commission became a member of a Cash Payment Network in March 2022, enabling customers to pay in cash at one of over 70,000 retail locations, such as convenience and drug stores. This option allows E-ZPass customers to add funds to their account and TBP customers to pay their invoices in cash.

Turnpike customers who wish to use this payment option can access their account online or via the Commission's [PA TOLL PAY](#) app and select the "pay" option, which displays participating retailers located in the vicinity. The customer generates a pay slip, which includes a \$1.50 service fee, before making a toll payment in cash at one of the retail locations. According to Commission management, adding this payment option will help customers who do not have a

⁶⁰ The Commission's RAP reported that 93.4 percent of revenue is collected from all types (e.g., E-ZPass, TBP) of transactions. We did not verify the accuracy of this percentage. The Commission contracts with a firm whose website states that it provides specialized service in areas including toll facilities design, toll technology, and all-electronic toll conversion. A consultant from the firm stated that the industry standard on toll collections is 93 percent; however, this is not documented in writing for us to review.

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bank account or do not want to tie up funds in an E-ZPass account.⁶¹ Offering multiple payment options to travelers theoretically increases the chances of collecting tolls owed; however, given this new payment option started a few months ago, data was not available to evaluate whether additional tolls were collected.

The Commission also attempts to collect unpaid amounts through methods such as collection agencies and vehicle registration suspensions. These, and other methods, are further discussed in the *Toll Collection Enforcement* section of this finding.

License Plate Unidentified

Unidentified license plate transactions, accounting for 16 percent of the total TBP leakage amount, occur when a license plate is not present or cannot be read by the license plate image capture system used within the Commission's tolling system. This includes license plates obscured in a manner which inhibits proper operation of an electronic toll collection system authorized under Section 8117 (relating to Electronic toll collection) of Title 74, Part IV.⁶² The penalty for obscuring a plate which inhibits proper operation of an authorized electronic toll collection system is a summary offense and carries a fine of \$100 under Subsection (b) and (c) of Section 1332 (relating to Display of registration plate) of Title 75.⁶³ Obstructions can include such items as rear-mounted bicycle racks and storage containers.

Affirmative actions, which require an intentional or knowing action, to evade tolls are more serious and can include, but are not limited to: (1) removing a license plate from a vehicle; (2) installing a mechanism which rotates, changes, blocks or otherwise mechanically alters the ability of a license plate to be read by a violation enforcement system; (3) installing a mechanical apparatus upon a vehicle which serves the sole purpose of masking, hiding, or manipulating the true weight of the vehicle as it appears to a mechanical scale; (4) conspiring with an individual or group of individuals to alter, lower, or evade payment of correct tolls; and (5) unauthorized use of a Pennsylvania Turnpike private gate access or otherwise unauthorized movement entering or exiting the turnpike other than at approved interchanges under Section 6110.1 (relating to Fare evasion) of Title 75.⁶⁴ Accordingly, the penalty for first time affirmative action offenders is a third-degree misdemeanor with a \$3,000 fine.⁶⁵

Additionally, old and weathered plates are sometimes unable to be read. To address this issue, Commission management stated the Pennsylvania Department of Transportation (PennDOT) could issue new license plates to replace those that are weathered and unreadable.

⁶¹ <https://www.paturnpike.com/news/details/2022/06/06/pay-cash-at-nearby-retailer-for-toll-by-plate-invoices-or-to-replenish-e-zpass-account> (accessed June 7, 2022).

⁶² 74 Pa.C.S. § 8117.

⁶³ 75 Pa.C.S. § 1332(b) and (c).

⁶⁴ 75 Pa.C.S. § 6110.1.

⁶⁵ A second offense carries a fine of \$6,500 and imprisonment of not more than six months, or both, for a second or subsequent offense. See 75 Pa.C.S. § 6110.1(b)(1) and (2).

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Address Unavailable from the Department of Motor Vehicles (DMV)

Unavailability of mailing addresses from vehicle registration databases account for 14 percent of the TBP leakage amount. Commission management stated the transactions in this category include travelers from both Pennsylvania and out-of-state. Commission management stated that the relevant Pennsylvania statute requires the Commission to use the address on record with PennDOT for Pennsylvania travelers; however, PennDOT cannot always provide the Commission with addresses associated with the license plate in question. Commission management stated that it does not know why PennDOT does not have an address for certain license plates issued to Pennsylvania motorists. As a result of our audit inquiries, the Commission is currently working with PennDOT to determine the reasons for addresses not being available for license plates. Regarding out-of-state travelers, the vendor, that the Commission contracts to operate its customer service center, contracts with a third-party to supply addresses for other states where the Commission lacks a direct look-up agreement with that state's DMV.⁶⁶ Issues with obtaining addresses for toll violators from other states underscores the need for the Commission to continue its efforts to enter into reciprocity agreements with other states. This issue is discussed later in the *Toll Collection Enforcement* section of this finding.

Invoice Returned as Undeliverable

Undeliverable invoices account for the remaining 10 percent of the TBP leakage amount. As previously noted, Commission management explained that the relevant statute requires the Commission to use the address on record with PennDOT for in-state travelers and the respective DMV from other states for out-of-state travelers; however, incorrect/outdated addresses on file at PennDOT result in invoices and past due notices being returned as undeliverable. Commission management stated they would like to be able to use other sources outside of PennDOT and other states' DMV to capture the address for in and out of state travelers in order to collect missing revenue.

Toll Collection Enforcement

If an individual uses the Turnpike and does not pay the assessed toll either through an established E-ZPass account or when billed through the TBP methods, the Commission can use various enforcement mechanisms to try to collect the unpaid tolls. We describe, in this section, current enforcement mechanisms used by the Commission, as described by Commission management, along with additional methods for consideration for collection of uncollected tolls. These methods include the following:

⁶⁶ The Commission has direct look-up agreements with the following six states: New Jersey, New York, Ohio, Virginia, Michigan, and Texas.

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- Registration suspension
- Collection agencies
- Reciprocity agreements with other states
- Legal action

Registration Suspension

When the Department first reported on the issues of toll violations and collections in September 2016, it was a major concern because the Commission lacked the legal authority to further penalize toll violators regardless of whether violations were intentional or how many violations were issued. In November 2016, Act 165 of 2016 was enacted to allow for the suspension of a vehicle registration for unpaid tolls and fees. Beginning August 4, 2017, the Commission could ask PennDOT to suspend the registration of any Pennsylvania motorist with six or more violations for unpaid tolls over the past three years or tolls and fees totaling \$500 or more over the past three years, and at least one unpaid toll for travel after August 4, 2017.

The following table represents information as of May 31 of each fiscal year during our audit period of Pennsylvania motorists with delinquent accounts that meet the criteria for vehicle registration suspension. The table includes amounts owed for outstanding tolls and fees along with additional information regarding the status of the accounts.

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Table 3

Vehicle Registration Suspensions as of May 31, 2019, 2020, 2021, and April 30, 2022

As Of Date	Stage ^{a/}	Number of Accounts (Registrations) Eligible for Suspension	Toll Amount	Fee Amount ^{b/}	Total Amount (Tolls and Fees)	Amounts Being Appealed	Amounts Set Up To Be Paid Through A Payment Plan	Amount With No Response From Registration Account Owner
5/31/2019	Eligible	684	\$939,704	\$1,509,356	\$2,449,060	\$90,095	\$129,911	\$2,229,054
	Pending	788	\$1,572,974	\$2,743,108	\$4,316,082	\$7,285	\$1,127,674	\$3,181,123
	Active	1,014	\$3,588,205	\$5,460,124	\$9,048,329	\$0	\$766,823	\$8,281,506
	Total	2,486	\$6,100,883	\$9,712,588	\$15,813,471	\$97,380	\$2,024,408	\$13,691,683
5/31/2020	Eligible	1,814	\$859,227	\$1,272,708	\$2,131,935	\$81,326	\$86,452	\$1,964,157
	Pending	3,875	\$2,515,184	\$3,590,549	\$6,105,733	\$9,886	\$582,179	\$5,513,668
	Active	8,418	\$9,005,902	\$13,315,919	\$22,321,821	\$0	\$606,788	\$21,715,033
	Total	14,107	\$12,380,313	\$18,179,176	\$30,559,489	\$91,212	\$1,275,419	\$29,192,858
5/31/2021	Eligible	2,825	\$3,161,022	\$992,414	\$4,153,436	\$70,153	\$133,699	\$3,949,584
	Pending	3,966	\$2,257,160	\$2,707,047	\$4,964,207	\$10,748	\$354,676	\$4,598,783
	Active	9,639	\$9,064,175	\$11,510,740	\$20,574,915	\$0	\$842,255	\$19,732,660
	Total	16,430	\$14,482,357	\$15,210,201	\$29,692,558	\$80,901	\$1,330,630	\$28,281,027
4/30/2022	Eligible	1,070	\$601,743	\$395,611	\$997,354	\$91,737	\$174,204	\$731,413
	Pending	7,114	\$4,972,526	\$3,294,379	\$8,266,905	\$6,493	\$1,020,656	\$7,239,756
	Active	16,008	\$17,503,400	\$11,924,428	\$29,427,828	\$0	\$3,088,054	\$26,339,774
	Total	24,192	\$23,077,669	\$15,614,418	\$38,692,087	\$98,230	\$4,282,914	\$34,310,943

^{a/} - Accounts are in one of three stages: (1) Eligible – Account meets criteria for registration suspension. The Commission notifies motorist their registration will be suspended unless the motorist appeals, pays outstanding tolls and fees, or sets up a payment plan. If there is no response within 30 days, the Commission forwards the account to PennDOT. (2) Pending – PennDOT notifies motorist their registration will be suspended unless motorist files an appeal in the Court of Common Pleas, pays outstanding tolls and fees, or sets up a payment plan. If there is no response within 42 days, the registration will be suspended. (3) Active – Motorist registration has been suspended.

^{b/} - Fees are assessed at various stages once a toll is outstanding and if there are any non-sufficient funds bank fees assessed. For outstanding tolls associated with an E-ZPass account, a collection fee of \$25 is added to the amount due when an account is placed with a collection agency. TBP accounts are assessed a late fee of the greater of 1.5% of the amount past due or \$5 once a TBP invoice goes unpaid after 30 days. Additionally, a collection fee equal to \$20 or 20 percent of the amount placed with the collection agency, whichever is greater, is assessed when the account is placed with a collection agency. Once a registration has been suspended, an additional restoration fee of \$94 is assessed by the Commission for PennDOT to cover the cost of processing a reinstatement.

Source: Produced by the staff of the Department of the Auditor General from information provided by Commission management, which is of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the information we present, there is sufficient evidence in total to support our findings and conclusions.

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As of April 30, 2022, Pennsylvania motorists who have not responded to resolve outstanding toll amounts due, even though their vehicle registrations have been suspended, owe \$26.3 million in total tolls and fees. Although Act 165, which allows registration suspension, was passed as a mechanism for the Commission to enforce collection of outstanding tolls, the significant amount of uncollected tolls and fees reflects that the current legal mechanism of registration suspension may not have had the desired impact on collections.

Although a significant number of motorists have not responded to registration suspensions, Commission management stated it supports House Bill 2139 introduced on December 7, 2021, but not yet passed, which provides stronger enforcement to allow the Commission to request PennDOT suspend a vehicle registration for unpaid tolls or administrative fees or costs that collectively total a minimum of \$250, as opposed to the \$500 threshold under current law.⁶⁷ Commission management stated that based on the new proposed criteria, as of May 15, 2022, over 23,000 additional Pennsylvania registrations would be eligible for suspension. The uncollected toll amount associated with those registrations totaled more than \$18.1 million.⁶⁸ Using a lower threshold for initiating registration suspension requests would help the Commission to collect unpaid tolls; however, it will not necessarily assist in collecting tolls due from those whose registrations have already been suspended under the current criteria.

Additionally, in consideration of increasing enforcement mechanisms, we noted a law passed this year in Ohio that requires vehicle owners to pay their delinquent tolls before they can register or transfer a title for their vehicle.⁶⁹ According to Commission management, Pennsylvania's Vehicle Code prohibits motorists from renewing their registrations until any toll, penalties, and restoration fees are paid.⁷⁰ However, it does not prohibit a motorist from transferring the title into someone else's name when the vehicle they own is under registration suspension or from applying for the registration of a different vehicle. Adopting a similar enforcement method to Ohio, such as prohibiting a motorist from transferring the registration into someone else's name while under registration suspension or from applying for registration on a different vehicle in Pennsylvania, which would require a change to Pennsylvania law, should assist in increasing the Commission's collection of outstanding tolls and potentially deter motorists from becoming toll violators.

⁶⁷ Pennsylvania House Bill 2139, latest Printer Number 3249, was passed unanimously by the House in May 2022 and has had second consideration in the Senate in June 2022. *See* Bill Information (History) - House Bill 2139; Regular Session 2021-2022 - PA General Assembly (state.pa.us).

⁶⁸ \$18.1 million includes \$12.9 million due in tolls and \$5.2 million in associated fees.

⁶⁹ Ohio's law established an appeals process. www.legislature.ohio.gov/legislation/documents?id=GA134-SB-162 (accessed May 12, 2022).

⁷⁰ Subsection (4) of Section 1306 (relating to Grounds for refusing registration) of the Vehicle Code provides that PennDOT shall refuse registration, renewal, or transfer of registration if the "fees required by law have not been paid". *See* 75 Pa.C.S. § 1306(4). *See also* Section 1380 (relating to Suspension of registration upon unpaid tolls) of the Vehicle Code, 75 Pa.C.S. § 1380.

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Collection Agencies

At the beginning of the audit period, June 1, 2018, the Commission used one collection agency for collection of unpaid tolls billed by the Commission (reported in Table 4 as Collection Agency 1). The contract with the collection agency ended on September 6, 2021, and was not extended.⁷¹ Before that contract ended, the Commission entered into five-year agreements with two new collection agencies for collection services in May 2021 and June 2021 (reported in Table 4 as Collection Agency 2 and 3).⁷² According to the Commission's current business rules for collection methods, once an outstanding toll meets the established criteria, it will be sent to one of the two collection agencies. The Commission sends TBP invoices to a collection agency when the amount is unpaid after 60 days and E-ZPass accounts are sent to a collection agency when the account is in an insufficient status of negative \$10 or more after 90 days.⁷³

Generally, the Commission forwards each collection agency an equal number of the outstanding accounts. However, according to Commission management, with a performance incentive in place, the Commission maintains the option to forward more collection accounts to the agency demonstrating a higher performance.⁷⁴

The following table reports the amounts of collection accounts sent to each of the three collection agencies used by the Commission during the audit period and the amounts collected by each agency:

Table 4

Toll Amounts Sent to and Collected by Collection Agencies During FYE May 31, 2019 through 2022				
FYE May 31	2019	2020	2021	2022
Collection Agency 1				
Number of Accounts Sent	836,716	976,340	1,727,325	489,675
Total Dollar Amount Sent	\$75,530,214	\$97,619,406	\$119,585,647	\$36,915,639
Total Dollar Amount Collected ^{a/}	\$9,596,914	\$10,996,565	\$27,010,883	\$253,474
Percentage of Dollar Amount Collected to Dollar Amount Sent	12.7%	11.3%	22.6% ^{b/}	0.7%

⁷¹ The agreement was entered into on September 6, 2016, and was for a period of five years with an option to extend for two additional three-year terms.

⁷² The Commission negotiated a lower payment percentage of approximately two percent with the two new collection agencies.

⁷³ Individuals add money to their E-ZPass account by linking the account to a payment method such as a credit card. Whenever the E-ZPass balance drops below \$10, the account is set to auto-replenish. If there is an issue with the payment method attached to an account and the account balance drops to \$0 or less, the account is considered to be in insufficient status.

⁷⁴ If there are multiple uncollected balances for the same individual, all those balances will be sent to the same collection agency instead of splitting them up between agencies.

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Collection Agency 2^{c/}				
Number of Accounts Sent	N/A	N/A	N/A	1,011,865
Total Dollar Amount Sent	N/A	N/A	N/A	\$70,734,566
Total Dollar Amount Collected ^{a/}	N/A	N/A	N/A	\$7,173,893
Percentage of Dollar Amount Collected to Dollar Amount Sent	N/A	N/A	N/A	10.1%
Collection Agency 3^{c/}				
Number of Accounts Sent	N/A	N/A	N/A	1,210,863
Total Dollar Amount Sent	N/A	N/A	N/A	\$79,551,492
Total Dollar Amount Collected ^{a/}	N/A	N/A	N/A	\$10,518,144
Percentage of Dollar Amount Collected to Dollar Amount Sent	N/A	N/A	N/A	13.2%
^{a/} - Amounts remitted to the Commission after the collection agencies' payment has been deducted. Regarding Collection Agency 1, amounts collected could be from accounts forwarded by the Commission in either the current or a prior year since the collection agency has three years to collect an unpaid toll sent to it by the Commission.				
^{b/} - Commission management indicated, in its experience, an increase in the collection percentage rate is common in the later years of collection contracts.				
^{c/} - Collection agency began collecting past due amounts for the Commission during FYE May 31, 2022. Therefore, FYE May 31, 2019, 2020, and 2021, are not applicable (N/A).				

Source: Produced by the staff of the Department of the Auditor General from information provided by Commission management, which is of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the information we present, there is sufficient evidence in total to support our findings and conclusions.

As reflected in Table 4, the two collection agencies now in use collect at percentage rates similar to the prior agency's rates during FYE May 31, 2019, and 2020. Therefore, it may be too early to determine the benefit of the Commission's decision to switch to two new collection agencies.

Reciprocity Agreements

The Commission continued attempts to enter into reciprocity agreements with other states to increase the collection of outstanding tolls, as described below, without significantly affecting collections as hoped. Commission management stated that as of October 31, 2021, approximately half of violations involved out-of-state motorists. Act 165 of 2016 gave PennDOT the authority to enter into reciprocal agreements regarding collection of outstanding tolls.⁷⁵ Although the Commission is not a party to this type of agreement, it works in partnership with PennDOT.

Commission management stated that it has had discussions with representatives from the states of Delaware, Maryland, Ohio, New Jersey, and New York regarding reciprocity for toll

⁷⁵ 75 Pa.C.S. § 1380(i)(1).

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collection and enforcement, but has only entered into an agreement with Delaware.⁷⁶ Commission management stated that Maryland indicated its priorities focus on debt collection as opposed to reciprocity. While New Jersey does not have the statutory authority to enter into reciprocity agreements, Ohio was recently given this authority by the Ohio legislature.⁷⁷ The Commission held two meetings with New York in 2021 and 2022; however, no agreement was in process as of our last inquiry on June 10, 2022.

Further, while PennDOT entered into a reciprocity agreement with the Delaware Department of Transportation, Division of Motor Vehicles (DelDOT) on September 11, 2018, DelDOT notified PennDOT that resources and priorities shifted to other state initiatives. The agreement generally provided that PennDOT and DelDOT will suspend or hold the registration of vehicles upon unpaid tolls, consistent with the laws and regulations of the other state, upon request. Although not currently enforced, Commission management stated, as of June 21, 2022, that they continue to correspond with DelDOT regarding the existing agreement.

Four of the five states that the Commission has met with regarding reciprocity agreements include, according to the RAP report, the top four states the Commission sent invoices to its residents that had the largest unpaid toll amounts, totaling \$12.84 million during the period June 2020 through May 2021. However, three other states, West Virginia, Virginia, and Michigan, listed in the RAP each account for unpaid balances of more than \$1.2 million during that same time period in which entering into reciprocity agreements could enhance the Commission's efforts to collect additional outstanding tolls.⁷⁸

Legal Action

The Commission will take legal action against Pennsylvania motorists if unpaid tolls meet certain criteria. According to Commission management, Revenue Enforcement begins its investigations process once the outstanding toll and fee amounts owed by an individual or business is \$2,000 or more and once the motorist's registration has been in active suspension (as described above in a note to Table 3) for 180 days.⁷⁹ The investigator first attempts to contact the traveler (or company) to obtain payment. If contact is unsuccessful, the investigator then files a civil case in the county where the toll violation occurred.

⁷⁶ The representatives from each state varied; however, they were generally management from each state's Department of Motor Vehicles, Transit/Turnpike Authority, or Toll Agency.

⁷⁷ As noted in the text, relevant legislation was recently enacted in Ohio which was subsequent to our audit period. This legislation, which was enacted in May 2022, with an effective date of August 31, 2022, would allow for out of state reciprocity agreements. Commission management stated it intends to discuss a reciprocity agreement with Ohio.

⁷⁸ Delaware is not identified in the RAP as one of the top 11 states whose motorists owe the largest amounts to the Commission.

⁷⁹ The Commission's Revenue Enforcement Office investigates toll evasion cases. This office (previously reported in the prior audit as the Office of Special Investigations) was transferred from the Compliance Department to Toll Collection Operations and renamed on June 4, 2021, due to retirements and reorganization.

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Information provided by the Commission indicated that as of February 28, 2022, Revenue Enforcement worked on 2,328 toll evasion cases since they began the process in February 2017, which includes 770 active cases and 662 cases that resulted in collections of approximately \$2.4 million of the \$28.4 million owed.⁸⁰ It appears that the efforts of the Commission's Revenue Enforcement have resulted in collections of over 28 percent of the cases worked and although the amount collected is not the full amount owed by travelers, all amounts collected are beneficial to the Commission's operations.

Overall conclusion

Although the Pennsylvania General Assembly and the Commission implemented additional toll collection enforcement tools, the results demonstrate the tools did not result in the collection of outstanding tolls to the extent intended, as shown by the significant amount of unpaid tolls/bad debt expense reported in this finding. The Commission, working with the Commonwealth, needs to continue its ongoing efforts and pursue additional means to collect tolls from both in and out-of-state travelers.

Recommendations for Finding 2

We recommend the Commission:

1. Continue to research and offer additional payment options in order to provide a variety of payment methods to travelers.
2. Request the Pennsylvania State Police "Troop T" Turnpike patrol to increase its work on identifying and ticketing, when appropriate, vehicles on the Turnpike that have an obstructed or unreadable license plate.
3. Request PennDOT develop a plan to identify and replace unreadable license plates.
4. Continue to work with PennDOT to determine the cause for addresses not being available for license plates associated with vehicles using the Turnpike. Based on the reasons from PennDOT, the Commission should follow up with appropriate courses of action to enable additional billings for Toll By Plate transactions.

⁸⁰ The remaining 896 toll evasion cases include the following: (1) 19 cases that are with the Commission's legal office for review; (2) 183 cases involving charges that have been filed against the violators; (3) 297 cases that have been closed with no collection; and (4) 397 cases that are open but inactive. The number of cases and associated amounts collected was provided by Commission management and is of undetermined reliability as noted in *Appendix A*. However, this data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

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5. Closely monitor the performance of the two current collection agencies to determine if using two agencies instead of one is yielding higher collection rates.
6. Continue to work with other states, in particular those states whose drivers have the highest amounts of uncollected tolls in Pennsylvania, regarding potential reciprocity agreements.
7. Work with the General Assembly to help develop legislation to increase current penalties for motorists that knowingly/intentionally obscure license plates.
8. Work with the General Assembly to help develop legislation that would amend existing statute to allow the Commission to use resources, other than PennDOT and other states' Department of Motor Vehicles, to obtain valid addresses for motorists.
9. Continue working with the General Assembly to help develop legislation to reduce the threshold for registration suspension criteria as it relates to outstanding tolls.
10. Work with the General Assembly to help develop comprehensive legislation that is clear and concise to increase toll collection enforcement mechanisms, such as that implemented in the state of Ohio, which require payment of outstanding tolls before allowing an individual to transfer the title under someone else's name while under registration suspension or from applying for registration on a different vehicle.
11. Work with the General Assembly to develop legislation which is likewise both comprehensive and clear and concise regarding other toll collection mechanisms, such as deducting outstanding toll balances from lottery winnings or state tax refunds.

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Finding 3 – The anti-discrimination language in the Commission’s contracts for amenities provided to its customers at service plazas is outdated and lacking content.

In December 2019, news media reported an alleged incident of racial discrimination in October 2019 at the Pennsylvania Turnpike Commission’s (Commission) Highspire Service Plaza.⁸¹ As a result, we evaluated the Commission’s lessee contracts and policies pertaining to customer amenities at service plazas for provisions regarding the prohibition of racial discrimination and sexual harassment.⁸² We found the anti-discrimination language in these contracts is outdated and lacking content and the Commission failed to monitor the lessees’ compliance with provisions included in the non-discrimination sections. As noted in the *Introduction and Background* section of our report, federal and state laws including the Pennsylvania Human Relations Act (PHRA), protect the rights of individuals using the public accommodations offered at the service plazas.⁸³

To achieve our audit objective, we corresponded with Commission management and obtained and reviewed the following contracts for amenities provided to service plaza customers:

- A food vendor operating restaurants at all 17 service plazas.⁸⁴
- A fuel vendor operating fueling and convenience store services at all 17 service plazas and food service at two service plazas.⁸⁵

The following sections describe our results in detail.

The anti-discrimination language in these contracts is outdated and lacking content.

The Commission’s contracts for amenities provided at service plazas have been in place for over a decade. Regarding provisions prohibiting racial discrimination and sexual harassment, Commission management stated the following:

Although the Commission owns the properties on which service plazas are located, it does not oversee service plaza operations, nor does it employ the

⁸¹ <https://www.pennlive.com/news/2019/12/vowing-not-to-go-away-harrisburg-woman-renews-call-for-meeting-on-racial-harassment-complaint-at-turnpike-service-plaza.html> (accessed January 10, 2022). The Highspire Service Plaza is located at milepost 249.7 on the Turnpike in Middletown, PA.

⁸² <https://www.paturndpike.com/traveling/service-plazas/highspire#service-plazas-map> (accessed May 5, 2022).

⁸³ Amenities provided to service plaza customers include items such as food and fuel.

⁸⁴ 43 P.S. § 951 *et seq.*

⁸⁵ The term of the contract is September 1, 2006, through August 25, 2036.

⁸⁶ The original term of the contract is February 1, 2007, through January 31, 2022, with the first of the three 5-year optional executed through January 31, 2027.

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individuals working there... However, the Vendors are contractually required to prohibit racial discrimination and sexual harassment.

While the Commission does not employ the individuals working at the service plazas, the individuals provide services at Commission-owned facilities. The Commission, therefore, should be concerned with the actions of its lessees and the protection of travelers' rights consistent with its vision to drive the standard for customer service.⁸⁶ Furthermore, although Commission management states its agreements contain indemnification provisions and obligations that the lessees must comply with federal and state anti-discrimination laws, we believe the Commission should take more preventative measures to ensure that it does not become vulnerable to civil actions if a prohibited act occurs at a service plaza by including stronger enforceable contractual provisions commonly in place between government and third-party private vendors.

The contracts for both the food and fuel vendor contain the following basic non-discrimination provision:

Service shall be provided to all customers without discrimination as to race, color, religion, sex, disability, national origin, age, or on any other basis that is prohibited by federal, state or local law.

This language is outdated as it does not contain language similar to that found in the Pennsylvania Department of General Services' (DGS) standard contract terms and conditions which prohibits discrimination regarding gender, sexual orientation, or gender identity or expression. Although we recognize that the Commission as a state-affiliated agency is not directly subject to the Pennsylvania Procurement Handbook and that this language may be outdated because these contracts were executed in 2006 and 2007, or approximately 15 years ago, Commission management confirmed that it has not updated the non-discrimination provisions in more recent contracts. We believe it is vitally important for the Commission to ensure that the anti-discrimination language in its contracts, such as those with its food and fuel vendors, more closely aligns with the current language included in DGS' standard non-discrimination contract provision.

We also noted the contract provisions do not include other helpful items such as requiring the posting of signage that provides customers with contact information of the vendor's management at each establishment in order to contact them with issues or complaints.

Additionally, it is important to note that the Pennsylvania Human Relations Commission (PHRC) enforces state anti-discrimination laws in Pennsylvania.⁸⁷ The United States Equal Employment Opportunity Commission (EEOC) and Justice Department also enforce any

⁸⁶ www.paturndpike.com/about-us/ (accessed March 25, 2022).

⁸⁷ <https://www.phrc.pa.gov/AboutUs/Pages/About-PHRC.aspx> (accessed May 16, 2022) See in particular, 43 P.S. § 955 (relating to Unlawful Discriminatory Practices).

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employment discrimination requirements.⁸⁸ As such, any violation(s) of the contracts' non-discrimination sections may be subject to penalties by the PHRC, EEOC, and the United States Justice Department. Therefore, we believe the Commission's contracts should also include language stating that such violations can result in the rejection of future contracts/debarment of the vendor by the Commission.

The Commission failed to monitor the lessees' compliance with the provisions included in the non-discrimination section.

Despite the importance of protecting customers using service plazas from discrimination, we found the Commission has not established policies or procedures to monitor lessees regarding the non-discrimination provision in the contracts. Nor has the Commission obtained items such as Equal Opportunity Plans and racial discrimination and sexual harassment prevention training documentation for the contracted employees from the lessees. Commission management stated:

Pursuant to the agreements with the vendors, the Commission requires the vendors to comply with all applicable Federal, state and local laws and regulations, including, but not limited to, prohibitions against racial discrimination and sexual harassment. The Commission does not have staff to monitor vendor compliance with racial discrimination and sexual harassment compliance. The vendors are responsible for implementing and enforcing their own policies and procedures.

With regard to the alleged incident in October 2019, Commission management stated no changes to the contracts or monitoring of the contracts have occurred since the alleged incident.⁸⁹ When we asked if sensitivity training was provided to the employees of the vendor involved in the alleged incident, Commission management stated that the food vendor advised the Commission that it provided training to its employees; however, the food vendor did not provide, nor did the Commission request that the food vendor provide, documentation to the Commission to support what, if any, training occurred. As a result, the Commission has no ability to confirm whether sensitivity training occurred as claimed by the lessee.

Commission management did state that it is *committed to providing its customers with the premier travel experience*. Therefore, the Commission should ensure that all contracts for amenities provided to customers at service plazas include up-to-date provisions regarding the prohibition of racial or other forms of discrimination and sexual harassment and that those provisions are closely monitored by Commission staff to ensure all individuals using the public accommodations provided at the service plazas of the Turnpike are treated with dignity and respect.

⁸⁸ <https://www.eeoc.gov/overview> and <https://www.eeoc.gov/statutes/laws-enforced-eeoc> (accessed May 16, 2022).

⁸⁹ Commission management stated that as of January 21, 2022, this matter is pending before the PHRC.

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Recommendations for Finding 3

We recommend the Commission:

1. Amend its contracts for amenities provided to its customers at service plazas to include current and appropriate anti-discrimination language and consider, at a minimum, additional alignment with the language of the DGS Standard Contract terms and conditions. The following suggested language is adapted from DGS Standard Contract terms and conditions:

The Commission's contractor or subcontractor to provide amenities to customers at service plazas should not discriminate by reason of: 1) race; 2) color; 3) religious creed; 4) ancestry; 5) age; 6) sex (including sexual orientation or gender identity); 7) national origin; 8) handicap or disability and the use, handling, or training of support or guide animals for disability; and 9) retaliation for filing a complaint, opposing unlawful behavior, or assisting investigations consistent with the Pennsylvania Human Relations Act and federal laws for non-employment discrimination.

2. Update the language used in other contracts with non-discrimination provisions to better align those provisions with the DGS Standard Contract terms and conditions outlined in the prior recommendation.
3. Amend contracts for amenities provided to its customers at service plazas to include language stating any violations of the non-discrimination sections could result in rejection of future contracts/debarment of the lessee by the Commission or other penalty.
4. Consider requiring lessees that provide customer service at service plazas to post signage with a "Customer Complaint Number" at each establishment that would connect them to the human resources or legal department in the vendors' headquarters and require that the vendor provide the Commission's management with a copy of all complaints to review and follow-up on, if necessary.
5. Establish policies or procedures to monitor the lessees' compliance with each contracts' Non-Discrimination Section, such as reviewing the service vendors' anti-discrimination plans and related employee sensitivity training provided by the lessees.

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Financial Results – Financial-Related Mandates, Procedures, and Results

The financial-related mandates⁹⁰ addressed in this report include:

- Section 706(b) of the Administrative Code of 1929 provides that “the Auditor General shall, on a quadrennial basis, conduct a financial audit and a compliance audit of the affairs and activities” of the Commission.”⁹¹
- Section 8204(b)(1) of Part IV, Title 74 (Transportation) requires the Auditor General to review the performance, procedures, operating and capital budgets, debt, and accounts of the Commission.⁹²

The Pennsylvania Turnpike Commission (Commission) contracts with an independent CPA firm (CPA firm) to conduct an annual audit of the Commission’s financial statements. The Commission used the same CPA firm for each of the four fiscal year financial statements reviewed. The Department of the Auditor General reviewed the CPA firm’s working papers and financial audit reports to determine if the above-mentioned mandated requirement(s) pertaining to the financial audit and review of the performance, procedures, operating and capital budgets, debt, and accounts of the Commission have been fulfilled or whether additional procedures need to be performed in order to fulfill these mandated responsibilities.

During the audit, we performed the following procedures related to the work of the CPA firm and determined the scope, quality, and timing of the audit work performed by the CPA firm adequately addressed the mandated requirement(s) pertaining to the financial audit and review of the performance, procedures, and accounts of the Commission:

- Verified that the external auditors of the CPA firm were independent to conduct the financial audits of the Commission.
- Obtained a copy of the firm’s most recent peer review results and found the CPA firm received a rating of pass during their last peer review.
- Reviewed the independent auditor’s working papers for the fiscal years ended May 31, 2018, 2019, 2020, and 2021.

⁹⁰ Please note that these provisions also authorize a compliance audit and a performance audit, respectively.

⁹¹ 71 P.S. § 246(b) and § 706, as amended by Act 122 of 1988.

⁹² 74 Pa. C.S. § 8204(b)(1), as added by Act 44 of 2007 and amended by Act 89 of 2013. *See* Chapter 82. Turnpike Commission Standards of Conduct.

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- Noted that the independent auditor presented an unmodified opinion on the Commission's financial statements for the applicable fiscal year audited.

In addition to reviewing the CPA firm's working papers and financial audit reports, we also obtained the related operating and capital budgets for these fiscal years and performed analytical review procedures to determine if there were any substantial fluctuations in amounts between the years reviewed. We did not identify any unusual items that warranted further review.

Finally, based on the requirements of Section 8204(b)(1) of Part IV, Title 74, we reviewed the Commission's debt as part of our performance audit. Specifically, we evaluated the Commission's current and future expected debt load in connection to the mandated annual payments to PennDOT to determine whether the Commission can sustain the related debt payments. Please see *Finding 1* for more information.

Conclusion

Based on the procedures performed, nothing came to our attention that would warrant the extension of our audit procedures to encompass additional coverage of the aforementioned-mandated areas. As a result, we can conclude that the procedures performed collectively satisfy our mandated responsibilities prescribed in Section 706(b) of the Administrative Code of 1929 and Section 8204(b)(1) of Part IV, Title 74.

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Previous Prior Year Finding 1 – The Commission permits its employees to ride the Turnpike toll-free, even for personal travel, costing the Commission millions of dollars in lost revenue. This generous perk continues with little oversight at a time when the Commission raises tolls for other travelers in its struggle with mounting debt. (Partially Resolved)

During our prior audit, we found the Pennsylvania Turnpike Commission (Commission) again did not implement our recommendations from the 2013 and 2016 audits regarding unlimited toll-free usage of the Turnpike by its employees. Our previous audit covered June 1, 2015, through May 31, 2018, and found employees incurred more than \$2.4 million of toll-free travel during the period. We also found the Commission implemented our recommendation to develop techniques for monitoring usage and identifying potential misuse. Additionally, the Commission was working on a project to eliminate the need to manually enter and delimit identification cards of separated employees in two systems.

We recommended the Commission reconsider its decision to not rescind previously implemented policies that consider all employees' responsibilities as "round the clock" in order to allow for their toll-free travel. Toll-free access should be limited to only those employees needing access in the discharge of their official duties in compliance with the toll covenants set forth in the Commission's Trust Indenture. Additionally, we recommended the Commission ensure that enhancements be implemented to eliminate the need to enter and delimit identification cards in two systems, Card Management System (CMS) and SAP objects on loan system. These enhancements help to ensure that identification cards active in the CMS are included in the employees' inventory in the SAP objects on loan system and that separated employees' identification cards are removed from CMS.

Status as of this audit

During our current audit, Commission management stated they did not make policy changes to limit toll-free access to those employees needing access in the discharge of their official duties.

Commission management provided a breakdown of the \$3.2 million of employee toll-free travel incurred during the three-year period June 1, 2018, through May 31, 2021, as shown in the table below:

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Number of Employees with Non-revenue Identification Cards	Amount of Employee Toll-free Travel Incurred with Identification Cards
1,877 ^{a/}	\$531,227 ^{b/}
Number of Permanent Employees with Non-revenue Transponders ^{c/}	Amount of Employee Toll-free Travel Incurred with Transponders and Toll By Plate
1,575	\$2,692,456
Total Employee Toll-free Travel	\$3,223,683

^{a/} - This number represents the total number of Commission employees reported in the Annual Comprehensive Financial Report (ACFR) as of May 31, 2020. The numbers used are from the May 31, 2020 ACFR as that is the information available closest to the final date of June 16, 2020, the last day identification cards were accepted for toll-free travel on the Turnpike.

^{b/} - This amount represents the amount of toll-free travel incurred from June 1, 2018, through June 16, 2020, the date that identification cards issued to Commission employees could no longer be used. Although the Commission converted to cashless tolling on March 16, 2020, some interchanges had coin machines with a card swipe feature that could be used until they were disabled on June 16, 2020.

^{c/} - This number reflects the total number of permanent employees as of May 31, 2021 who had transponder accounts to use for toll-free travel; however, all permanent employees also have identification cards; therefore, the employees with transponders had more than one device to access toll-free travel on the Turnpike for the period June 1, 2018 through June 16, 2020.

Source: Produced by the Department of the Auditor General based on information obtained from the Commission. The data regarding the number of employees with non-revenue transponders and the amount of toll-free travel incurred are of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the information we present, there is sufficient evidence in total to support our findings and conclusions.

During our current audit, the Commission continued to monitor employee toll-free travel to identify potential misuse through its non-revenue internal audits. We reviewed the working papers and audit results from the internal audits completed during our audit period and found that the Commission's Internal Audit Department forwarded issues to its Office of Special Investigations, if necessary, for further review.

The issue regarding eliminating the need to enter and delimit identification cards in two systems to ensure separated employees can no longer use identification cards for toll-free travel is no longer applicable because of the conversion to all electronic tolling in June 2020.

The \$3.2 million in employee toll-free travel incurred from June 1, 2018, through May 31, 2021, may seem insignificant compared to the Commission's total toll revenue of \$3.765 billion over the same period, but additional context is needed to better understand its impact.⁹³ As previously discussed in *Finding 1*, given the Commission's Act 44/89 payments and associated debt payments, capital improvement expenses, and annual toll price increases; it continues to be

⁹³ The Commission's ACFR for fiscal year ended (FYE) May 31, 2021 reported toll revenue (fares) amounts (in 000's) for the FYE May 31, 2019, 2020, and 2021 as \$1,327,031; \$1,247,779; and \$1,190,419, respectively.

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imperative that the Commission make every effort to increase its revenue and decrease expenses, including considering amending policies regarding employee toll-free travel.

Recommendation

We recommend the Commission:

1. Reconsider its decision to not rescind previous implemented policies that consider all employees' responsibilities as "around the clock" in order to justify their toll-free travel. Toll-free access should be limited to only those employees needing access in the discharge of their official duties, in compliance with toll covenants set forth in the Commission's Trust Indenture.

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Previous Prior Year Finding 2 – The Commission provided more than \$4.1 million of toll-free travel to nearly 5,000 consultants, contractors, and other state government officials. With little supervision over toll-free travel usage, the Commission could not assure taxpayers that toll-free travel was limited to authorized use only. (Partially Resolved)

During our prior audit, which covered the period June 1, 2015, through May 31, 2018, we found the Pennsylvania Turnpike Commission (Commission) did not fully implement our recommendations from previous audits. While the number of non-Commission employees (non-employees) with non-revenue identification cards decreased, the reduction was not due to a policy or procedural change. Toll-free travel using the non-revenue identification cards amounted to approximately \$5.2 million during this period. We also found the number of transponders decreased since the previous audit that covered the period June 1, 2014, through July 11, 2016, due to the closure of accounts with the Governor’s Office and the Pennsylvania State Police, with the exception of Troop T. The amount of toll-free travel incurred using transponders during the period June 1, 2015, through May 31, 2018, totaled approximately \$678,000. The Commission’s Internal Audit Department continued to audit non-employee toll-free travel; however, the Commission did not, as recommended, post monthly amounts of toll-free travel on its website to promote transparency.

We recommended the Commission continue to monitor all non-employee toll-free travel to ensure the non-employees only use Commission issued cards and transponders for Turnpike-related business travel. Additionally, we recommended the Commission consider increasing transparency by posting monthly amounts of toll-free usage on its website.

Status as of this audit

During our current audit period June 1, 2018, through May 31, 2021, the Commission permanently converted to the “All-Electronic Toll (AET) collection” method. As a result, as of June 16, 2020, non-employees could no longer use non-revenue identification cards for toll-free travel when using the Pennsylvania Turnpike (Turnpike).⁹⁴ Commission management stated the non-revenue privileges options available include Toll By Plate (TBP) reimbursements or adjustments. Specifically, non-employees can submit paid TBP invoices for reimbursement as part of their contract costs or submit unpaid TBP invoices for an adjustment to have the charges removed if approved by a Commission project manager. Other options include the use of Commission issued non-revenue transponders that provide toll-free travel on the Turnpike and commercial or personal transponders. The non-employees receive reimbursement for the charges

⁹⁴ The conversion to AET collection began at the beginning of the COVID-19 pandemic on March 16, 2020, and it was fully implemented at all toll plazas on June 16, 2020.

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from the commercial or personal transponders through requests on their contract invoices or through adjustments to the transponder accounts. Non-revenue transponder accounts can be programmed to only allow toll-free travel that falls within pre-established parameters (milepost/interchanges limits and contract dates).

In total, the amount of toll-free travel incurred by non-employees using identification cards and transponders increased from \$5.9 million during the three-year period June 1, 2015, through May 31, 2018, to \$8.4 million during the three-year period June 1, 2018, through May 31, 2021 (current audit period). The following sections describe the usage for each of the methods utilized during the current audit period.

Non-Employee Toll-Free Identification Card Travel

As a result of the conversion to AET collection, the total amount of toll-free travel incurred by non-revenue identification cards decreased from the prior three-year period of \$5.23 million to approximately \$2.97 million during the period June 1, 2018, through June 16, 2020. The table below shows by group the total number of non-revenue identification cards used and the corresponding dollar amount of toll-free travel incurred during this time period.

Non-Employees with Non-Revenue Cards by Group	Toll-Free Travel Fare ^{a/}
Contractors	\$2,300,701
Consultants	260,201
Authorized Service Providers ^{b/}	230,099
HMS Host & Sunoco ^{c/}	102,550
Pennsylvania State Police (PSP)	73,876
TransCore	5,437
TOTAL	\$2,972,864
^{a/} - The number of non-revenue cards used from June 1, 2020, through June 16, 2020, the date when non-revenue cards were no longer accepted after the last interchanges were converted to AET was 12. The number of non-revenue cards used during fiscal years ended (FYE) May 31, 2019 and 2020 were 3,267 and 3,071, respectively. ^{b/} - Contracted towing companies responsible for towing disabled vehicles from the roadway, clearing accidents, and assisting customers by changing a flat tire or providing gas. ^{c/} - Food provider operating restaurants at all 17 service plazas and fuel provider operating fueling and convenience store services at all 17 service plazas and food service at two service plazas.	

Source: This table was compiled by the staff of the Department of the Auditor General based on data provided by the Commission. The data regarding the number of non-employees with non-revenue identification cards and the amount of toll-free travel incurred are of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

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Non-Employee Toll-Free Transponder Travel and Toll By Plate

Due in part to the conversion to AET collection and the Commission discontinuing the use of identification cards for toll-free travel, the total amount of toll-free travel incurred by using non-revenue transponders during the time period June 1, 2015, through May 31, 2018, compared to June 1, 2018, through May 31, 2021, which also included TBP, increased from approximately \$678,000 to \$5.4 million. The table below shows by group the dollar amount of toll-free travel incurred during the current audit period by non-employees' use of transponders and TBP.

Non-Commission Employees' Toll-free Travel Using Transponders and Toll By Plate on the Turnpike from June 1, 2018 through May 31, 2021	
Non-Employee Group	Toll-Free Travel Fare
PSP	\$2,683,575
Engineering/Construction	2,412,221
Authorized Service Providers	287,318
HMS Host	53,647
Governor and Governor's Detail ^{a/}	31,507
PennDOT	7,123
TOTAL	\$5,475,391

^{a/} - Includes vehicles providing service/security to the Governor.

Source: This table was compiled by the staff of the Department of the Auditor General based on data provided by the Commission. The data regarding the number of non-employees with non-revenue transponders and the amount of toll-free travel incurred are of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

We inquired of Commission management regarding increases in non-employee toll-free travel during our current audit. Commission management attributed the increases to the rise in annual toll charges, as previously described in *Finding 1* and later in *Appendix B* Table 1, and a 45% increase from the cash rate to the TBP rate in January 2021. Commission management further stated the amount also fluctuates based on the number of incidents that require a response from authorized service providers.⁹⁵

We also found a significant difference between the amount of toll-free travel incurred by the PSP during our current three-year audit, which totaled approximately \$2.757 million, compared to the amount reported by the Commission during our prior three-year audit of approximately

⁹⁵ This included toll-free travel incurred by authorized service providers (contracted towing companies responsible for towing disabled vehicles from the roadway, clearing accidents, and assisting customers by changing a flat tire or providing gas) during the three-year period of June 1, 2018, through May 31, 2021, totaling \$517,357 compared to the \$361,687 reported during the prior three-year prior audit period of June 1, 2015, through May 31, 2018. The amount of \$517,357 is comprised of \$230,039 from non-revenue identification cards and \$287,318 from transponders and TBP.

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\$314,000.⁹⁶ Commission management stated that under the Commission's Trust Indenture, PSP receives free travel on the Turnpike and the Commission does not have information regarding the reasons or justification for the amount of PSP's Turnpike travel.

The Commission's Internal Audit Department continues to monitor non-employee toll-free travel annually through its non-revenue audits. During our audit period, annual audits were issued in April 2019, June 2020, April 2021, and an additional audit was issued in October 2021 due to the unplanned early implementation of AET resulting from the COVID-19 pandemic. The three annual audits identified the following three significant issues, whose amounts were subsequently recovered:

- One contractor used its non-revenue card outside the interchange parameters authorized in the signed agreement totaling \$23,714.
- Unauthorized transactions totaling \$29,409 resulted from 35 non-revenue cards given to one contractor whose contract was not renewed.⁹⁷
- One contractor gave its non-revenue card to a subcontractor who used it outside of the allowable parameters assigned totaling \$2,441.

The October 2021 audit found minimal errors in transactions that occurred during the transition to AET. We commend the Commission for conducting this monitoring and believe these audits serve as an important management control for the Commission to continue.

Regarding our prior recommendation to post monthly amounts of toll-free usage on its website, Commission management responded that they have considered, but not determined, whether posting monthly amounts of toll-free usage on the Commission's website would increase transparency. While we continue to believe that the Commission should be transparent regarding all instances of toll-free usage of the Turnpike, since we made **this recommendation in our last three audits**, we will not reissue our recommendation.

⁹⁶ The \$2.757 million is comprised of toll-free travel totaling \$946,916, \$1,074,802, and \$735,733 during FYE May 31, 2019, 2020, and 2021, respectively.

⁹⁷ According to Commission management, the contractor performed services on the Commission's behalf under a contract with the Commonwealth of Pennsylvania and was subsequently replaced by a different contractor.

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Previous Prior Year Finding 4 – While the Commission has monitored, maintained, and inspected its tunnels, it has not implemented critical project management practices that would ensure recommendations resulting from tunnel inspections are not overlooked. (Partially Resolved)

During two prior audits, released in 2013 and 2016, we found the Pennsylvania Turnpike Commission (Commission) did not fully complete critical safety-related projects. In our 2016 audit, we recommended the Commission install video cameras in one remaining tunnel (Tuscarora) and fire detection systems in the two remaining tunnels (Tuscarora and Lehigh). We found in our prior audit, released in 2019, the Commission completed the installation of an automated fire detection system in one of the tunnels (Lehigh); however, the project to install video cameras and an automated fire detection system in the other tunnel (Tuscarora) was postponed to the spring of 2019. Commission management stated it intended to provide the necessary funding for the project in the Fiscal Year (FY) 2019 Capital Plan, assuming there were no significant changes in capital plan funding or other project priorities.

We recommended the Commission continue its efforts to fund and complete the project for the installation of video cameras and an automated fire detection system in the remaining tunnel that has yet to have those systems installed.

Status as of this audit

Commission management stated they are currently in the process of implementing our prior recommendation. The project to complete the installation of video cameras and an automated fire detection system in the remaining tunnel is ongoing with an anticipated completion date of October 2023. We reviewed the Commission's Ten-Year Capital Plan for FY 2022 and confirmed that the project is funded. We also reviewed the project contract summary report and noted that based on amounts paid compared to total contract costs, the project is approximately 58 percent complete.

Recommendation

We recommend the Commission:

1. Continue its efforts to complete the installation of video cameras and an automated fire detection system project in the remaining tunnel based on our prior recommendation.

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Pennsylvania Turnpike Commission's Response and Auditor's Conclusion

We provided copies of our draft audit findings and status of prior findings and related recommendations to the Pennsylvania Turnpike Commission (Commission) for its review. On the pages that follow, we included the Commission's response in its entirety. Following the Commission's response is our auditor's conclusion.

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Audit Response from the Pennsylvania Turnpike Commission



MARK P. COMPTON
Chief Executive Officer
Pennsylvania Turnpike Commission
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P: 717.831.7370 | E: mcompton@paturnpike.com

August 15, 2022

The Honorable Timothy L. DeFoor
Auditor General
Finance Building
613 North Street, Room 229
Harrisburg, PA 17120-0018

RE: Audit Response from the PA Turnpike Commission

Dear General DeFoor:

On behalf of Chair Wadud Ahmad and our Commissioners, I provide to you the Pennsylvania Turnpike Commission's response to your draft audit report August 10, 2022. We appreciate the opportunity offered to the Commission to provide our comments on this report.

The findings in this audit, much like those of the audit released in 2019, confirm that the Commission continues to meet its obligations and commitments to the Commonwealth and our customers. This continues even as we emerge from a pandemic that drastically impacted our operations, traffic, and revenue and while continuing to shoulder the financial burden of Act 44.

Most notable among those changes is the conversion of the Pennsylvania Turnpike to an all-electronic system of toll collection. The vast majority of our customers prefer electronic payment but for those who do not, the Commission has prioritized expansion of payment types to make it easier and more convenient for customers to pay their tolls in an all-electronic environment. And for those who are not compelled to pay invoices in this environment, we are actively engaged with the Legislature, the PA State Police and surrounding toll agencies to ensure we are taking all measures possible to collect.

The Commission continues to increase the value of traveling our roadway and meet the mobility needs of our customers by reinvesting into the total reconstruction of the System, widening the Turnpike to six lanes and building new access points. To meet the needs of our growing and critical commercial customer we are building and expanding commercial truck parking areas in various locations.

We are meeting the future transportation demands of the Commonwealth through installation of a fiber network across our entire 565-mile footprint to run the Commission's data networks and facilitate Open Road Tolling but also to provide enhanced connectivity for both passenger and commercial vehicles that are connected and/or autonomous.

The Commission is in the process of deploying and modernizing existing EV chargers at all service plazas to enhance services to its customers and adapt to their needs. Understanding the impact transportation services and construction can have on our environment we are committed to and actively working through a 16-point Sustainability plan that addresses the 17 United Nations Sustainable Development Goals.



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The Honorable Timothy L. DeFoor

August 15, 2022

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2022 brought a significant reduction in our annual Act 44 payment to support PennDOT from \$450 million to \$50 million. We appreciate the Auditor General's understanding of the mission altering impact this burden put upon the Commission and our responsible approach to managing that debt. While we no longer need to issue new debt to cover this payment, the accumulated debt service on the \$7.9 billion we have provided PennDOT will continue to drive annual toll increases. PA Turnpike customers have done their fair share in helping to fund transit and other transportation projects around the Commonwealth and we support efforts to refocus our customers' toll dollars back into the roadway they traverse.

In closing, we believe you will find our comments useful to your final audit report. Should you have questions regarding any statements included in our response, please contact me directly so that the issues can be addressed without delay.

Sincerely,



Mark P. Compton
Chief Executive Officer

Enclosure

cc: The Honorable Wadud Ahmad, Chair
The Honorable William K. Lieberman, Vice Chair
The Honorable Pasquale T. Deon, Commissioner
The Honorable Yassmin Gramian, Secretary, Department of Transportation
The Honorable Sean Logan, Secretary-Treasurer
Craig Shuey, Chief Operating Officer
Doreen A. McCall, Chief Counsel
Charles L. Duncan, III, Chief, Compliance, Legislative, and Cultural Affairs
Bradley J. Heigel, P.E., Chief Engineer
Richard Dreher, Chief Financial Officer
Kelli Roberts, Director of Policy and External Affairs

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Pennsylvania Turnpike Commission Performance Audit Response Document August 15, 2022

Finding One – Commission Response

The draft report states: The Pennsylvania Turnpike Commission continues to face significant challenges to raise toll revenue in order to make future payments to the Pennsylvania Department of Transportation under the current Act 44/89 financial structure, its associated debt payments, and expenditures for capital projects.

We recommend the Commission:

1 - Ensure that traffic projections used to forecast toll revenue are conservative and realistic based on data related to current and immediate future projections.

The Commission believes that its traffic and revenue projections are conservative and realistic. The Commission utilizes the services of a nationally recognized expert in this field, CDM Smith, to annually prepare and update its Traffic and Revenue Study. The projections are consistently updated based on actual experience and input from various external economic models and pays particular attention to the subject of possible traffic diversion (elasticity of demand) associated with increasing toll rates.

2 - Evaluate and scrutinize sources of revenue and operating expenses to find ways to increase revenues while reducing costs. Several immediate recommendations are made in Finding 2 to increase collection of toll violation fees and Previous Prior Year Finding 1 to reduce toll-free use of the Turnpike by employees.

The Commission agrees with the recommendation that it continue to evaluate ways to increase revenues while reducing costs. To this end, the Commission is actively researching and reviewing options to generate additional non-toll revenues through its Asset Monetization initiative. With respect to reducing costs, the Commission has demonstrated its ability to control its actual operating costs which have been essentially flat for nearly a decade. Estimated Fiscal 2022 actual expense are projected to be \$312 million or over \$100 million (25%) below the amount budgeted. At \$312 million, actual operating expenses are at their lowest level since Fiscal 2012.

3 - Evaluate ways to increase passenger car and commercial use of the Turnpike.

The Commission agrees with the recommendation and continuously evaluates ways to increase passenger car and commercial use of the Turnpike while providing a safe, reliable, and convenient service to our customers.

Prior to the pandemic, the Commission experienced annual increases in total transactions (traffic) to record levels each year from Fiscal 2014 through Fiscal 2019. Total transactions grew from a then record of 194 million transactions in Fiscal 2014 to a current record level of

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214 million transactions in Fiscal 2019. This annual growth to record levels of transactions each year occurred at the same time as the Commission has been raising its tolls, demonstrating the essentiality of the Turnpike and its relatively low elasticity of demand. The adverse impacts of the pandemic on transactions levels continues as Fiscal 2022 transactions reached 200 million. The Commission's traffic and revenue forecasting entity, CDM Smith, forecasts that total transactions will not recover to pre-pandemic levels until Fiscal 2026.

In its continuing effort to increase utilization of the Turnpike, the Commission is continuing a number of initiatives. The Commission continues to reinvest the majority of its capital budget into the total reconstruction of the System and widening the Turnpike to six lanes. The Commission has built a number of new interchanges (formerly E-ZPass only prior to the full conversion to AET) and is in the process of adding additional access points. In October 2021, the 13-mile segment of the Southern Beltway opened connecting US Route 22 to Interstate 79 and was the first new segment of roadway opened by the Commission since 2006. The Commission is in the process of installing a fiber network across its entire 565-mile System which will be needed to run the Commission's data networks as well as to facilitate its transition to Open Road Tolling. With fiber along the entire network, the Commission will be able to provide enhanced connectivity for both passenger and commercial vehicles that are connected and/or autonomous. The Commission is in the process of deploying EV chargers at all of its service plazas to enhance services to its customers and the Commission has been building and expanding commercial truck parking areas along its system. It is important to note that commercial transactions have fully recovered from the impacts of the pandemic and have actually grown versus pre-pandemic levels. Commercial transactions make up about 17.5% of total transactions in Fiscal 2022 and commercial transactions were at record levels in FY 2022, growing 10.7% versus the pre-pandemic high in Fiscal 2019.

4 - Continue to analyze and manage its debt, especially considering the recent increase in interest rates.

The Commission agrees with this recommendation and has demonstrated its ability to effectively manage its debt and avails itself of opportunities to refinance portions of its debt outstanding. Since 2013, the Commission has refinanced \$5.7 billion of outstanding debt, taking advantage of lower interest rates and generating an estimated \$1.01 billion in overall cashflow savings on said debt for the remaining life of the bonds.

5 - Pursue opportunities to collaborate with other state agencies to reduce operational and administrative costs, when possible.

The Commission agrees with this finding and views this as an ongoing effort. Beginning in 2011 the Commission has partnered with the Pennsylvania Department of Transportation (PennDOT) on a variety of programs ranging from shared training and facility services to collaborative efforts to improve highway responder safety. Further we have utilized PennDOT standard designs for several recent facilities that resulted in a significant savings to the Commission. In winter and other weather-related response situations, the Commission, PennDOT, the Pennsylvania Emergency Management Agency and the Pennsylvania State Police coordinate

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operational efforts and roadway restrictions to provide all travelers in the Commonwealth with safe and open roadways in all conditions.

We will continue to explore options that benefit the toll payers and taxpayers of the Commonwealth when they provide the appropriate value for both.

We recommend the Pennsylvania General Assembly:

1 - Immediately re-evaluate Acts 44/89 and consider drafting and enacting new legislation to help ensure the current debt burden placed on the Commission is considerably mitigated for the continued viability of the Commission and the toll road system in Pennsylvania. We again note, as previously stated in our prior audit, this could be aided through the use of a joint taskforce comprised of representatives of the Senate and House Appropriations and Transportation Committees, the Commission, PennDOT, and trucking industry/driver's associations, including possibly focusing on reasonable alternative revenue sources.

The Commission agrees with the intent of this recommendation and would support efforts that involve direct financial support for the debt load accumulated under the Act 44 obligations and those that would be part of a comprehensive and equitable funding mechanism that supports all of the Commonwealth's underfunded modes of transportation.

While the Commission is no longer obligated to issue debt to support its \$50M annual Act 44 contribution, the financial burden of the Act 44 debt issued to date will continue to grow, reaching nearly \$600M annually by 2030. Annual toll increases are essential and critical to our ability to manage this debt into 2057. Our current projections forecast that we will be able to reduce the rate of growth in the annual toll increase to an expected maximum of 3% annually by 2028.

The Commission has taken significant steps to ensure our own fiscal responsibility since enactment of Act 44. We have been successful in holding the line on operating costs and have had essentially flat actual operating expenses for nearly a decade dating to 2013. We have reduced our capital reinvestment back into our infrastructure when needed to respond to periods of economic stress. Additionally, we have continually availed ourselves of the opportunity to refinance our debt to reduce our annual debt service obligations. Since 2013, the Commission has refinanced nearly \$6 billion of its outstanding debt and generated total cash flow savings of over \$1 billion.

2 - Refrain from increasing the \$50 million annual payment scheduled to begin during the fiscal year ending May 31, 2023, and further consider removing the Commission's requirement to pay PennDOT \$50 million each year through 2057.

The Commission agrees with the intent of this recommendation. PA Turnpike customers have done their fair share in helping to fund transit and other transportation projects around the Commonwealth and we support efforts to refocus our customers' toll dollars back into the roadway they traverse. By returning control of our finances back to the Commission we can

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invest in our system which means rebuilding and bettering our roadway as well as adding new access points and supporting the economic development that often follows.

Annual toll increases would continue to be necessary in order to fund the continuing debt service on the Commission's already accumulated Act 44 debt.

The Commission worked in the past with PennDOT and other Transit stakeholders to begin the process of establishing sustainable and equitable funding sources for transportation through the PA Mobility Partnerships and the Transportation Revenue Options Commission. We remain open to these conversations and working with our colleagues to permanently and fairly address our Commonwealth's transportation funding challenges.

Finding Two – Commission Response

The draft report states: Uncollected tolls have continued to increase and therefore the Commission must continue to seek new ways to collect tolls due from both in and out-of-state travelers.

We recommend the Commission:

1 - Continue to research and offer additional payment options in order to provide a variety of payment methods to travelers.

The Commission has prioritized expansion of payment types to make it easier and more convenient for customers to pay their tolls. With the addition of the Cash Payment Network in 2022, there are currently six different ways a customer can pay a Toll By Plate Invoice: (1) IVR (phone), (2) Website, (3) Mobile App, (4) AutoPay, (5) in-person at the E-ZPass Customer Service Center, and (6) in-person through a retail partner of the cash payment network. The Commission plans to deploy a unique QR code on all customer Toll By Plate invoices by the Fall of 2022. Other projects in process include integration with services such as Apple Pay and Google Pay.

In addition, as part of the Unified Back Office RFP, which is expected to be awarded this year, the Commission plans to implement technology solutions designed to better integrate with future payment types and digital wallet applications such as Apple Cash, Zelle, Venmo and others.

The Commission recognizes the growing number of third-party payment providers and supports use of these products on the roadway. An example is Uproad, a Kapsch product, which sends a customer a notification with the trip's estimated cost to their phone. Once the tolling authority posts the toll charge to the customer's account, the app sends them the payments automatically using funds from the customer's balance.

2 - Request the Pennsylvania State Police "Troop T" Turnpike patrol to increase its work on identifying and ticketing, when appropriate, vehicles on the Turnpike that have an obstructed or unreadable license plate.

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The Commission agrees with this recommendation and continues to partner with Pennsylvania State Police “Troop T” on enforcement efforts related to toll evasion. For example, this Fall we will launch a pilot program that provides license plate reader technology for law enforcement to identify vehicles with suspended vehicle registrations.

3 - Request PennDOT develop a plan to identify and replace unreadable license plates.

The Commission values our partnership with PennDOT as it relates to providing registered vehicle look-ups and enforcement of vehicle registration suspension processes. The Commission agrees with the recommendation to continue working with PennDOT on solutions to improve license plate identification and replace unreadable license plates.

4 - Continue to work with PennDOT to determine the cause for addresses not being available for license plates associated with vehicles using the Turnpike. Based on the reasons from PennDOT, the Commission should follow up with appropriate courses of action to enable additional billings for Toll By Plate transactions.

The Commission agrees with the recommendation to continue working with PennDOT on solutions to refine processes related to addresses not being available for license plates associated with vehicles traveling the Turnpike.

5 - Closely monitor the performance of the two current collection agencies to determine if using two agencies instead of one is yielding higher collection rates.

The Commission believes that using two agencies instead of one yields higher collection rates; however, we will continue to monitor the performance of our two collection agencies. Specifically, the contracts with our current collection agencies provide us with the opportunity to adjust the distribution of our debt based on performance if collection targets are not met. Such a process would not be feasible if we only utilized one collection agency.

6 - Continue to work with other states, in particular those states whose drivers have the highest amounts of uncollected tolls in Pennsylvania, regarding potential reciprocity agreements.

The Commission continues to identify opportunities to initiate reciprocity agreements with other states including those with high amounts of uncollected Pennsylvania tolls. Our reciprocity efforts, however, are dependent upon the enforcement legislation in our neighboring states and their willingness to execute such agreements.

7 - Work with the General Assembly to help develop legislation to increase current penalties for motorists that knowingly/intentionally obscure license plates.

The Commission supports recommendations #7, #8, #9, and #11 and was actively involved in drafting legislation which was introduced in part as an amendment to House Bill 2139.

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8 - Work with the General Assembly to help develop legislation that would amend existing statute to allow the Commission to use resources, other than PennDOT and other states' Department of Motor Vehicles, to obtain valid addresses for motorists.

See response for #7

9 - Continue working with the General Assembly to help develop legislation to reduce the threshold for registration suspension criteria as it relates to outstanding tolls.

See response for #7

10 - Work with the General Assembly to help develop comprehensive legislation that is clear and concise to increase toll collection enforcement mechanisms, such as that implemented in the state of Ohio, which require payment of outstanding tolls before allowing an individual to transfer the title under someone else's name while under registration suspension or from applying for registration on a different vehicle.

The Commission agrees with the recommendation and continues to work with the General Assembly to help develop legislation to increase toll collection enforcement mechanisms. Regarding comparison with Ohio, under the PA Vehicle Code a registration suspension prevents a customer from renewing their registration until the toll, penalties and restoration fee are paid. The PA Vehicle Code does not currently provide for enforcement beyond vehicle suspension.

11 - Work with the General Assembly to develop legislation which is likewise both comprehensive and clear and concise regarding other toll collection mechanisms, such as deducting outstanding toll balances from lottery winnings or state tax refunds.

See response for #7.

Finding Three – Commission Response

The draft report states: The anti-discrimination language in the Commission's contracts for amenities provided to its customers at service plazas is outdated and lacking content.

We recommend the Commission:

1- Amend its contracts for amenities provided to its customers at service plazas to include current and appropriate anti-discrimination language and consider, at a minimum, additional alignment with the language of the DGS Standard Contract terms and conditions. The following suggested language is adapted from DGS Standard Contract terms and conditions:

The Commission's contractor or subcontractor to provide amenities to customers at service plazas should not discriminate by reason of: 1) race; 2) color; 3) religious creed; 4) ancestry; 5) age; 6) sex (including sexual orientation or gender identity); 7) national origin; 8) handicap or disability and the use, handling, or training of support or guide animals for disability;

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and 9) retaliation for filing a complaint, opposing unlawful behavior, or assisting investigations consistent with the Pennsylvania Human Relations Act and federal laws for non-employment discrimination.

The Commission is committed to providing its customers with a discrimination-free travel experience and ensuring that everyone who travels our system is treated with dignity and respect. In fact, before the commencement of this audit, the Commission created a Task Force on Racial and Social Justice which, among other things, reviews the business operations of the Commission and its contractors, and offers new ways to foster inclusivity. The Commission respectfully disagrees with the finding that its existing lease language does not contain appropriate anti-discrimination language and further disagrees with any implication that the Commission or its lessees are not complying with federal, state and local prohibitions against discrimination. The anti-discrimination language in the Commission's leases is neither outdated nor lacking content. However, the Commission will continue to monitor its lease language to ensure its lessees continue to comply with federal, state, and local anti-discrimination laws.

2 - Update the language used in other contracts with non-discrimination provisions to better align those provisions with the DGS Standard Contract terms and conditions outlined in the prior recommendation.

The Commission disagrees with this recommendation to the extent it implies that the non-discrimination provisions in its existing contracts are outdated or lacking content. However, the Commission will continue to monitor and update its contract language as needed to ensure compliance with federal, state, and local anti-discrimination laws.

3 - Amend contracts for amenities provided to its customers at service plazas to include language stating any violations of the non-discrimination sections could result in rejection of future contracts/debarment of the vendor by the Commission or other penalty.

The Commission disagrees with this recommendation to the extent it implies that the non-discrimination provisions in its existing contracts are outdated or lacking content. However, the Commission will take this recommendation under advisement when entering into new agreements.

4 - Consider requiring lessees that provide customer service at service plazas to post signage with a "Customer Complaint Number" at each establishment that would connect them to the human resources or legal department in the vendors' headquarters and require that the vendor provide the Commission's management with a copy of all complaints to review and follow-up, if necessary.

The Commission agrees with this recommendation and will take it under advisement when entering into new agreements.

5 - Establish policies or procedures to monitor the lessees' compliance with each contracts' Non-Discrimination Section, such as reviewing the service vendors' anti-discrimination plans and related employee sensitivity training provided by the lessees.

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The Commission will take this recommendation under advisement and will continue to monitor compliance with non-discrimination provisions in its leases.

Previous Prior Year Finding 1

The Commission permits its employees to ride the Turnpike toll-free, even for personal travel, costing the Commission millions of dollars in lost revenue. This generous perk continues with little oversight at a time when the Commission raises tolls for other travelers in its struggle with mounting debt. (Partially Resolved)

We recommend the Commission:

1 - Reconsider its decision to not rescind previous implemented policies that consider all employees' responsibilities as "around the clock" in order to justify their toll-free travel. Toll-free access should be limited to only those employees needing access in the discharge of their official duties, in compliance with toll covenants set forth in the Commission's Trust Indenture.

The Commission remains in full compliance with its obligations under the Amended and Restated Trust Indenture dated March 1, 2001. Commission employees continue to bear an "around the clock" responsibility to safety when traveling on the Turnpike. The existing employee non-revenue usage policy is a means to meet our safety commitments. Further, the Commission respectfully disagrees with the Auditor General's assertion that the Commission is losing millions of dollars of revenue due to personal travel.

The Commission takes reasonable measures to eliminate fraud and abuse and will continue to monitor non-revenue usage to identify potential misuse. The Commission will also consider modifying its existing employee non-revenue usage policy if it is determined that doing so will reduce the possibility of abuse.

Previous Prior Year Finding 4

While the Commission has monitored, maintained, and inspected its tunnels, it has not implemented critical project management practices that would ensure recommendations resulting from tunnel inspections are not overlooked. (Partially Resolved)

We recommend the Commission:

1 - Continue its efforts to complete the installation of video cameras and an automated fire detection system project in the remaining tunnel based on our prior recommendation.

The Commission agrees with this recommendation and will continue its ongoing efforts to ensure the integrity of its tunnels and safety of its customers.

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Auditor's Conclusion to the Pennsylvania Turnpike Commission's Response

The Pennsylvania Turnpike Commission (Commission) is generally in agreement with *Findings 1* and *2* and previous prior year Finding 4 and is currently addressing most of our recommendations. The Commission expressed disagreement with *Finding 3* and with the previous prior year *Finding 1*. Below we address the Commission's disagreement along with certain areas we believe warrant further comment based on the Commission's response.

Finding 1

We are encouraged that the Commission continues to agree that it must evaluate new ways to increase revenue while reducing costs and to work with our General Assembly to further reduce or eliminate Act 44/89 required payments to the Pennsylvania Department of Transportation (PennDOT). The very existence of the toll system in Pennsylvania depends on Commission management being highly committed to working with not only the Senate and House Appropriations and Transportation Committees, but also PennDOT and trucking industry/driver's associations to find reasonable alternative revenue sources.

Regarding utilizing traffic and revenue projections provided by its consultant, we continue to caution the Commission on the use of the projections and to ensure that the projections are conservative and realistic to avoid serious consequences. Although the consultants lowered the projections for the Commission's vehicle transactions for each of the next 20 years, they only lowered the toll revenue through fiscal year ending (FYE) May 31, 2026. However, it still projects that increases, in both vehicle transactions and toll revenue, will occur each year through FYE May 31, 2040. Unforeseen circumstances, such as the pandemic, unexpected road closures (e.g., the 2017 closure of the Delaware River Bridge for seven weeks), economic downturns, and fuel price surges can negatively affect operations resulting in lower than anticipated traffic and toll revenues.

The Commission also states that "it has demonstrated its ability to control its operating costs which have been essentially flat for nearly a decade" and that its actual operating expenses "are at their lowest level since Fiscal 2012." The Commission, however, continues to allow all employees to have unlimited toll-free access to the Turnpike (see follow-up to previous prior year finding 1). Given the Commission's Act 44/89 payments, capital improvement expenses, and annual toll price increases, it is imperative that the Commission makes every effort to increase its revenue, including considering amending policies regarding employee toll-free travel.

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Finding 2

We are encouraged that the Commission has prioritized expansion of payment types to make it easier and more convenient for customers to pay their tolls. Additionally, management agrees with the need to work with PennDOT regarding unreadable license plates and determining the cause for addresses not being available for license plates associated with vehicles using the Turnpike.

Regarding collection agencies, although the Commission believes using two agencies instead of one yields higher collection rates, performance monitoring is critical to ensure the Commission is receiving higher collection rates.

We also understand the Commission is dependent upon the willingness of other states to enter into and comply with reciprocity agreements and are encouraged that the Commission intends to continue to work with other states in an effort to collect outstanding tolls from out-of-state motorists using the Turnpike.

We are pleased that the Commission agrees with our recommendations and intends to continue to work with the General Assembly on legislation regarding motorists that perform acts to avoid being charged tolls or that do not pay toll invoices.

Finding 3

The Commission's creation of a Task Force on Racial and Social Justice to review the business operations of the Commission and its contractors is one step towards making needed efforts to help avoid violations of non-discrimination. However, we believe our recommendations to amend contract language to improve content and to monitor lessees' compliance with non-discrimination provisions are necessary. We want to clarify, however, that we never stated, or in any manner implied, that the Commission or its lessees are not complying with applicable anti-discrimination laws. As addressed at length, the motivation behind our recommendation to strengthen contractual language is to bring the Commission to the same standards as most other Commonwealth agencies who have adopted the Department of General Services (DGS) contractual language regarding prohibition of harassment and discrimination. The Commission's election to not modernize or adopt DGS contractual language may result in it being more susceptible to negative legal ramifications.

Given the vital importance of ensuring compliance with federal and state anti-discrimination laws, we are pleased the Commission will continue to monitor and hopefully consider improving its non-discrimination lease language which states, "Service shall be provided to all customers without discrimination as to race, color, religion, sex, disability, national origin, age, or on any other basis that is prohibited by federal, state or local law." Rather than relying on a reference to "on any other basis," we believe if the Commission would provide for more far-reaching contract language, it would not only be more comprehensible by its lessees but would also more explicitly

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help protect a more extensive group of the Commission's customers utilizing its service plazas from any gender, sexual orientation, and gender identity or expression discrimination.

We stand by our recommendation for the Commission to update its contract language to better align with the language utilized by DGS which has been adopted by most other agencies of the commonwealth. Although we are aware that the Commission as a state-affiliated agency is not directly subject to DGS policies, we believe the Commission should strive to better insulate its potential legal liabilities since comparatively, the DGS language has broader application and encompasses a wider range of factors that can be associated with potential discrimination beyond those addressed by the Commission's contract language. These additional factors include sexual orientation, or gender identity or expression, and a prohibition on intimidation and retaliation. Furthermore, the suggested language additions will not result in any extra costs while simultaneously affording the Commission's additional legal protections.

In addition to updating contract non-discrimination language, we stand by our recommendation to include language stating any violations of the non-discrimination sections could result in repercussions. Additionally, we reiterate that the Commission should not only update the language in new contracts, but also amend the language in existing contracts.

We are pleased the Commission agrees with the recommendation relating to customer complaint options and follow-up on complaints received but are concerned with the Commission's response that it is only taking our recommendation under advisement for new agreements. Finally, regarding our recommendation to establish policies or procedures to monitor the lessees' compliance with each contracts' Non-Discrimination Section, while we appreciate the Commission's consideration of the recommendation, we reiterate the critical need of establishing policies or procedures for monitoring the lessees' compliance with each current and new contracts' Non-Discrimination Section.

Previous Prior Year Finding 1

The Commission responded that it respectfully disagrees with the finding but stated that it takes reasonable measures to eliminate fraud and abuse and will continue to monitor non-revenue usage to identify potential misuse. We are encouraged by the Commission's response that it will consider modifying its existing employee non-revenue usage policy if it is determined that doing so will reduce the possibility of abuse. The Commission should continue to monitor toll-free travel to ensure that employees are not abusing it. Additionally, given the Commission's negative net position and plans to annually increase tolls ranging from three percent to five percent through the year 2050, it would benefit financially by not allowing employees toll-free access for non-work-related travel and also be advantageous from a public relations standpoint to eliminate employee toll-free access for personal use to show that the Commission is committed to taking measures to increase revenue.

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Appendix A

Objectives, Scope, Methodology, and Data Reliability

The Department of the Auditor General conducted this performance audit pursuant to the following mandates addressed in this report:

- Section 706(b) of the Administrative Code of 1929 provides “the Auditor General shall, on a quadrennial basis, conduct a financial audit and compliance audit of the affairs and activities” of the Pennsylvania Turnpike Commission (Commission).⁹⁸
- Section 8204(b)(1) of Part IV, Title 74 (Transportation) requires the Auditor General to review the performance, procedures, operating and capital budgets, debt, and accounts of the Commission.⁹⁹

We conducted this audit in accordance with applicable *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 objectives.¹⁰⁰

Objectives

Our performance audit objectives were as follows:

1. Determine if the Commission’s revenue collections are meeting projected toll revenue expectations in order to meet its payment obligations and planned capital improvement projects. [See *Finding 1*]
2. Evaluate the Commission’s process for collecting tolls, including but not limited to E-ZPass and Toll By Plate, determine both the amount of tolls collected and the amount not collected, and examine possible enforcement mechanisms for uncollected tolls. [See *Finding 2*]
3. Evaluate the Commission’s vendor contracts and its related policies pertaining to customer service at rest areas for provisions regarding prohibiting racial discrimination and sexual harassment. [See *Finding 3*]

⁹⁸ 71 P.S. § 246(b) (added by Act 122 of 1988). Please note that the General Assembly did recently amend 71 P.S. § 246 (Adm. Code § 706) pursuant to Act 70 of 2021 by adding Subsection (e) but this subsection relates to an entirely different subject matter (i.e., a municipal authority).

⁹⁹ 74 Pa.C.S. § 8204(b)(1), as added by Act 44 of 2007 and amended by Act 89 of 2013. See Chapter 82. Turnpike Commission Standards of Conduct.

¹⁰⁰ U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision. Technical Update April 2021.

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Regarding the financial aspects of the mandates noted above, we did not conduct our own financial statement audit. Instead, we continued our past practice of reviewing the financial audit reports and working papers of the independent CPA firm (CPA firm) that audited the Commission's financial statements. This review was completed to determine if the above-mentioned mandates pertaining to the financial audit and review (of the performance, procedures, operating and capital budgets, debt, and accounts of the Commission) have been fulfilled or whether additional procedures need to be performed in order to fulfill these mandated responsibilities.

We also conducted procedures to determine whether the Commission implemented our prior performance audit's findings and recommendations from the report issued in March 2019, including the previous prior findings (see Status of Prior Audit Findings).

Scope

This performance audit covered the period June 1, 2018, through June 13, 2022, unless otherwise noted, with updates through the report date. Regarding the financial-related mandates, we reviewed the financial audit reports, related working papers and other documentation for the fiscal years ended (FYE) May 31, 2018, 2019, 2020, and 2021.

Commission management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance of compliance with applicable laws, regulations, contracts, grant agreements, and administrative policies and procedures. In conducting our audit, we obtained an understanding of the Commission's internal controls, including information system controls.

Standards for Internal Control in the Federal Government (also known as and hereafter referred to as the Green Book), issued by the Comptroller General of the United States, provides a framework for management to establish and maintain an effective internal control system.¹⁰¹ We used the framework included in the Green Book when assessing the Commission's internal control system.

The Green Book's standards are organized into five components of internal control. In an effective system of internal control, these five components work together in an integrated manner to help an entity achieve its objectives. The five components contain 17 related principles, listed in the table below, which are the requirements an entity should follow in establishing an effective system of internal control.

¹⁰¹ Even though the Green Book was written for the federal government, it explicitly states that it may also be adopted by state, local, and quasi-government entities, as well as not-for-profit organizations, as a framework for establishing and maintaining an effective internal control system.

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We determined all of the internal control components are significant to the three audit objectives. The table below represents a summary of the level of the internal control assessment for effectiveness of design (D); implementation (I); or operating effectiveness (OE) that we performed for each principle or an indication that reliance was placed on the internal control work performed by the Commission's external auditors and no further assessment was done (R) along with a conclusion regarding whether issues were found with the principles and if those issues are included in a finding.¹⁰²

Component		Principle	Level of Assessment	Objective	Conclusion
Control Environment	1	The oversight body and management should demonstrate a commitment to integrity and ethical values.	R	1, 2, 3	No issues noted
	2	The oversight body should oversee the entity's internal control system.	R	1, 2, 3	No issues noted
	3	Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.	R	1, 2, 3	No issues noted
	4	Management should demonstrate a commitment to recruit, develop, and retain competent individuals.	R	1, 2, 3	No issues noted
	5	Management should evaluate performance and hold individuals accountable for their internal control responsibilities.	R	1, 2, 3	No issues noted
Risk Assessment	6	Management should define objectives clearly to enable	R	1, 2	No issues noted
			D, I, OE	3	Finding 3

¹⁰² The Green Book, Sections OV3.05 and 3.06, states the following regarding the level of assessment of internal controls. Evaluating the design of internal control includes determining if controls individually and in combination with other controls are capable of achieving an objective and addressing related risks. Evaluating implementation includes determining if the control exists and if the entity has placed the control into operation. Evaluating operating effectiveness includes determining if controls were applied at relevant times during the audit period, the consistency with which they were applied, and by whom or by what means they were applied.

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Component		Principle	Level of Assessment	Objective	Conclusion
		the identification of risks and define risk tolerances.			
	7	Management should identify, analyze, and respond to risks related to achieving the defined objectives.	R D, I, OE	1, 2 3	No issues noted Finding 3
	8	Management should consider the potential for fraud when identifying, analyzing, and responding to risks.	R	1, 2, 3	No issues noted
	9	Management should identify, analyze, and respond to significant changes that could impact the internal control system.	R	1, 2, 3	No issues noted
Control Activities	10	Management should design control activities to achieve objectives and respond to risks.	R D, I, OE	1, 2 3	No issues noted Finding 3
	11	Management should design the entity's information system and related control activities to achieve objectives and respond to risks.	R	1, 2, 3	No issues noted
	12	Management should implement control activities through policies.	R D, I, OE	1, 2 3	No issues noted Finding 3
Information and Communication	13	Management should use quality information to achieve the entity's objectives.	D, I, OE D	1, 2 3	No issues found Finding 3
	14	Management should internally communicate the necessary quality information to achieve the entity's objectives.	R D	1, 2 3	No issues noted Finding 3
	15	Management should externally communicate the necessary quality	R D	1, 2 3	No issues noted Finding 3

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Component		Principle	Level of Assessment	Objective	Conclusion
		information to achieve the entity's objectives			
Monitoring	16	Management should establish and operate monitoring activities to monitor the internal control system and evaluate results.	R	1, 2	No issues noted
			D	3	Finding 3
	17	Management should remediate identified internal control deficiencies on a timely basis.	R	1, 2	No issues noted
			D	3	Finding 3

Government Auditing Standards require that we consider information systems controls "...to obtain sufficient, appropriate evidence to support the audit findings and conclusions."¹⁰³ This process further involves determining whether the data that supports the audit objectives is reliable. In addition, Publication GAO-20-283G, *Assessing Data Reliability*, provides guidance for evaluating data using various tests of sufficiency and appropriateness when the data are integral to the audit objective(s).¹⁰⁴ See our assessment in the *Data Reliability* section that follows.

Our procedures to assess the design, implementation, and/or operating effectiveness accordingly are discussed in the *Methodology* section that follows. Deficiencies in internal controls we identified during the conduct of our audit and determined to be significant within the context of our audit objectives are summarized in the conclusion section below and described in detail within the respective audit findings in this report. See the table above for descriptions of each of the principle numbers included in the conclusions below.

Conclusion for Objectives 1 and 2:

Our assessment of Commission management's internal controls and reliance placed on the internal control work performed by the Commission's CPA firm, did not find issues associated with the 17 Principles as to design, implementation, and/or operating effectiveness as noted in the table above.

Conclusion for Objective 3:

While our review of internal control work performed by the Commission's CPA firm did not note any issues for Principles 1, 2, 3, 4, 5, 8, 9, and 11, our assessment of Commission

¹⁰³ U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision. Technical Update April 2021. Paragraph 8.59 through 8.67.

¹⁰⁴ U.S. Government Accountability Office. *Assessing Data Reliability*. December 2019.

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management's design of controls found issues regarding Principles 6, 7 10, 12, 13, 14, 15, 16, and 17. These areas included the following issues with contracts for amenities provided at service plazas: (1) outdated anti-discrimination language and the lack of language stating that violations of a contracts' non-discrimination section can result in the rejection of future contracts/disbarment of the lessee; and (2) the failure to monitor lessees' compliance with provisions included in the non-discrimination sections of contracts. These issues are described in detail in *Finding 3*.

Methodology

To address our audit objectives, we performed the following procedures:

Objective 1:

- Reviewed the Commission's CPA firm's working papers regarding work performed to determine what controls were in place regarding each of the 17 principles within the five components of internal control in order to establish an effective system of internal control. [All Principles]
- Reviewed Act 44 of 2007 and Act 89 of 2013 related to the Commission's funding obligations to the Pennsylvania Department of Transportation (PennDOT).
- Interviewed and corresponded with Commission management in order to:
 - Gain an understanding of the data provided to consultants hired by the Commission to perform traffic and toll revenue forecast studies and to prepare its annual Act 44 Financial Plan. [Principle 13]
 - Gain an understanding regarding the impacts of the COVID-19 pandemic on the Commission and associated mitigation efforts taken by the Commission.
- Reviewed the Commission's schedule of Revenue vs. Debt Forecast as of January 11, 2022, for the FYE May 31, 2018, through May 31, 2041.
- Reviewed the Commission's Act 44 Financial Plans for Fiscal Years (FY) 2019, 2020, 2021, and 2022 that describe the Commission's proposed operating and capital expenditures, borrowings, liquidity and other financial management covenants and policies, estimated toll rates and all other revenues and expenditures for the following fiscal year. [Principle 13]
- Reviewed the traffic and toll revenue projections for the Commission included in reports issued in April 2018, April 2019, May 2020, December 2020, May 2021, and July 2022,

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by a contracted consultant and compared the projections in the April 2018 report to projections made in the May 2021 report. We also compared the projections made in the April 2018 report to actual traffic transactions and toll revenue reported in the May 2021 report. [Principle 13]

- Reviewed the Commission’s FYE May 31, 2019, 2020, and 2021, Annual Comprehensive Financial Reports (ACFRs) which present historical traffic data, the financial position, and changes in financial position of the Commission. [Principle 13]
- Reviewed the Commonwealth of Pennsylvania’s FYE June 30, 2021, ACFR regarding “Emphasis of Matters” relating to the Commission’s ability to make payments required by Act 44/89.
- Reviewed the net position reported in the ACFRs of Ohio, West Virginia, New Jersey, and New York states’ turnpike systems over the 15-year period from 2006 through 2020.
- Reviewed the video and Commission management’s testimony regarding the sustainability of the Commission from the following Senate Transportation Committee meetings:
 - June 18, 2019
 - June 25, 2019
 - May 12, 2020
 - June 15, 2020
 - September 22, 2021
- Reviewed the Commission’s actual and expected toll increases for the calendar years 2009 through 2050.
- Calculated toll rates for the calendar years 2022 through 2050 for traveling between Philadelphia and Pittsburgh, entering the Turnpike system at Valley Forge (Exit 326) and exiting at Pittsburgh (Exit 57) using the projected increases obtained from the traffic projections report prepared by a Commission consultant.
- Reviewed the Commission’s credit ratings issued from Moody’s Investor Services and Fitch Group during the audit period.

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Objective 2:

- Reviewed the Commission's CPA firm's working papers regarding:
 - Work performed to determine what controls were in place regarding each of the 17 principles within the five components of internal control in order to establish an effective system of internal control. [All Principles]
 - Work performed on the Commission's toll collection processes/procedures. [Principles 2, 3, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17]
- Interviewed and corresponded with Commission management in order to:
 - Gain an understanding of bad debt expense and fluctuations noted.
 - Gain an understanding of the Commission's efforts to increase overall collection of toll revenues.
 - Gain an understanding of the reasons for uncollected toll revenue.
- Reviewed the Commission's Revenue Assurance Plan Metrics Report (RAP) for the period June 2020 through May 2021 regarding amounts reported and the reasons why certain Toll By Plate (TBP) transactions did not generate revenue.
- Reviewed the Commission's CPA firm's working papers regarding bad debt expense amounts for the FYE May 31, 2014, through 2021. [Principle 7]
- Reviewed the Commission's ACFR for FYE May 31, 2018, through May 31, 2021, for reported toll revenue. [Principle 13]
- Reviewed the following laws, regulations, contracts, guidance, and written policies and procedures applicable to Turnpike travel:
 - 74 Pa.C.S. § 8117 (relating to Electronic toll collection).
 - 75 Pa.C.S. § 1332 (b) and (c) (relating to Display of registration plate).
 - 75 Pa.C.S. § 6110.1 (relating to Fare evasion).
 - Act 165 of 2016 of the Vehicle Code relating to penalties for unpaid tolls, including the suspension of vehicle registrations.
 - Commission "Business Rules for Collections" in place during the audit period.
- Obtained from Commission management vehicle registration suspensions reports as of May 31, 2019; May 31, 2020; May 31, 2021; and April 30, 2022, that reported on the number and dollar amount of accounts eligible for registration suspension and the status of the account in the registration suspension process.

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- Reviewed the status of pending legislation (Pennsylvania House Bill 2139 introduced on December 7, 2021) regarding lowering the threshold of outstanding toll accounts eligible for registration suspension.
- Reviewed laws in place in the state of Ohio regarding enforcement methods for vehicle owners with unpaid tolls due to the Ohio Turnpike.
- Reviewed contract terms with the three collection agencies that provided services to the Commission during the audit period to determine the time period of each contract and the agreed upon payment percentages for outstanding tolls collected.
- Obtained from Commission management the number and dollar amount of outstanding toll accounts sent to each of the three collection agencies used by the Commission during the audit period and the amounts collected and remitted to the Commission after the collection agencies' payment had been deducted to determine how successful each collection agency was in collecting outstanding tolls for the Commission.
- Reviewed documents regarding discussions between the Commission and other states including Delaware, Maryland, Ohio, New Jersey, and New York regarding reciprocity agreements for the collection of outstanding tolls.
- Obtained from Commission management the total number of and status of toll evasion cases the Commission's Revenue Enforcement Office has worked on during the period of February 2017 through February 2022.
- Obtained from Commission management the amount of toll violation accounts receivable from both in and out-of-state motorists as of October 31, 2021.

Objective 3:

- Reviewed the Commission's CPA firm's working papers regarding work performed to determine what controls were in place regarding each of the 17 principles within the five components of internal control in order to establish an effective system of internal control. [All Principles]
- Reviewed the following laws, regulations, contracts, and guidance applicable to prohibiting racial discrimination and sexual harassment by lessees providing customer service at the service plazas:
 - Pennsylvania Human Relations Act (PHRA) 43 P.S. § 951 *et seq* and § 955 (relating to Unlawful Discriminatory Practices).
 - Pennsylvania Human Relations Commission (PHRC) guidance.

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- United States Department of Justice Federal Protections Against National Origin Discrimination guidance.
- United States Equal Employment Opportunity Commission (EEOC) overview and Laws Enforced by the EEOC guidance.
- Pennsylvania Department of General Services' (DGS) Handbook Part I Chapter 1 "General Provisions" and Chapter 20 "Nondiscrimination."
- Commonwealth of Pennsylvania Management Directive 215.16 Amended "Contract Compliance Program" dated August 2, 2018.
- Corresponded with Commission management and legal counsel in order to: [Principles 10, 12, 13, 14, 15, 16, 17]
 - Gain an understanding of the Commission's lessee contracts and its related policies pertaining to customer service at service plazas for provisions regarding prohibiting racial discrimination and sexual harassment.
 - Gain an understanding of what policies and procedures pertaining to monitoring those lessee contracts have been established.
 - Determine whether any actions were taken by the Commission to address the allegations made by a customer against the contracted staff at the Highspire customer service plaza in October 2019 and if sensitivity training was provided to the employees of the lessee involved in the alleged incident.
- Reviewed the Commission's contracts with the food vendor operating restaurants at all 17 service plazas and the fuel vendor operating fueling and convenience store services at all 17 service plazas and food service at two service plazas for provisions regarding prohibiting racial discrimination and sexual harassment and monitoring of such provisions. [Principles 10, 12, 13, 14, 15, 16, 17]
- Reviewed a news article to determine information published related to an alleged incident of racial discrimination in October 2019 at the Commission's Highspire Service Plaza.

Financial

- Reviewed the Commission's capital plan and operating budgets for FY 2018, 2019, 2020, 2021, and 2022, to assess the Commission's capital spending levels.
- Reviewed the Commission's CPA firm's latest peer reviews and verified that the individuals who conducted the audits were independent of the Commission and qualified to perform the audits.
- Reviewed the CPA firm's audit planning documentation and execution working papers with conclusions for the FYE May 31, 2018, 2019, 2020, and 2021, to determine that the scope, quality, and timing of the audit work performed adequately addressed the

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mandated requirements pertaining to the financial audit and review of the performance, procedures, and accounts of the Commission.

- Performed analytical procedures on the Commission’s operating and capital budgets for the FYE May 30, 2018, 2019, 2020, and 2021, to determine if there were any substantial fluctuations in amounts between the years reviewed.

To address the Status of Prior Audit Findings, we performed the following procedures:

- Interviewed and corresponded with Commission management regarding toll-free travel privileges offered to Commission employees and non-employees; non-revenue privileges options available once the Commission permanently converted to the “All-Electronic Toll (AET) collection” method; and the status of the project to install video cameras and an automated fire detection system in one Turnpike tunnel.
- Reviewed the amount of employee toll-free travel incurred through use of identification cards during the period June 1, 2018, through June 16, 2020 (the date that identification cards issued to Commission employees could no longer be used on the Turnpike) and the amount of employee toll-free travel incurred through transponders/TBP during the period June 1, 2018, through May 31, 2021.
- Reviewed the total number of non-employees with non-revenue identification cards used during FYE May 31, 2019 and 2020, and from June 1, 2020, through June 16, 2020 (the date when non-revenue cards were no longer accepted on the Turnpike) and the corresponding dollar amount of non-employee toll-free travel incurred through the use of the non-revenue identification cards during that time period.
- Reviewed the total amount of toll-free travel incurred by non-employees through the use of transponders and TBP during the period June 1, 2018, through May 31, 2021.
- Reviewed work conducted by the Commission’s Internal Audit Department during the audit period regarding employee and non-employee toll-free travel.
- Reviewed the Commission’s CPA firm’s assessments regarding the reliance on the work of the Commission’s Internal Audit Department for FYE May 31, 2019, 2020, and 2021, to verify staff was independent and qualified to perform the audit work.
- Reviewed documents supporting the work performed regarding the installation of video cameras and an automated fire detection systems in the remaining Turnpike tunnel.

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Data Reliability

Government Auditing Standards requires us to assess the sufficiency and appropriateness of computer-processed information that we used to support our findings, conclusions, and/or recommendations. The assessment of the sufficiency and appropriateness of computer-processed information includes considerations regarding the completeness and accuracy of the data for the intended purposes.¹⁰⁵

In addition to the procedures described in the remainder of this section, as part of our overall process in obtaining assurance of the reliability of computer-processed information and data files, we obtained a management representation letter from the Commission. This letter, signed by Commission management, included a confirmation statement indicating the information and data provided to us had not been altered and was a complete and accurate duplication of the data from its original source.

Amounts such as Commonwealth of Pennsylvania (Commonwealth) and Commission debt, Turnpike traffic, toll revenue, and net positions for 2019, 2020 and 2021 reported for the Commonwealth, the Commission and its neighboring states' turnpike systems were obtained from each state's ACFRs. We confirmed that the Commonwealth and each state's audited financial statements received an unmodified opinion. Therefore, we found no limitations with using the data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that the Commonwealth and state turnpike systems' amounts reported for debt, traffic, toll revenue, and net positions were sufficiently reliable regarding completeness and accuracy for the purposes of this engagement.

Toll rates for travel on the Turnpike between Valley Forge and Pittsburgh are the current rates for 2022 and were obtained from the online toll calculator found on the Commission's website. Therefore, we found no limitations with using the data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that the toll rates reported on the Commission's website were sufficiently reliable regarding completeness and accuracy for the purposes of this engagement.

When determining the Status of the Prior Audit Finding related to unlimited toll-free usage of the Turnpike to all of its employees with non-revenue identification cards, the number of employees was obtained from the Commission's FYE May 31, 2020, ACFR that received an unmodified opinion. Therefore, we found no limitations with using the data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that the number of employees with non-revenue identification cards was sufficiently reliable regarding completeness and accuracy for the purposes of this engagement.

¹⁰⁵ U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revisions. Technical Update April 2021. Paragraph 8.98.

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We did not perform procedures to validate the completeness and accuracy of the below bulleted information. However, this is the best data available. As a result, we have deemed the information to be of undetermined reliability. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings, conclusions, and recommendations. The information includes the following:

- The projected traffic, revenue, and debt amounts reported in the Commission's Act 44 Financial Plans for FY 2019, 2020, 2021, and 2022. As noted in the FY 2022 Plan, there are inherent uncertainties in projecting amounts over a 40-year period. We did perform tests for reasonableness by comparing projected revenue and debt amounts for the FYE May 31, 2019, 2020, and 2021 that were reported in prior year Act 44 Financial Plans to actual numbers reported in the Commission's ACFRs.
- The historical monthly vehicle transactions, projected amounts for vehicle transactions, toll revenue, and toll rate increases reported by a Commission consultant in the Commission's 2018 Traffic and Revenue Forecast Study and the May 2021 and July 2022 Bring Down Letters that provide updates to the Commission's 2018 Traffic and Toll Revenue Forecast Study. As noted in the reports, there are uncertainties in forecasting that may cause actual results to differ materially from the results projected. We did, however, perform tests for reasonableness by comparing projected toll revenue for the FYE May 31, 2019, 2020, and 2021 that were reported in prior year Bring Down Letters to actual numbers reported by the Commission consultant in the May 2021 Bring Down Letter.
- The revenue and debt amounts for the FYE May 31, 2018, through May 31, 2041, reported in the Commission's Revenue vs. Debt Forecast (Forecast). We confirmed the amounts for the FYE May 31, 2018, through May 31, 2021, agreed to data in the Commission's ACFR. Although the projected amounts reported in the Forecast for the FYE May 31, 2022, through May 31, 2041, match the amounts reported in the Commission's Financial Plan for the FY 2022, this document is, as previously reported, of undetermined reliability.
- The number of transactions and dollar amount of TBP leakage reported in the Commission's Revenue Assurance Plan Metrics Report (RAP) for the period June 2020 through May 2021. However, the dollar amount of TBP leakage was found to be comparable to the Commission's bad debt expense for the same time period.
- The number of vehicle registration accounts and associated outstanding toll amounts that were eligible for registration suspension as of the dates May 31, 2019, May 31, 2020, May 31, 2021, and April 30, 2022, that were provided by Commission management.

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- The number and dollar amount of accounts sent to collection agencies and the total amount collected by each collection agency during the period June 1, 2018, through May 31, 2022, as provided by Commission management.
- The number of and associated collection amounts of the Commission's Revenue Enforcement Office toll evasion cases worked on between February 2017 and February 2022.
- The number of employees with non-revenue transponders and the associated amount of toll-free travel during the period June 1, 2018, through May 31, 2021; the amount of toll-free travel associated with non-employee's use of non-revenue identification cards during the period June 1, 2018, through June 16, 2020; and non-employee's use of non-revenue transponders and Toll By Plate during the period of June 1, 2018, through May 31, 2021, used when determining the Status of Prior Audit Findings.

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Appendix B

The Pennsylvania Turnpike Commission Actual and Projected Toll Increases Resulting From Act 44/89.

As discussed in *Finding 1*, the tables below depict the actual and projected toll increases resulting from Act 44/89 for the years 2009 through 2050:

Table 1

Actual (through 2022) and Expected Toll Increase Resulting from Act 44/89* Calendar Year 2009 through 2050 ^{a/}							
Year	Cash	E-ZPass	TBP ^{b/}	Year	Cash	E-ZPass	TBP
2009 ^{c/}	25.0%	25.0%	N/A	2019	6.0%	6.0%	N/A
2010	3.0%	3.0%	N/A	2020	6.0%	6.0%	6.0%
2011	10.0%	3.0%	N/A	2021	N/A ^{b/}	6.0%	6.0% ^{d/}
2012	10.0%	0.0%	N/A	2022	N/A	5.0%	5.0%
2013	10.0%	2.0%	N/A	2023	N/A	5.0%	5.0%
2014	12.0%	2.0%	N/A	2024	N/A	5.0%	5.0%
2015	5.0%	5.0%	N/A	2025	N/A	5.0%	5.0%
2016	6.0%	6.0%	N/A	2026	N/A	4.0%	4.0%
2017	6.0%	6.0%	N/A	2027	N/A	3.5%	3.5%
2018	6.0%	6.0%	N/A	2028-2050 ^{c/}	N/A	3.0%	3.0%

*These toll increases are the result of the Commission's debt obligations of Act 44 of 2007, as amended by Act 89 of 2013. See 75 Pa.C.S. § 8901. See also <https://triblive.com/local/westmoreland/why-pa-turnpike-tolls-soared-and-will-continue-rising-for-next-30-years/> (accessed May 18, 2022).

^{a/} - 2023 through 2050 are expected increases that typically take effect each January.

^{b/} - Toll By Plate (TBP) was introduced system-wide in 2020. Prior to that, we do not report increases implemented at the limited number of toll plazas utilizing TBP since 2016. Therefore, the years 2009 through 2019 are listed as not applicable (N/A). Additionally, as a result of implementing TBP system-wide, the option to pay with "Cash" was eliminated in June 2020. By using the new autopay feature for the Registered Toll By Plate (RTBP) program, TBP customers who pre-register their vehicle and provide payment card information as means of electronic payment receive a 15 percent discount on their invoice with a successful payment made by the invoice due date.

^{c/} - By comparison, the U.S. inflation rate for the years 2009 through 2021 and as of June 2022, per the U.S. Department of Labor were as follows: 2009: 0.4%; 2010: 1.6%; 2011: 3.2%; 2012: 2.1%; 2013: 1.5%; 2014: 1.6%; 2015: 0.1%; 2016: 1.3%; 2017: 2.1%; 2018: 2.4%; 2019: 1.8%; 2020: 1.2%; 2021: 4.7%; and June 2022: 9.1%. <https://www.usinflationcalculator.com/inflation/historical-inflation-rates/> (accessed July 19, 2022).

^{d/} - The Commission approved new TBP rates at toll facilities converted to all-electronic tolling in June 2020. These rates included an average of 45% increase over the 2020 cash rate for TBP travelers to reflect the costs of collections for this tolling method. The 45% rate increase was applied at new TBP facilities to bring rates at those facilities in line with rates at facilities already using TBP. The increase was not applied at the facilities that converted to TBP before 2020, which includes the Beaver Valley Expressway, Delaware River Bridge, Gateway Toll Plaza, Greensburg Bypass, Keyser Avenue and Clarks Summit Tolls, and the Southern Beltway. <https://www.paturnpike.com/news/details/2021/09/20/20200721114017> (accessed February 24, 2022).

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^{c/-} For each of the years 2028 through 2050, the toll rates for E-ZPass and TBP are expected to increase by 3% per year.

Source: Produced by the Department of the Auditor General based on Traffic and Revenue Forecast Studies performed by a Commission consultant. The actual percentages of future toll increases in the years 2023 through 2050 are of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

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Table 2

Projected Toll Rates from Valley Forge (Exit 326) to Pittsburgh (Exit 57) - 2022 to 2050				
270.18 miles				
Year	Passenger Vehicle < 7,000 lbs., 2-Axle		Commercial Vehicle 50,000 lbs., 5-Axle	
	E-ZPass	Toll By Plate (TBP) ^{a/}	E-ZPass	TBP ^{a/}
2022	\$33.00 ^{b/}	\$67.40 ^{b/}	\$125.30 ^{b/}	\$253.10 ^{b/}
2023	\$34.65	\$70.77	\$131.57	\$265.76
2024	\$36.38	\$74.31	\$138.14	\$279.04
2025	\$38.20	\$78.02	\$145.05	\$292.99
2026	\$39.73	\$81.14	\$150.85	\$304.71
2027	\$41.12	\$83.98	\$156.13	\$315.38
2028	\$42.35	\$86.50	\$160.82	\$324.84
2029	\$43.62	\$89.10	\$165.64	\$334.59
2030	\$44.93	\$91.77	\$170.61	\$344.62
2031	\$46.28	\$94.53	\$175.73	\$354.96
2032	\$47.67	\$97.36	\$181.00	\$365.61
2033	\$49.10	\$100.28	\$186.43	\$376.58
2034	\$50.57	\$103.29	\$192.02	\$387.88
2035	\$52.09	\$106.39	\$197.78	\$399.51
2036	\$53.65	\$109.58	\$203.72	\$411.50
2037	\$55.26	\$112.87	\$209.83	\$423.84
2038	\$56.92	\$116.25	\$216.12	\$436.56
2039	\$58.63	\$119.74	\$222.61	\$449.66
2040	\$60.39	\$123.33	\$229.29	\$463.15
2041	\$62.20	\$127.03	\$236.16	\$477.04
2042	\$64.06	\$130.85	\$243.25	\$491.35
2043	\$65.99	\$134.77	\$250.55	\$506.09
2044	\$67.97	\$138.81	\$258.06	\$521.27
2045	\$70.00	\$142.98	\$265.80	\$536.91
2046	\$72.10	\$147.27	\$273.78	\$553.02
2047	\$74.27	\$151.69	\$281.99	\$569.61
2048	\$76.50	\$156.24	\$290.45	\$586.70
2049	\$78.79	\$160.92	\$299.17	\$604.30
2050	\$81.15	\$165.75	\$308.14	\$622.43



E-ZPASS

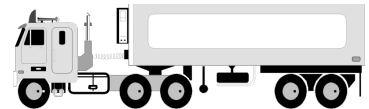
2022: \$33.00 (about 12.2¢ per mile)

2050: \$81.15 (about 30.0¢ per mile)

TBP

2022: \$67.40 (about 24.9¢ per mile)

2050: \$165.75 (about 61.3¢ per mile)



E-ZPASS

2022: \$125.30 (about 46.4¢ per mile)

2050: \$308.14 (about \$1.14 per mile)

TBP

2022: \$253.10 (about 93.7¢ per mile)

2050: \$622.43 (about \$2.30 per mile)

^{a/} - By using the new autopay feature for the Registered Toll By Plate (RTBP) program, TBP customers who pre-register their vehicle and provide payment card information as means of electronic payment

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receive a 15 percent discount on their invoice with a successful payment made by the invoice due date.

^{b/} - Actual toll amounts according to the Commission's online toll calculator.

Source: Produced by the staff of the Department of the Auditor General based on the 2022 current toll rates and the assumed toll rate increases based on Traffic and Revenue Forecast Studies performed by a Commission consultant. The assumed toll rate increases are of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

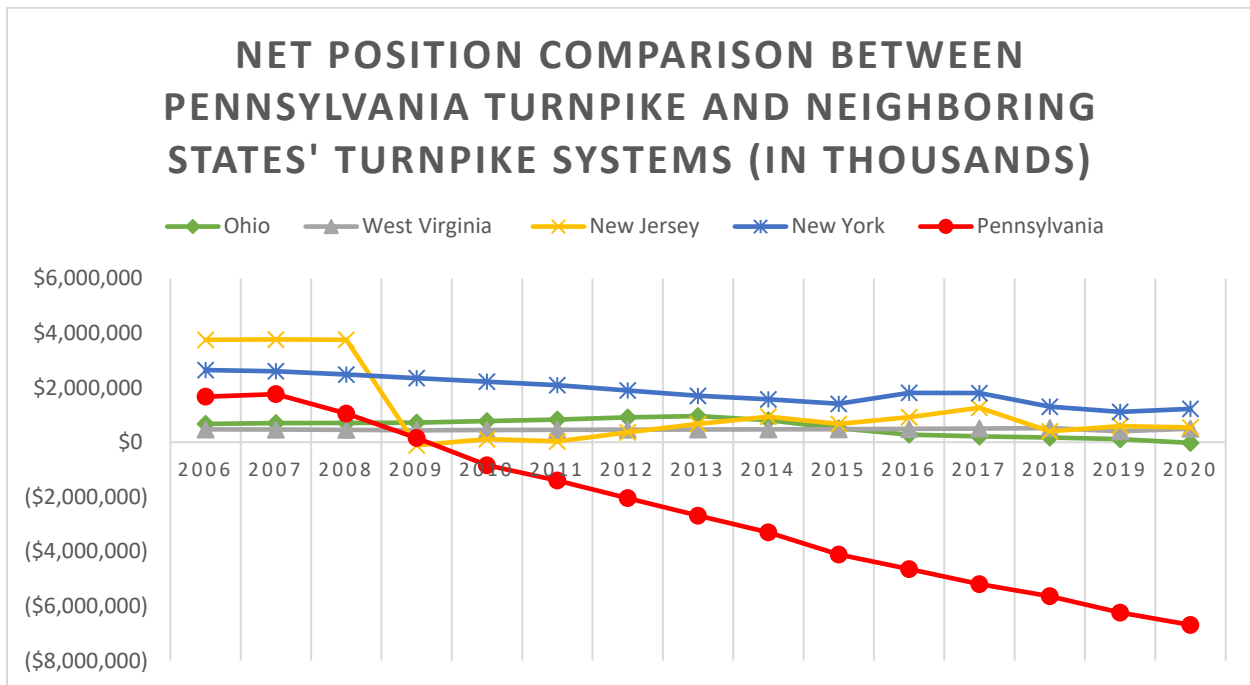
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Appendix C

Net Positions of the Pennsylvania Turnpike Commission and Neighboring States' Turnpike Systems.

As discussed in *Finding 1*, the graph below depicts the net positions of the Pennsylvania Turnpike and neighboring states' turnpike systems for the years 2006 through 2020:



Source: This graph was developed by the staff of the Department of the Auditor General from information in the states' turnpike systems' ACFRs.

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Appendix D

Distribution List

This report was distributed to the following Commonwealth officials:

The Honorable Tom Wolf
Governor

The Honorable Wadud Ahmad
Chair
Pennsylvania Turnpike Commission

Mr. Mark P. Compton
Chief Executive Officer
Pennsylvania Turnpike Commission

Ms. Joan D. Resek
Director of Internal Audit
Pennsylvania Turnpike Commission

The Honorable Tim Hennessey
Majority Chair
PA House Transportation Committee

The Honorable Mike Carroll
Minority Chair
PA House Transportation Committee

The Honorable Wayne Langerholc
Majority Chair
PA Senate Transportation Committee

The Honorable Marty Flynn
Minority Chair
PA Senate Transportation Committee

The Honorable Gregory Thall
Secretary of the Budget
Office of the Budget

The Honorable Stacy Garrity
State Treasurer
Pennsylvania Treasury Department

The Honorable Josh Shapiro
Attorney General
Office of the Attorney General

The Honorable Michael Newsome
Secretary of Administration
Office of Administration

Mr. William Canfield
Director
Bureau of Audits
Office of Comptroller Operations

Ms. Mary Spila
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