

The Central New York Regional Transportation Authority

Management Report on Internal Control Fiscal Year Ending March 31, 2022



June 24, 2022

Internal Control in NYS Government

Per New York State Public Authorities Law §2931, public authorities are required to establish and maintain a system of internal control in line with defined internal control standards. Consistent with NYS Finance Law, these standards are issued by the Office of the New York State Comptroller. The *Standards for Internal Control in New York State Government (updated 2016)* were developed using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) *Internal Control – Integrated Framework (updated 2013)*.

As a public authority of the State of New York, the Central New York Regional Transportation Authority (CNYRTA) ensures its system of internal control is in line with the applicable standards by actively managing its system of internal control through a set of activities that review system components, efficiencies and effectiveness.

Internal Control Defined

A system of internal control is an integration of activities, plans, attitudes, policies, systems, resources and efforts of people. A strong system of internal control provides reasonable assurance that the organization will achieve its operating, reporting and compliance objectives – ultimately achieving its mission statement. The COSO internal control framework model defines five (5) components of internal control, each with their own set of principles and focus points:

1. Control Environment
 - a. Demonstrates commitment to integrity & ethical values
 - b. Exercises oversight responsibly
 - c. Establishes structure, authority and responsibility
 - d. Demonstrates commitment to competence
 - e. Enforces accountability
2. Risk Assessment
 - a. Specifies suitable objectives
 - b. Identifies and analyzes risk
 - c. Assesses fraud risk
 - d. Manages risk during change
3. Control Activities
 - a. Selects and develops control activities
 - b. Selected and develops general controls over technology
 - c. Deploys controls through policies and procedures
4. Information & Communication
 - a. Uses relevant information
 - b. Communicates internally
 - c. Communicates externally
5. Monitoring
 - a. Conducts ongoing and/or separate evaluations
 - b. Evaluates and communicates deficiencies

In addition to the core components and principles two (2) supporting activities provide support to the framework of internal control, Strategic Planning and Internal Audit.

CNYRTA Internal Control Program

The CNYRTA Internal Control Program was developed using internal control standards, to ensure proper review and management over the system of internal control. The design of the program is continuously monitored by the Internal Control Officer & Internal Control Manager to ensure activities are appropriate and effective with changing internal and external business environments. The Board of Members approved the Internal Control Program Manual in February 2022, which included the following significant program activities:

- Document Control & Policy Management
- Strategic Planning
- Internal Control & Risk Management
- Continuing Education
- Corporate Governance
- Management Advisory & Consulting

The CNYRTA Board of Members, and the designated Internal Control Officer (ICO) have final oversight over the Internal Control Program. The Internal Control Officer is required under Public Authority Law to report directly to the head of the organization. Currently this designation is assigned to the Deputy Chief Executive Officer. The Internal Control Manager is responsible for assessing, evaluating and managing the operation of all Internal Control Program activities including but not limited to:

- Evaluating risk assessments and control activities
- Performing tests of internal control
- Coordinating and performing internal control continuing education and development for staff
- Assisting in documentation and policy development
- Assisting in control activity design, development and implementation

In addition, a group of 44 executive, managerial and supervisory staff from across all areas of the organization participate on the Internal Control Team. Although all employees have a level of responsibility for internal control, program activities typically require participation from members of the Internal Control Team.

FY 2021-22 Internal Control Analysis & Certification

Under New York State Public Authorities Law §2800(1)(a)(9), the CNYRTA must annually provide an assessment of the effectiveness of its internal control structure and procedures. Between FYE 2018 and FYE 2021, an annual evaluation of the each CNYRTA assessable unit against the 5 components, 17 principles and corresponding focus points was performed to support the certification.

During FY 2021-22, the standard Annual Internal Control Review Process was eliminated in favor of moving to a risk-based review process. Rather than performing a uniform review across all business areas, the new review plan specifies all review requirements based on identified levels of inherent and residual risk. This includes the type and frequency of any assessments, surveys and control testing to be performed at each level of the COSO Framework – Entity, Division, Unit & Functions.

As of the date of this report, the transition to the new review structure is in progress and expected to conclude by the end of the 2022 calendar year. The transition process involves an in-depth evaluation and risk assessment of each CNYRTA assessable unit and its previously identified objectives, risks and controls; identification of any new objectives yet to be documented; and a series of management surveys regarding various types of risks and specific COSO framework components. At the end of FYE 2021; roughly 300 individual objectives and 400 individual control activities had been identified across the following assessable units:

- Human Resources
- Executive Administration
- Revenue Collections
- Subsidies & Funding
- Procurement
- Accounting
- Storeroom
- Marketing
- Payroll
- Service Development
- Maintenance Operations
- Information Technology
- Transit Operations
- Call-A-Bus
- Customer Service
- Centro Cayuga
- Centro Oswego
- Centro Oneida

Control Environment

Throughout FYE 2022, the CNYRTA control environment remained strong, effective and consistent with internal control standards, enforcing the importance of internal control, integrity and ethics. Standards of accountability, transparency, and performance are present across the organization. Board Members have completed all required ethics training and meetings between management and Board Members are consistent. The organization continues to work towards developing workforce competencies and plans for future growth. An electronic learning management system “NeoGov” was implemented during the year to both assist in managing required training and offer additional training and skill building courses to staff. In addition, the organization continues to evaluate its incentive and performance programs under the new Reaching Productivity Milestones (RPM) Program.

Risk Assessment

In addition to risk assessment that occurs naturally during business, multiple risk assessments are performed as part of the Internal Control Program. Annually, risk assessments are conducted through the Internal Control Program that analyze various types of risks over roughly 300 identified organizational objectives. Risk assessment is the basis for the extent of any additional control testing and analysis performed within the Internal Control Program.

Control Activities

Over 400 control activities have been identified through the Internal Control Program. Control activities are reviewed during risk assessments and through additional control testing as needed or at scheduled intervals. Control testing can include activities such as inspection of records and documents, comparative analysis, management and staff interviews, and unannounced and planned observations. A reduced level of control testing was performed in FYE 2022 due to the review method transition; however, no material exceptions were noted in any testing that was performed. Policy and procedures management continues to improve through the continued application of Internal Control Program activities.

Information & Communication

Information typically flows freely and multi-directionally both within the organization and externally with the public, regulators and vendors. The internal company Intranet continues to improve and facilitate internal communications across

all locations. The organization and management are committed to finding ways to continuously improve information accessibility and communication methods for all employees, including operators and supervisors who work primarily off-site. Research continues into enhanced capabilities in technology and data analysis.

Monitoring

There are multiple levels of in-house internal and external control monitoring present at the CNYRTA. The CNYRTA Internal Control Program holds management responsible for monitoring internal controls in addition to providing ongoing separate evaluations over all areas (finance and non-finance) of the organization.

In addition to in-house internal control monitoring, an independent audit of the financial statements is performed annually. This audit includes an additional review of internal controls over financial reporting only. For FY 2021-22 and approximately fourteen (14) prior audits, there have been no audit findings resulting in a modification of an audit opinion.

Several Federal and State regulatory agencies may perform periodic reviews and audits of CNYRTA in areas of investments, operational performance, grants, and other taxpayer subsidies. Management welcomes and actively participates in all such reviews or audits and quickly addresses any findings or recommendations presented. In 2022, the NYS Department of Transportation, Public Transportation Safety Board conducted its bi-annual audit of the CNYRTA's System Safety Plan including procedures for accident management, pre & post trips and preventative maintenance. The audit was completed with no findings.

Strategic Planning

Strategic planning is a supporting activity to internal control, as it provides the long-term goals and supporting framework on which the system of internal control is designed and built. Ongoing management of the strategic plan occurs through the regular course of business and strategic planning activities coordinated through the Internal Control Program, ensuring that internal control design is evaluated as progress occurs within long-term strategic goals.

Internal Audit

The CNYRTA is not currently required to have a separate Internal Audit function. Certain Internal Control Program review and control testing activities are performed using Internal Audit techniques; however, no official Internal Audit function exists. In the event a change in legislation or an internal identification of need occurs requiring the establishment of Internal Audit, the Internal Control Program will be reevaluated to ensure functions are not duplicated and all applicable Institute of Internal Auditors (IIA) Standards for Internal Audit are met.

Conclusion

This statement certifies that the CNYRTA followed a process that assessed and documented the adequacy of its internal control structure and policies for the year ending March 31, 2022.

To the extent that exceptions were identified, the Authority has developed corrective action plans to reduce any corresponding risk. No material exceptions were noted during the year under any program activity. All internal control framework components, principles and focus points were determined to be present, functioning and operating together resulting in an adequate and effective system of internal control.