



Central New York  
Regional Transportation Authority



**ANNUAL REPORT ON  
INTERNAL CONTROLS  
Fiscal Year Ending  
March 31, 2021**

June 28, 2021

### **Internal Control in NYS Government**

Internal Control is defined as a process designed to provide reasonable assurance regarding the achievement of objectives including the effectiveness and efficiency of operations, reliability of reporting, and compliance with applicable laws and regulations.

Under the 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. The *Standards for Internal Control in New York State Government (updated 2016)* are issued by the Office of the New York State Comptroller and were developed using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) *Internal Control – Integrated Framework (updated 2013)*.

The internal control framework model builds on the core definition of internal controls by defining five (5) components of internal control (control environment, risk assessment, control activities, information & communication, monitoring) and seventeen (17) additional principles within said components – each with their own multiple focus points. In addition to the core components and principles two (2) supporting activities can provide support to the framework of internal control; Strategic Planning and Internal Audit.

### **Internal Control at CNYRTA**

The Central New York Regional Transportation Authority (CNYRTA) is a public authority of the State of New York. As such, the organization follows the *Standards for Internal Control in NYS Government* and the *COSO Internal Control Integrated Framework*, with a comprehensive system of internal control in place that is actively managed and evaluated for effectiveness and efficiency.

In response to updates made to the internal control standards issued by the NYS Comptroller’s Office in 2016, the CNYRTA took action to improve the design and management of its system of internal control by developing a comprehensive Internal Control Program. Program activities include ongoing internal process reviews, continuing education on internal control, an annual system-wide framework assessment, strategic planning and other projects as needed.

The Internal Control Department includes the Deputy Chief Executive Officer, who is the designated the Internal Control Officer (ICO), and the Internal Control Manager who is responsible for assessing, evaluating and managing all Internal Control Program activities. In addition, the Internal Control Team includes 47 executive, managerial and supervisory staff from across all areas of the organization. Although all employees have a level of responsibility for internal control, program activities typically require participation from members of the Internal Control Team.

### **FY 2020-21 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, and indicate whether or not they are adequate. To support this certification process, as part of the Internal Control Program, an annual evaluation of the each CNYRTA assessable units against the 5 components, 17 principles and corresponding focus points is performed to ensure all required internal control components are present, functioning and operating together per the prescribed standards.

For FY 2020-21, the units listed below were determined to have either operational, safety or financial risks requiring an assessable unit review. This list is subject to change year over year as changes in organizational structure or business environment occur.

- 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

*\*Unit was not included in the annual review process as it is currently undergoing an internal documentation review - a separate Internal Control Activity defined in the Internal Control Program. Upon completion of this review, the unit be included once again in the annual review process. No material exceptions were noted in the unit that would prevent the organization from certifying to its internal controls.*

### **Control Environment**

FY 2020-21, saw a significant organization restructure, including a change in executive leadership. Through this change, the control environment and Tone-at-the-Top was strong, effective and consistent with internal control standards of enforcing the importance of internal control, integrity and ethics. Standards of accountability, transparency, and performance are enforced across the organization. All new employees are made aware of the Ethics Guide and employee standards during the orientation process. Board Members have completed all required ethics training and meetings between management and Board Members are consistent. Management and staff have developed strong competencies in their respective roles.

### **Risk Assessment**

In addition to routine risk assessment performed during the course of business, each unit maintains a documented Internal Control Risk Assessment. This document serves as a tool to organize and identify individual unit operating, reporting and compliance objectives, the risks associated with each objective, and the action taken to mitigate the risk [implement controls, share, accept or avoid]. Each major high-risk function of the organization is included within the various assessable unit documents. During the FY 2020-21 review, 261 objectives were defined and analyzed for risk. No material exceptions relating to identified risks were noted. The risk assessment is the basis for the direction and extent of control test work performed. Consistent review of potential risks is performed across the organization.

### **Control Activities**

Through review of the Risk Assessment, roughly 450 control activities were identified and tested in addition to evaluating the units against the principles of the internal control framework. This portion of the review was entitled “Tests of Controls” and was performed using some internal audit related techniques including; sampling, inspection of records and documents, comparative analysis, management and staff interviews, and unannounced and planned observations. Throughout these tests, no material exceptions were noted, and any recommendations or exceptions noted were discussed and appropriately addressed with management.

Policy and procedures management continues to improve through the continued application of Internal Control Program activities.

### **Information & Communication**

No material exceptions were noted relating to information accuracy or internal or external communication. Information typically flows freely and multi-directionally both within the organization and externally with the public, regulators and vendors. Recently an internal company Intranet was launched and continues to be developed to improve 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.

### **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 that includes an additional review of internal controls over financial reporting only. For FY 2020-21 and approximately thirteen (13) prior audits, there have been no audit findings resulting in a modification of an audit opinion.

Several Federal and State regulatory agencies have the ability to 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 in the event they are noted, quickly addresses any findings or recommendations presented. During FYE 21, the CNYRTA completed its sixth consecutive FTA Triennial review (18 years) with zero audit findings.

### **Strategic Planning**

Strategic planning is a supporting activity to internal control, as it provides the long term goals and supporting framework for which the system of internal control is then built and designed. The redesigned CNYRTA Strategic Plan was implemented in FYE 21. Ongoing management of the strategic plan occurs through the regular course of business and routine designated Strategic Planning meetings coordinated by the Internal Control Manager. This ensures that internal control design is properly evaluated as changes and progress on long-term goals occur.

### **Internal Audit**

Internal audit is the other supporting activity to the system of Internal Control. There is no legislation in place at this time requiring that the CNYRTA implement an Internal Audit department; however, the Board and executive management routinely evaluate the cost and benefits of establishing said function. At this time, the expense associated with startup of an internal audit function satisfying the required professional standards outweighs available resources. As an alternative, the Internal Control Manager performs internal **reviews** of all assessable units and high-risk processes as part of the Internal Control Program.

**Note on COVID-19**

Through the FYE 2021, the ongoing COVID-19 global pandemic continued to test the responsiveness and adaptability of the CNYRTA. Between March 17th 2020 and June 8, 2020 all non-essential employees were directed to work from home. Continuing through the remainder of the year, mask mandates, rotating in-person work schedules, and additional compliance and regulatory guidance all presented their own unique challenges and considerations relating to operations and internal control; which management continued to address and respond to.

The ability of the CNYRTA management and staff to successfully manage procedures and internal controls through a period of rapid change, further indicates a strong and cohesive system of internal control.

**Conclusion**

No material exceptions were noted during the year under any program activity. Any other exceptions or recommendations noted, were discussed with management and appropriately addressed.

Per the results of the FY 2020-21 annual assessment of internal controls, and ongoing Internal Control program activities, 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.