



Central New York
Regional Transportation Authority



**ANNUAL REPORT ON
INTERNAL CONTROLS
Fiscal Year Ending
March 31, 2020**

August 10, 2020

Defining Internal Control

Internal Control in both government and private sectors is defined as a process, affected by an entity's governing board, management and other personnel, designed to provide reasonable assurance regarding the achievement of management's objectives including the effectiveness and efficiency of operations, reliability of reporting, and compliance with applicable laws and regulations.

Internal Control in NYS Government

NYS agencies are required to implement and manage frameworks of internal control under the Office of the State Comptroller issued *Standards for Internal Control in New York State Government (updated 2016)*. These standards were developed using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) *Internal Control – Integrated Framework (updated 2013)*.

The COSO framework model was updated in 2013 from its original 1992 version to reflect additional considerations related to changes in business, technology and operations, fraud, regulatory environments and additional review over nonfinancial and compliance reporting objectives. In 2016, the NYS OSC standards were updated to reflect the comprehensive additions to the framework.

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. It is a public benefit corporation, created by and having the powers and functions as set forth pursuant to Sections 1325-1348 of the Public Authorities Law of the State of New York. As such, the organization follows the OSC *Standards for Internal Control in NYS Government* and the *COSO Internal Control Integrated Framework*, and has established a strong comprehensive system of internal control.

In 2016, upon issuance of the updates in the standards, the CNYRTA took action to evaluate its system of internal controls. In 2017, in addition to the Internal Control Officer (ICO) role held by the CFO, the organization created a position dedicated to assessing, evaluating, redesigning and building an internal control program to actively manage and monitor the system of internal controls and ensure the system remains in line with new requirements. This position currently holds the title of Internal Control Manager (ICM). Forty-four (44) executives, managers and supervisors from across the organizations assessable units participate on the Internal Control Team.

The ICM, under the direction of the CFO, has built and implemented a robust Internal Control Program that satisfies the framework requirements of the new *Standards*. This program consists of a number of dynamic, interactive processes requiring an organization-wide effort and participation from the Internal Control Team members. Through continued education, staff training & development and internal control documentation, the Internal Control Program both satisfies the new Standards for Internal Control and continues to improve and strengthen the system of Internal Controls at the CNYRTA on a daily basis.

FY 2019-20 Internal Control Analysis & Certification

Perhaps the most significant Internal Control Program activity, is the Annual Internal Control Review and certification process. The CNYRTA Internal Control Officer is required to certify to the OSC annually, that the internal control framework is present, functioning and operating together. To support this certification, an annual assessment over the organizations full system of internal controls is performed to determine the certification can be made per the *Standards*, and to isolate any areas or processes which may be inefficient or ineffective and could benefit from additional review or process and control changes.

FY 2019-20 Assessable Units

To perform the annual review, the organization is evaluated to determine its applicable “assessable units,” which are then each reviewed against the five components, seventeen principles and corresponding focus points. For FY 2019-20, the units listed below were determined to have either operational, public image, 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
- Grants*
- Budget
- 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.*

***Due to a flood occurring in October 2019 at the Centro Oneida (Utica) garage, the Internal Control Review for this unit was originally suspended until March 2020; however, due to delays in construction and the COVID-19 global pandemic; the unit was ultimately not included in the FY 2019-20 annual review. There were no open exceptions for this unit at FYE and no known material exceptions that would prevent the organization from certifying to its internal controls. The unit will be included in the FY 2020-21 review.*

Control Environment

The control environment and Tone-at-the-Top continues to appear strong 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. Employee turnover is relatively low, with few industry wide exceptions.

Risk Assessment

Each assessable unit utilizes a 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 2019-20 review, 204 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 400 specific 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 all discussion items or exceptions noted were discussed and appropriately addressed. 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 appear 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 control monitoring present at the CNYRTA. The CNYRTA Internal Control Program holds management responsible for monitoring internal controls through a number of activities. This program continues to evolve and includes the annual internal control review and analysis, an internal control continuing education program, regular governance meetings, and internal process evaluations or other special projects when needed.

External Monitoring

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 2019-20 and approximately twelve (12) prior audits, there have been no audit findings.

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.

Strategic Planning

Strategic plans are proposed courses of action which define goals and operational plans to enable an organization to achieve its objectives. Planning should begin at the top levels of management with a strategic plan that focuses on the long-range direction of the organization. Internal controls are tied to specific objectives relating to operating, reporting, or compliance, which the strategic plan helps to define.

As a result of the FY 2018-19 annual review, the Executive Administration unit is currently working on an action plan to enhance the CNYRTA strategic plan using guidance from the COSO Enterprise Risk Management Framework. Currently a draft plan exists with enhancement continuing through the current and upcoming FY. Following implementation of the updated strategic plan format, continued evaluation and review of said plan and defined performance measures will occur consistent with plan goals.

Internal Audit

Currently the Division of Budget does not require an internal audit function for the CNYRTA. The Board and executive management routinely evaluate the need and the benefit 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. Therefore, management determined that the establishment of an Internal Audit function is not currently feasible.

As an alternative, to attempt to capture some of the value of having an Internal Audit function, the CNYRTA established a dedicated position with the current title of *Internal Control Manager*, to perform ongoing analysis, assessments, evaluations and monitoring of the organizations internal controls, ensuring compliance with the Standards of Internal Control *and* the continued review of risks, controls and inefficiencies.

Note on COVID-19

On March 17th 2020, all non-essential employees were directed to work from home due to concerns resulting from the ongoing global pandemic Coronavirus or Covid-19. This directive was extended through June 8, 2020. To accommodate work from home measures; some control testing activities were modified or reduced. In addition, a 60-day extension was received from the Authorities Budget Office for the NYS Certification on Internal Control, resulting in a submission deadline of August 31, rather than the typical June 30 deadline for the FY 2019-20 Annual Report on and Certification of Internal Control.

Conclusion

Based on various observation, tests of controls and management interviews performed in the FY 2019-20 annual assessment of internal controls, the five (5) components and seventeen (17) principles of the *Standards for Internal Control* were determined to be present, functioning and operating together. No assessable unit reviews yielded any material exceptions. Any other exceptions or recommendations were noted, discussed with management and addressed appropriately.

CNYRTA has an effective internal control program that provides a solid foundation and framework for proper control activities to mitigate risk.