Background

The Central New York Regional Transportation Authority (CNYRTA) was created in 1970 and is a public authority of the State of New York constituting 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.

The Mission of the CNYRTA is to be responsive to the transportation needs of the Central New York community by providing services which are safe, convenient, reliable, and environmentally responsible with a goal of maximizing the taxpayers’ return on investment.

The CNYRTA provides public bus transportation with related services within a four-county area in Central New York. The functions of the Authority are performed via subsidiary operating corporations: CNY Centro, Inc., Centro of Cayuga, Inc., Centro of Oswego, Inc., Centro of Oneida, Inc., Centro Call-A-Bus, Inc., and Centro Parking, Inc. It also operates the William F. Walsh Regional Transportation Center, combining inter-city passenger rail and bus services with its own regional bus services.

Community service offerings include:

- Inter-city service connecting Syracuse and Onondaga County with the cities of Oswego, Fulton and Auburn and various communities in between.
- Daily service connecting residential areas with the region’s most significant employment districts, shopping locations, educational and medical facilities, and entertainment venues, within the cities of Syracuse, Oswego, Fulton, Auburn, Rome and Utica.
- Paratransit Services for the elderly and people with disabilities who meet ADA requirements.
- Transportation for qualified Onondaga County seniors through its “Onondaga Senior Call-A-Ride (OSCAR) Program.”

Between 20% and 25% of the Authority's operating costs (net depreciation and OPEB) are supported by revenues received from passengers, institutional contracts and other operational activities. Federal, State and local operating assistance, and mortgage recording tax revenues make up the remaining revenues. As a governmental entity, CNYRTA is exempt from all sales, property and excise taxes.

The CNYRTA’s current membership includes the counties of Cayuga, Oneida, Onondaga and Oswego. The counties of Cortland, Jefferson, and Madison may elect to join CNYRTA by vote of legislature.

The CNYRTA and its subsidiaries are governed by a Board of Members, comprising twelve positions plus one non-voting member representing collective bargaining units. Recommended member names are submitted by local legislative bodies (County or City of Syracuse) to the Governor, who appoints them, by and with the consent of the Senate.
The Nature of Internal Controls

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.

Management achieves these objectives and meets its responsibilities by establishing a framework of internal controls that consist of five (5) basic components further segmented into seventeen (17) related principles that offer points of focus for each particular component within the system, together with two (2) supporting activities.

The Five Components with 17 Principles of Internal Control

1. **Control Environment** - The control environment sets the tone of an organization and is commonly referred to as the “tone-at-the-top”. It is the foundation for all other components of internal control, providing discipline and structure, and is viewed as the most important of the five elements because the effectiveness of the other four elements depends upon it. Factors include the integrity, ethical values, and competence of the entity’s people; management's philosophy and operating style; the way management assigns authority and responsibility, and the attention and direction provided by the Board of Directors.
   1. Demonstrates commitment to integrity and ethical values
   2. Exercises oversight responsibility
   3. Establishes structure, authority and responsibility
   4. Demonstrates commitment to competence
   5. Enforces accountability

2. **Risk Assessment** - Every entity faces a variety of risks from external and internal sources. Effective identification and assessment of risks (potential obstacles to achieving management’s objectives) must be an ongoing process at all levels of the organization to address such risks on a timely basis and determine how the risks should be managed.
   6. Specifies suitable objectives
   7. Identifies and analyzes risk
   8. Assesses fraud risk
   9. Manages risk during change

3. **Control Activities** - Control policies and procedures are established to mitigate the various risks identified by management and occur throughout the organization, at all levels and in all functions. Written authorizations and supervisory approvals, reviews of operating performance, security over assets, and timely preparation of financial statements are some examples of control policies and procedures.
   10. Selects and develops control activities
   11. Selects and develops general controls over technology
   12. Deploys controls through policies and procedures

4. **Information and Communication** - Information and communication are pervasive characteristics that affect all aspects of the internal control framework and enable people to carry out their responsibilities to run and control the organization. It is therefore essential that current, accurate, and appropriate information be made available on a timely basis to those who need it. This includes communication to external regulatory agencies and governing boards. Internally, communication should be multi-directional within the organization.
13. Uses relevant information  
14. Communicates internally  
15. Communicates externally  

5. **Monitoring** - Monitoring is the ongoing evaluation process by which management ensures that established internal control systems are continuing to function properly, as designed. This includes control monitoring activities and separate evaluations.  
16. Conducts ongoing and/or separate evaluations  
17. Evaluates and communicates deficiencies  

### Two Supporting Activities  

1. **Strategic Planning** - Strategic plans are proposed courses of action designed to enable an organization to achieve its objectives and goals. 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 need to be tied to specific objectives relating to operating, reporting, or compliance. All objectives should be in writing and provide employees with written organizational and operational objectives along with the mission statement. Management should ensure that employees understand the objectives and how their work helps to achieve them.  

2. **Internal Audit** – The Legislature, in passing the Internal Control Act, recognized the internal audit function as a key role in supporting the internal control system. The Division of Budget is responsible for designating which State agencies are required to maintain internal audit units based on the size, nature, and/or complexity of agency operations. Other entities may choose to establish an internal audit function as part of the managing risks and resources.  

### Analysis  

In performing the review of internal controls, a top-down, risk-based approach was utilized. All processes listed below were reviewed however focus was placed on reviewing areas of greatest risk to the organization in order to optimize limited resources. The areas posing greatest risk include operational and grant revenues, customer safety, and equipment maintenance.  

**Major Processes include:**  
- Revenue Collections  
- Grants  
- Procurement  
- Accounts Payable  
- Accounts Receivable  
- Payroll  
- Human Resources  
- Accounting  
- PPE (Fixed Assets)  
- Service Development  
- Fleet Maintenance
Control Environment

The control environment at CNYRTA is effective and standards of accountability, transparency, and performance are communicated clearly to all employees. The CEO sets the tone and expectation, leading by example. All new employees are made aware of the Ethics Guide and employee standards during the orientation process. Board Members have completed the required Ethics training and meetings between management and Board Members are consistent. Many employees have served the organization for a number of years and have developed strong competencies. Employee turnover is minimal. Policies are widely available to employees of the organization and annually a conflict of interest survey is completed. A substance abuse program is in place and there is continuous monitoring.

Risk Assessment

An annual risk assessment covering the major functions of the organization was conducted and is the basis for the direction and extent of test work performed.

Control Activities

Over 150 control activities were tested utilizing audit techniques, comparative analysis, management and staff interviews, and unannounced observations. The majority of the control activities tested yielded no exceptions and were determined to be operating effectively.

Information/Communication

It was noted that information flows freely and multi-directionally within the organization. Many of the organization’s policies are posted on the internet website. There are formal policy manuals in use as well as information bulletin boards throughout the functional areas. Information is current and made available on a timely basis. External reports are provided timely to regulatory agencies and the Board of Members.

Monitoring

An internal control review is conducted annually by the CNYRTA. Also, an independent annual financial audit is performed and for fiscal year 2017 and approximately eight (8) prior audits, there have been no audit findings or uncorrected misstatements. Several regulatory agencies, federal and state, perform periodic reviews and audits of CNYRTA in areas of investments, operational performance, grants, and other taxpayer subsidies. These have all resulted in full compliance with
no deficiencies. On June 7, 2017, CNYRTA underwent its Federal Transit Administration (FTA) Triennial review. This review encompasses the whole organization and looks at seventeen (17) areas. For five (5) consecutive Triennial Reviews CNYRTA has had no deficiencies. According to the FTA this is a remarkable accomplishment and refers to CNYRTA as a model grantee.

**Strategic Plan**

Historically, there have been various documents supporting components of a strategic plan. Recently, efforts have been taken to create one cohesive document that supports an organization-wide strategic plan. The document is currently in draft form and stands as the basis for a fully functional working tool that will be used to identify and establish the objectives and goals of the organization and develop the strategies that should be followed to achieve them.

**Internal Audit**

Currently the Division of Budget does not require an internal audit function for CNYRTA. The Board and executive management routinely evaluate the need and the benefit of establishing an Internal Audit Department. Given the expense associated with starting up an internal audit function compared to available resources, it is determined that the benefit of an Internal Audit function does not justify the cost.

**Conclusion**

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

**Implementation of Standards for Internal Control in New York State Government 2016 Update**

In March 2016, the OSC issued a revision of the *Standards for Internal Control in New York State Government* that incorporates the updated 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) *Internal Control – Integrated Framework*. The updated Framework retains the core definition of internal controls and the five components of internal controls (control environment, risk assessment, control activities, information & communication, monitoring) to assess the effectiveness of a system of internal control. The key changes from the original 1992 edition of the Integrated Framework includes the addition of seventeen (17) principles underlying the original five (5) components of internal control, considerations related to changes in business, operating, and regulatory environments, expanded financial reporting objectives and additional approaches to operations, compliance and nonfinancial reporting objectives. Although CNYRTA has made progress implementing the new framework, to become completely compliant additional documentation is necessary. Executive management has developed a plan to address the requirements of the new Standards, which partially include hiring a designated Internal Control Manager whose sole focus, under the direction of the CFO, will be to coordinate a dynamic, interactive process through an organization-wide effort associated with a solid Internal Control Program.