

The Central New York Regional Transportation Authority

Management Report on Internal Control Fiscal Year Ending March 31, 2023



June 23, 2023

Internal Control in NYS Government

Consistent with New York State Public Authorities Law §2931, the Central New York Regional Transportation Authority (CNYRTA) has established a system of internal control and ongoing management. The CNYRTA Internal Control Program was developed using the *Standards for Internal Control in New York State Government (updated 2016)* issued by the New York State Office of the Comptroller, which were developed using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) *Internal Control – Integrated Framework (updated 2013)*.

CNYRTA Internal Control Program

The CNYRTA Internal Control Program consists of activities designed to evaluate all internal control components for effectiveness and efficiencies in line with the applicable standards. The design of the program is continuously monitored by the Internal Control Officer to ensure activities are appropriate and effective with changing internal and external business environments.

The Board of Members has final oversight over the system of internal control and must designate an Internal Control Officer who reports directly to the head of the organization. Currently, the Internal Control Officer designation is assigned to the Deputy Chief Executive Officer. A group of 48 executive, managerial and supervisory staff across all business units participate on the Internal Control Team - coordinated by the Director of Internal Control.

Internal Control Program activities may include but are not limited to:

- *Strategic planning*
- *Policy development and document control*
- *Risk assessments*
- *Control design and development*
- *Internal control continuing education*
- *Management advisory and special projects*
- *Tests of internal control*
- *Control implementation*

Annually, the Director of Internal Control considers levels of inherent and residual risk across business objectives to generate a review plan - including the type and frequency of any assessments, control testing and other program activities to be performed. This allows for comprehensive assessment of the activities, plans, attitudes, policies, systems, resources, and efforts of people that make up the system of internal control. All components of the COSO Internal Control Framework including and their respective principles and focus points are considered.

Control Environment

- *Demonstrates commitment to integrity & ethics*
- *Exercises oversight responsibly*
- *Establishes structure, authority and responsibility*
- *Demonstrates commitment to competence*
- *Enforces accountability*

Risk Assessment

- *Specifies suitable objectives*
- *Identifies & analyzes risk*
- *Assesses fraud risk*
- *Manages risk during change*

Control Activities

- *Selects & develops control activities*
- *Selects & develops general controls over technology*
- *Deploys controls through policies & procedures*

Information & Communication

- *Uses relevant information*
- *Communicates internally*
- *Communicates externally*

Monitoring

- *Conducts ongoing and/or separate evaluations*
- *Evaluates and communicates deficiencies*

The review plan is subject to modification at any time based on available resources or other risks identified during the regular course of business.

FY 2022-23 Internal Control Assessment

This report serves as management’s assessment of the effectiveness of the CNYRTA system of internal control per New York State Public Authorities Law §2800(1)(a)(9) for FYE 2023.

Control Environment

The CNYRTA control environment appears in line with internal control standards regarding internal control, integrity, ethics, standards of accountability, transparency, performance, and qualified Board oversight. Management continues to consider various avenues for training and skill building to provide to staff, further developing workforce competencies and planning for future growth. In addition, the organization continues to evaluate its accountability measures and enhance its incentive and performance programs.

Risk Assessment

In addition to risk assessments performed by management during the normal course of business, separate risk assessments are completed by the Internal Control Department with input from management as part of the Internal Control Program. These assessments analyze various types of risks - including fraud risk - across all identified organizational objectives, assigning inherent and residual risk levels. Risk levels are then considered in the development of the annual review plan.

Control Activities

Control activities are reviewed during risk assessments and through control testing per the review plan. Control testing includes but is not limited to activities such as inspection of records and documents, analysis, management and staff interviews, and unannounced and planned observations. No material exceptions were noted in control testing performed in FYE 2023. Policy and procedure documentation and management continues to improve through the ongoing application of Internal Control Program activities. Management continues to participate in any ongoing action plans addressing non-material exceptions and opportunities for increased efficiency.

Information & Communication

CNYRTA has implemented several improvements in information accessibility and communication methods for all employees across all locations in recent years, including expanded email access and the company Intranet. Research into additional enhanced technology solutions in data analytics and information access for employees continues. Information typically flows freely and transparently to external parties, including the public, regulators, and vendors.

Monitoring

There are multiple levels of in-house internal and external monitoring present at the CNYRTA. The CNYRTA Internal Control Program holds management responsible for monitoring internal controls in addition to providing ongoing separate evaluations across all divisions and departments within 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 2022-23 and approximately fifteen (15) prior audits, there have been no audit findings resulting in a modification of an audit opinion.

Multiple Federal and State regulatory agencies have the authority to perform scheduled or unscheduled audits of CNYRTA programs and processes - financial and non-financial. Management continues to welcome and actively participate in all such reviews or audits, addressing any findings or recommendations presented promptly.

Strategic Planning

Strategic planning is a supporting activity to internal control, as it provides the supporting framework on which the system of internal control is then 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. Internal control design is considered as progress occurs within 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.

Certification

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, 2023.

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 reviewed were determined to be present, functioning and operating together indicating an adequate and effective system of internal control.