



STATE OF NEW YORK
EXECUTIVE DEPARTMENT
DIVISION OF THE BUDGET
STATE CAPITOL
ALBANY, NEW YORK 12224
WWW.BUDGET.STATE.NY.US

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BUDGET BULLETIN	B-1172	February 14, 2006
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TO: ALL DEPARTMENT AND AGENCY HEADS

FROM: John F. Cape

SUBJECT: 2005-06 Internal Control Certification and Reporting

Budget Policy and Reporting Manual (BPRM) Item B-350 requires the head of each covered State agency and public authority to certify compliance with the State's Internal Control Act (the Act) by March 31 of each year and submit an annual Internal Control (IC) Summary of the IC activities undertaken during the previous year.

The instructions for completing the IC Summary and a sample of the IC Certification are attached. Agency and authority heads should certify only if their entity's IC program meets the requirements of the Act. Those unable to certify must submit an action plan by March 31, 2006 to achieve compliance/certification as soon as practicable.

Submit your report with the certification or compliance plan by March 31, 2006 to:

Mr. Thomas Lukacs
Division of the Budget
State Capitol
Albany, New York 12224

2005-06 CERTIFICATION AND REPORT PROCESS

1. **Agency Certification** – To certify compliance, sign the attached Internal Control Certification form, complete the attached Internal Control Summary and submit them to the Division of the Budget by March 31, 2006. BPRM Item B-350 provides guidance for satisfying each of the Act's requirements.
2. **Agency Compliance Plan** – Entities unable to certify must submit a compliance plan by March 31, 2006 that includes a timetable for achieving certification.
3. **Internal Control Summary Report** – Entities are required to report on the major IC activities undertaken during the past year.

If, as expected, the State's Internal Control Task Force recommends changes to internal control practices in the coming months, the Budget Division will issue revisions to BPRM Item B-350 and the internal control certification requirements for next year. These revisions, and any related guidance, will be issued to allow sufficient time for agencies to make necessary adjustments to their internal control programs to be able to comply with the new requirements prior to next year's certification and reporting cycle.

Questions regarding the Act or the requirements outlined in BPRM Item B-350 (www.budget.state.ny.us/bprm/b/b350.html) may be directed to Tom Lukacs at (518) 474-2794. For additional guidance on internal controls, you can refer to the Office of the State Comptroller's Standards for Internal Controls in New York State Government (Please also note that an updated version was issued on January 18, 2006) (http://www.osc.state.ny.us/agencies/ictf/docs/intcontrol_stds.pdf).

Attachments

INSTRUCTIONS FOR PREPARING 2005-06 INTERNAL CONTROL SUMMARY

This Internal Control Summary, to be submitted to the Division of the Budget by March 31, 2006, provides background on the internal control certifications made by agencies and authorities for 2005-06.

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AGENCY	DATE	COMPLETED BY
Ogdensburg Bridge & Port Authority	March 30, 2006	Mark T. Mashaw

1. Describe the review process used by the agency during 2005-06 to assure that internal controls were evaluated regularly.

The Authority continually reviews and evaluates internal controls through the following methods:

- **Policies are reviewed at the board level as deemed necessary for items such as policy completeness, regulatory compliance, benefit analysis, and effectiveness. Examples of such policies would be credit card use, procurement policy, investment policy, etc.**
- **Management meets on a weekly basis. As part of this weekly meeting, governance issues, policy review, staff actions and workloads are discussed to ensure that operating functions are being performed as intended, proper authorizations are being made on actions, and staff has enough time allocated to perform their tasks dutifully.**
- **On a continuous basis the Authority's CFO monitors the effectiveness of existing controls and the possibility and consequences of control overrides.**
- **Monthly department staff meetings have been instituted to provide a forum for staff feedback on existing controls and to reinforce the importance of proper internal controls.**
- **As part of the Authority's annual financial statement audit, the Authority's independent auditor evaluates internal controls. Any suggestions or recommendations to improve controls are adequately responded to. These recommendations may be oral or written depending on the severity of the issue.**
- **The Authority's insurance carrier conducts an annual survey of Authority operations. Any recommendations made to improve safety or the safeguarding of assets are adequately responded to.**

2. List all high-risk activities and indicate which were reviewed during 2005-06.

High-risk activities:

- **Cash collection and handling.**
- **Toll Collection System.**
- **Payroll processing.**
- **Budget monitoring.**
- **Cash disbursement procedures.**

All of the above mentioned high-risk activities were reviewed during 2005-2006.

3. Identify the significant deficiencies revealed through the agency's 2005-06 review process. Outline the actions taken, or planned, to eliminate the deficiencies. Highlight the most important internal control improvements made during the fiscal year.

Significant Deficiencies Revealed

A malfunctioning treadle was discovered during the annual independent financial statement audit for the year ending March 31, 2005. The Authority replaced the malfunctioning treadle and now continually monitors all treadle detections for accuracy.

Actual and budgeted results were not being compared on a timely basis. Authority staff worked on creating a budget that matches items reported for general ledger purposes. As a result, actual and budgeted results are now being reported to management and the Board of Directors on a monthly basis. Variances are explained and patterns are monitored on a timely basis.

Important Internal Control Improvements

Cash collections were being recorded in the general ledger through adjusting journal entries. Cash collections are now being recorded through the cash receipts module of the general ledger. Adjusting journal entries are now being used strictly for non-routine postings and recurring non-cash postings (depreciation, prepaid expenses, etc.).

The payroll activity was being reviewed by the Authority's assistant accountant. The payroll activity is now being reviewed and approved by the Chief Financial Officer after review by the assistant accountant.

4. Describe the monitoring system installed by the agency to verify that corrective actions are, in fact, taken. Discuss the extent to which electronic data processing systems are used to track steps taken to reinforce internal controls.

Department heads are responsible for monitoring corrective actions being implemented in their department. Department heads report to the Executive Director that corrections have been made are being followed. Depending on the severity of a situation, the Board of Directors will be informed of any corrective actions.

Recommendations made by outside agencies, such as independent auditors, are responded to in writing by appropriate management personnel.

The Authority's toll collection system and general ledger system are electronic data processing systems which can be used to track corrective actions when applicable.

5. Summarize specific actions the agency has taken to install a compliance testing program in accordance with the methods presented in the *Managers Guide: Testing Compliance with Internal Control Requirements* which can be downloaded from BPRM Item B-350. Describe actions taken during 2005-06 to verify test results and expand the testing program.

The Authority is planning ways to install a specific compliance testing program that will be in accordance with the methods presented in the “Managers Guide”. The compliance testing program in place now is for the most part summarized in the answers to question numbers 1 – 4 above.

6. Discuss the methods used in 2005-06 to provide internal control education and training to keep agency/authority staff aware of the need for internal controls.

Authority Board Members and management attended two seminars in 2005-2006 sponsored by The City University of New York. The training was offered specifically to NYS Public Authorities and dealt with Director Governance training and Director Finance training. Internal control sessions were provided during both of these seminars.

In addition, Authority Board Members and management attended a “Sarbanes-Oxley Act - Corporate Governance Reforms” seminar.

Management attendees were then responsible to distribute information obtained at the seminars and to train staff on pertinent issues.

7. Describe measures instituted to sustain the effectiveness of the internal control program during 2005-06. Include information on reorganizations and other revisions in the program to enhance operations.

Specific measures instituted to sustain the effectiveness of the internal control program are described in the answer to question #3 above. Continual reinforcement of the importance of internal controls and a positive and ethical attitude expressed by management helps convey this importance to staff. Monitoring of staff work-loads also allows staff appropriate time to be mindful of internal controls while completing their duties.

8. For those agencies required by BPRM Item B-350 to have an internal audit (IA) function, demonstrate how that function complies with requirements of the Internal Control Act and professional IA standards. Provide the following:
- The name and title of the IA director.
 - The name and title of the person to whom the IA director reports.
 - A description of the internal audit director's credentials, education and experience that demonstrates how those qualifications meet IA standards.
 - The amount of continuing professional education the director and each staff member has received over the past two years.
 - The date and results of the last quality assurance review and an expected timeframe for the next review.
 - A description of how the IA function ensures that it does not compromise its independence if it is also responsible for other functions (i.e., internal control, information security or other duties).
 - A demonstration of how the IA function conducts its operations in accordance with professional IA standards by responding to the following questions:
 1. Does the IA function develop and follow a risk-based audit plan?
 2. When audits are conducted, are internal controls evaluated, weaknesses identified and recommendations made to correct those weaknesses?
 3. Does the IA function maintain adequate work papers?

4. Does the IA function conduct follow-up audits?

As determined by the Director of the Budget, the Ogdensburg Bridge and Port Authority is not required to maintain an Internal Audit function.

INTERNAL CONTROL CERTIFICATION

Ogdensburg Bridge and Port Authority
Agency/Authority Name

Wade A. Davis, Executive Director / Frederick J. Carter, Sr., Chairperson
Agency Head/Chairperson Governing Board

One Bridge Plaza, Ogdensburg, NY 13669
Agency/Authority Address

(315) 393-4080
Telephone Number

Mark T. Mashaw, CPA
Name of Internal Control Officer

One Bridge Plaza, Ogdensburg, NY 13669
Address

(315) 393-4080
Telephone Number

mmashaw@ogdensport.com
Email Address of Internal Control Officer

I hereby certify that the agency or authority has complied with the following provisions for internal controls.

These provisions are as follows:

- A. Establish and maintain guidelines for a system of internal controls for the agency or authority. Internal control guidelines communicate the management and programmatic objectives of an agency or authority to its employees and provide the methods and procedures used to assess the effectiveness of the agency or authority internal controls in supporting these objectives.
- B. Establish and maintain a system of internal controls and a program of internal control review for the agency or authority. The program of internal control review shall be a structured, continuing and well-documented system designed to identify internal control weaknesses, identify actions that are needed to correct these weaknesses, monitor the implementation of necessary corrective actions and periodically assess the adequacy of the agency's or authority's internal controls.
- C. Make available to each officer and employee of the agency or authority a clear and concise statement of the generally applicable management policies and standards with which the officer or employee of such agency or authority shall be expected to comply. Such statements shall emphasize the importance of effective internal controls to the agency or authority and the responsibility of each officer and employee for effective internal controls.
- D. Designate an internal control officer, who shall report to the head of the agency or authority or their designee within the executive office, to implement and review the internal control responsibilities established pursuant to this Item.
- E. Implement education and training efforts to ensure that officers and employees within such agency or authority have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques.
- F. Periodically evaluate the need for an internal audit function.

Signature/Agency Head or Chairperson Governing Board

Date