NEW YORK STATE OF OPPORTUNITY. | Bridge Authority

ANDREW M. CUOMO
Governor

TARA SULLIVAN
Acting Executive Director

RICHARD A. GERENTINE
Chairman

MEMORANDUM

To: Tara Sullivan

From: Brian Bushek

Date: March 1, 2020

Subject: 2020 Internal Control Systems Auditors' Report

In 2019, the Authority continued with the contracted firm, Tronconi, Segarra & Associates, to assist in compliance with the requirements of Public Authorities Law associated with the Internal Control Act. The Authority is required to have in place a program to assess the effectiveness of internal controls. The Authority utilizes a contracted internal control systems auditor to complete an annual assessment of the effectiveness of the internal control structures and procedures. The assessment must be posted on the Authority's website for a period of two years.

The attached annual risk assessment report prepared by Tronconi, Segarra & Associates is presented to the Audit Committee for information purposes only. No action by the Board is required.

The report covers the four areas that were outlined in the previously provided audit plan. Specifically: Toll Collection & Revenues (TCR); Financial Reporting (FR); Contract Coordination and Supervision (CS); and Administration of IT Security Program (IT).

The Authority continues to demonstrate strong controls and is pleased to note that for these areas the Auditor did not identify any weaknesses.

Please see attached report for the Audit Committee to review and accept.

New York State Bridge Authority

Risk Assessment
Recommendations and Findings
For 2019

New York State Bridge Authority

Risk Assessment,
Recommendations and Findings
For 2019

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TRONCONI SEGARRA & ASSOCIATES LLP
Certified Public Accountants
Business Consultants

Mr. Roger Higgins
Audit Committee Chairman
New York State Bridge Authority
Mid-Hudson Bridge Toll Plaza – State Routes 44/55
P.O. Box 1010
Highland, New York 12528

Dear Mr. Higgins,

We are pleased to report on our annual assessment of the internal controls of the New York State Bridge Authority (the "Authority"). The purpose of our engagement was to assist the Authority in achieving compliance with the applicable provisions of the *Public Authorities Accountability Act of 2005* as amended by the *Public Authorities Reform Act of 2009* (the "Act"). Among other requirements, Public Authorities Law requires all public authorities to complete an annual assessment of the effectiveness of their internal control structure and procedures within ninety (90) days after the end of its fiscal year. Additionally, State authorities with a majority of the members appointed by the Governor must establish and maintain a system of internal control and a program of internal control review.

The importance of an adequate system of internal control is to promote effective and efficient operations so as to help the Authority carry out its mission; to provide reasonable, but not absolute, assurance that assets are safeguarded against inappropriate or unauthorized use; to promote the accuracy and reliability of accounting data and financial reporting to ensure transactions are executed in accordance with management's authorization and recorded properly in accounting records; to encourage adherence to management's policies and procedures for conducting programs and operations; and to ensure compliance with applicable laws and regulations. Furthermore, a successful system of internal control includes performing an annual assessment to identify potential weaknesses in policies and procedures and to implement corrective actions.

This report contains the results of our procedures performed on the following major business functions (cycles):

- Financial Reporting
- Contract Coordination and Supervision
- Administration of IT Security Program
- Toll Collection & Revenues

Internal control testing was performed through tailored procedures designed based on our understanding of the Authority's relevant policies and procedures in effect for the aforementioned cycles between January 1, 2019 and December 31, 2019.

The Authority's risks are the risks that an action or event will adversely affect the Authority's ability to successfully achieve its objectives. The Risk Assessment section of the report analyzes the significant risk findings that were identified during our assessment.

For purposes of complying with the Act, an internal control assessment is an annual evaluation performed by management (or its designee) to determine the effectiveness of the Authority's internal control system. We have evaluated the Authority's current internal controls within the cycles listed above and have provided our risk assessment and a set of recommendations for strengthening controls and reducing identified risks.

As previously discussed, the purpose of our engagement was to assist the Authority in achieving compliance with the Act through the performance of an annual assessment of the effectiveness of its internal control structure and procedures. However, it is ultimately management's responsibility to assess the adequacy of the Authority's internal control structure and the adequacy of its procedures. In performing our assessment, we relied on the accuracy and reliability of information provided by Authority personnel. We have not audited, examined, or reviewed the information, and express no assurance thereon.

The accompanying comments and recommendations are intended solely for the information and use of the Authority, its department heads, and others within the Authority, and should not be used for any other purpose.

We appreciate the opportunity to serve you and thank the employees of the Authority for their cooperation. We have already discussed many of these comments and suggestions with various Authority personnel, and we will be pleased to discuss them in further detail at your convenience. Through our ongoing involvement with you as a client and our knowledge of your processes, we would be pleased to perform any additional studies of these matters, or to assist you in implementing the recommendations.

Troccoli Segona & Associates LLP

November 19, 2019

Risk Assessment

New York State Bridge Authority

Risk Assessment

Overview

The Authority's risks are the risks that an action or event will adversely affect the Authority's ability to successfully achieve its objectives. During our engagement we became aware of various sources of risk that impact the Authority. We evaluated these risks by using two distinct assessments of impact and likelihood. A simple rating scale has been developed for this purpose. The rating scale ranges from minor to significant impact, and low to high likelihood, using a 3-point scale.

Impact refers to the extent of the consequences or implications if the risk does occur. To assess impact, we have determined how much of an impact the risk has if it does occur:

- A minor impact suggests that the risk would not have important implications to the Authority.
- A moderate impact suggests that the risk could have implications affecting the Authority's ability to succeed.
- A significant impact suggests that the risk would have important implications to the Authority.

Likelihood refers to the probability that the risk may occur given the current context of the Authority. To assess likelihood, we have determined how likely it is that the risk will occur in the future, given what is currently done to manage said risk:

- A low likelihood suggests that the risk is unlikely to occur, given its nature and current risk management practices in place.
- A medium likelihood of occurrence suggests that the risk has a moderate probability of occurrence.
- A high likelihood of occurrence suggests that the risk is likely to occur, despite the current risk management practices in place.

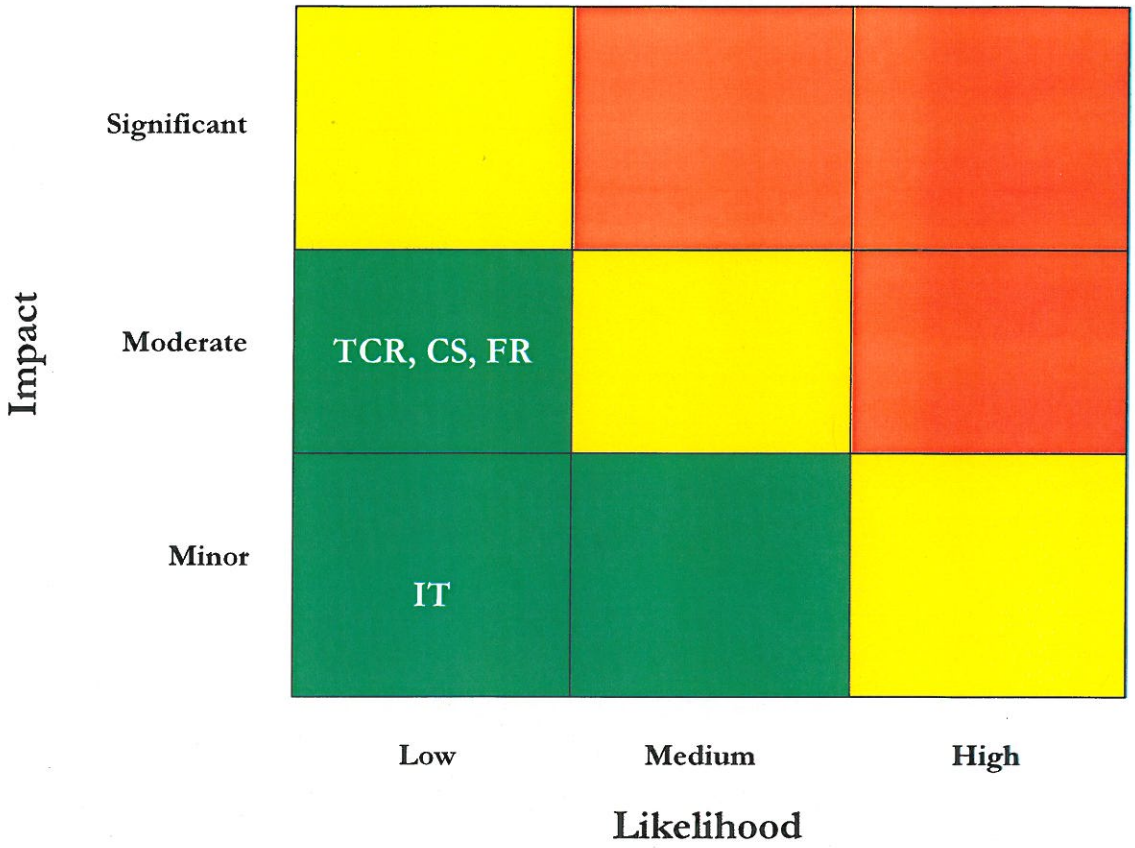
The Risk Management Tolerance Model and the Risk Assessment Matrix that follows summarizes these risks and assesses their impact and likelihood.

Cycles plotted in the red sections of the model are considered to be high risk and, as such, the related deficiencies should be given urgent attention in terms of priority. Cycles plotted in the yellow sections are considered to have moderate risk, are considered to be important, and should be given second priority after the high-risk cycles. Cycles plotted in the green section of the model are considered least risky and remediation efforts to address deficiencies in these cycles would be expected to be addressed during routine operations of the Authority.

We have developed the risk assessment around significant transaction cycles as a means by which the associated risks can be easily understood and managed. The Internal Control Recommendations section of this report presents recommendations with more detail information regarding criticality and implementation timeliness. The cycles or areas that have been evaluated are:

- Financial Reporting (FR)
- Contract Coordination and Supervision (CS)
- Administration of IT Security Program (IT)
- Toll Collection & Revenues (TCR)

Risk Management Tolerance Model



Risk Assessment Matrix

Cycle	Risk Assessment Based on Procedures Performed	Impact	Likelihood
FR	We noted minor overall risk in the Financial Reporting There were no control deficiencies noted at the time o our analysis.	**Moderate**	**Low**
CS	We noted minor overall risk in the Contract Coordination and Supervision. There were no control deficiencies noted at the time of our analysis.	**Moderate**	**Low**
IT	We noted minor overall risk in the Administration of IT Security Program. There were no control deficiencies noted at the time of our analysis.	**Minor**	**Low**
TCR	We noted minor overall risk in the Toll Collection & Revenue cycle. There were no control deficiencies noted at the time of our analysis.	**Moderate**	**Low**

* *The impact and likelihood noted above relates to the overall risk of the cycles and does not correlate to specific findings noted on the following pages.*

Internal Control Recommendations

New York State Bridge Authority

Internal Control Recommendations

Overview

Internal control recommendations represent those areas that afford department heads of the Authority the opportunity to improve financial reporting and internal controls, to better safeguard Authority assets, and/or to more efficiently or accurately record, summarize, and report financial transactions and information. They also represent those areas that may improve efficiency of operations and accounting functions, potentially resulting in cost savings.

We have provided a criticality rating and an implementation timeline for each internal control recommendation and business opportunity. Criticality ratings have been categorized as either routine, important, or urgent, and are intended to assist the Authority in determining priority during remediation. The implementation timelines considered were short-term and long-term, reflecting the effort and time required to implement the applicable recommendation while factoring in the criticality assigned thereto.

As a result of our procedures performed, there were no recommendations:

Timeline – each of the detail findings includes a timeline reference of either "short-term" or "long term." Short-term refers to a finding that we believe can be corrected within one year. Long-term refers to a finding that may require changes to organization, systems, and procedures of organization that may require over one year to effectuate change.

		Criticality			Timeline	
Internal Control Area	Recommendations	Routine	Important	Urgent	Short-Term	Long-Term
Financial Reporting (FR)	-	-	-	-	-	-
Contract Coordination & Supervision (CS)	-	-	-	-	-	-
Administration of IT Security Program (IT)	-	-	-	-	-	-
Toll Collections & Revenues (TCR)	-	-	-	-	-	-
Total Recommendations	-	-	-	-	-	-

Financial Reporting (FR)

We have no findings or recommendations as a result of our work in this area.

Control Coordination and Supervision (CS)

We have no findings or recommendations as a result of our work in this area.

Administration of IT Security Program (IT)

We have no findings or recommendations as a result of our work in this area.

Toll Collection & Revenues (TCR)

We have no findings or recommendations as a result of our work in this area.