

New York State Bridge Authority Audit Committee Meeting Minutes of December 22, 2011

The New York State Bridge Authority's Audit Committee met at the Authority's Headquarters in Highland, New York, at 3:27 p.m. on December 22, 2011.

In addition to Audit Committee members C. Vane Lashua and Roger P. Higgins, those in attendance included:

Roderick O. Dressel
Richard Gerentine
Joseph Ruggiero
Brian Bushek
Carl G. Whitbeck, Jr., Esq.

Upon a motion made by Mr. Higgins and seconded by Mr. Lashua the minutes of the November 17, 2011 meeting was approved unanimously.

Mr. Bushek noted the Audit Committee materially complied with all requirements of the Charter. The Audit Committee members reviewed the Annual Report on Committee activities. Upon a motion made by Mr. Higgins, seconded by Mr. Lashua the the Annual Report of the Audit Committee was approved unanimously.

ANNUAL REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF THE NEW YORK STATE BRIDGE AUTHORITY

Overview

Below is an outline of the Audit Committee charter requirements and the activities performed to meet those requirements. This summary will serve as the Audit Committees review of its own activity for the year 2011.

Meetings

The current Audit Committee conducted meetings on March 17, 2011, September 29, 2011, October 21, 2011, November 17, 2011, and December 22, 2011. While second quarter the committee did not meet as in prior years the Internal Auditor and Independent Auditor would make reports in Q2, the same reports were presented to the committee during the Q1 meeting to allow for review prior to annual reporting. In prior years reporting was done before committee review. The Internal auditor reports and audit activities also performed in prior years during Q2 were performed during Q3 & Q4 and resulted in five meetings in 2011. This exceeds the total number that would have been required under the charter to have at least one meeting each quarter or four during 2011.

In 2012, the Audit Committee will meet in Q2 to review the internal control certification that was reviewed by the full Board in Q2 as had been done prior to the creation of the Audit Committee.

Responsibilities

1. Review and evaluate the independence, qualifications, and performance of the outside auditors and accountants, including (a) discussing with the outside auditors and accountants any disclosed relationships or services that may impact their objectivity and independence, (b) reviewing, at least annually, the outside audit and accounting quality control procedures; and (c) recommending retention of accountants and outside auditors.

During the March 17, 2011 meeting, the committee satisfied the annual requirements of reviewing the outside Auditor's report on the 2010 financial statements with Joseph Klimek of Toski, Schaefer & Co.

2. Review and recommend to the Board the results of such evaluation of accountants and outside auditors and take any action the Committee deems appropriate based on the evaluation.

Audit findings were reviewed during the March 17, 2011 meeting with actions taken for each audit recommendation. At its September 29, 2011 meeting the Audit Committee recommended retaining the independent accountants for the production of the Authority's year end 2011 financial statements. At its October 21, 2011 meeting the Committee recommended retaining the independent accountants Tronconi, Segarra, & Associates as the contract internal auditors.

3. Review and act upon the scope of accountants' and outside auditors' reports.

The full Board reviewed the audit which produced no audit findings to be acted upon. Included in this package is the quality control system review report for Toski, Schaefer & Co., PC.

Oversight of the Authority's Internal Audit Function:

4. Oversee the Authority's internal controls and compliance systems.

During the March 17, 2011 meeting committee satisfied the annual requirements by approving the Agreed-Upon-Procedures report from Toski, Schaefer & Co.

5. Review the adequacy and direction of the Authority's internal audit function, including whether there are the necessary segregation of duties and clear chain of command procedures in place to maintain proper checks and balances.

The committee contracted with Tronconi, Segarra & Associates to be the Internal Auditor for 2011 during the October 21, 2011 meeting. The internal auditor is the mechanism by which the committee evaluates internal controls within the authority and acts upon the internal auditors findings. Segregation of duties requirements are satisfied through contracting the internal audit function as opposed to utilizing a staff position that contained operational job responsibilities.

6. Approve the Authority's annual internal audit work plan and direct the activities of the internal control officer and internal auditor.

The committee approved the Internal Audit Plan during the November 17, 2011 meeting. The audit plan was developed based upon a risk assessment prepared by the internal auditor in conjunction with the internal control officer.

The committee will review the final audit report for 2011 from the contracted internal auditor (Troconi, Segarra & Associates) after the 2011 Audit Plan test work is performed.

7. Review the adequacy and direction of the internal controls of the Authority in consultation with the outside auditors and the internal auditor.

The committee reviewed the adequacy and direction of the Authority's internal controls with the internal auditor during its review of the Audit Plan at the November 17, 2011 meeting. In addition, this review was performed by the committee during the review of the 2010 Annual Report and Agreed Upon Procedures during the committee meeting March 17, 2011.

8. Obtain and review management reports on internal controls.

The committee reviewed and accepted the 2010 Agreed Upon Procedures report and the Annual Report during its March 17, 2011 meeting.

Financial Statements and Disclosure Matters:

9. In conjunction with the Finance Committee, discuss with the Authority Board and appropriate Executives and Senior Staff of the Authority any significant financial reporting, accounting, and audit issues and judgments pertinent to the preparation and approval of the Authority's Financial Statements.

No issue of significant financial reporting, accounting, and audit issues and judgments pertinent to the preparation and approval of the Authority's Financial Statements arose during 2011.

10. In conjunction with the Finance Committee, consider major changes and other major questions of choice respecting the appropriate auditing and accounting principles and practices to be used in preparing the Financial Statements.

No significant issues related to major changes and other major questions of choice respecting the appropriate auditing and accounting principles and practices pertinent to the preparation and approval of the Authority's Financial Statements have been identified for 2011.

Compliance Oversight Responsibilities:

11. Resolve disagreements with respect to, and oversee compliance with, accounting policies and principles.

No disagreements with respect to accounting policies and principles have been identified in 2011.

12. Serve as a channel of communication among the internal auditor, accountants, outside auditors, the Finance Committee and the members of the Authority Board.

The audit committee serves as the channel of communications for relevant parties where appropriate.

13. Report regularly to the Authority Board on the Committee's deliberations and recommend to the Board any action the Committee deems appropriate with respect to any issues that arise concerning compliance with legal or regulatory requirements, performance and independence of the outside auditors, or performance of the internal auditors and, in conjunction with the Finance Committee report on the quality or integrity of the Financial Statements.

No issues arose of this nature during 2011 that required deliberations.

14. Review all reports and draft reports delivered by the Office of the State Comptroller to the Authority, and recommend to the Authority Board any action the Committee deems appropriate based on the scope of such reports.

No reports or draft reports by the Office of the State Comptroller were received in 2011.

15. Establish procedures for the receipt, retention, investigation, and/or referral to the New York State Inspector General of complaints received by the Authority regarding accounting, internal controls, and auditing.

See attached procedure on Internal Control Violation Complaints approved by the Committee during the December 2010 meeting.

16. Review all reports and draft reports delivered by the State Inspector General to the Authority, and serve as a point of contact with such Inspector General.

No reports or draft reports by the State Inspector General were received during 2011.

17. Investigate compliance with the Authority's policies and/or referring instances of non-compliance to the State Inspector General for investigation.

A reports of non-compliance was made during 2011 that was immediately referred to the State Inspector General's office, the final outcome is pending.

Other Responsibilities:

18. Review and reassess annually the adequacy of this charter and request Board approval for proposed changes.

The Audit Committee adopted its current amended charter in June 2010 making changes it deemed appropriate. The Committee has not required any changes to the charter since adoption.

19. Confirm annually that all responsibilities outlined in this charter have been carried out.

This outline will serve as the confirmation that responsibilities outlined in the charter have been carried out for 2011.

20. Institute and oversee special investigations as needed.

No special investigations were required or in progress for 2011.

21. Perform such other duties as the Committee considers appropriate.

No other duties had been identified for 2011.

22. Where necessary, consult with the Finance Committee.

The March 17, 2011 committee meeting was a joint meeting with the Finance Committee to review the 2010 Annual Report and Agreed Upon Procedures report. The September 29, 2011 meeting was a joint meeting with the Finance Committee to review the Budget and Financial Plan for 2012-2015.

Internal Control Violation Complaints

Purpose:

To identify the process for the receipt, retention, investigation, and/or referral to the New York State Inspector General of complaints received by the Authority regarding accounting, internal controls, and auditing.

Process Owner:

Internal Control Officer

Process:

As identified in the annual memorandum to staff by the Executive Director on internal controls, the Internal Control Officer is responsible for Coordinating the Bridge Authority's efforts in this area. The Internal Control Officer upon receiving a report from any employee will oversee the following actions.

1. Document the instance of the complaint regarding internal controls with all available information that will allow the Audit Committee to determine the appropriate steps to be taken.
2. If the complaint involves the Executive Director, the documentation of the complaint will be initially given to the Audit Committee. When the complaint does not involve the Executive Director, the documentation of the complaint will be initially given to the Executive Director for review prior to providing to the Audit Committee.
3. Upon Receipt by the Audit Committee, the Committee will review all documentation of the complaint, recording it in the meeting minutes.
4. The Committee will determine whether to initiate a review with outside counsel, monitor that review as needed, and subsequently determine whether to refer to the State Inspector General for investigation.
5. The Audit Committee will monitor the progress of all complaints referred to the Inspector General.

Having no other business, the meeting adjourned at 3:28 pm.