



**Chautauqua, Cattaraugus, Allegany & Steuben Counties**  
**Southern Tier Extension Railroad Authority**

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"This institution is an equal opportunity organization"

**William Daly, Chairman**  
**Richard Zink, Chief Executive Officer**

**STERA Governance Committee Report to the STERA Board**  
 on  
**Organizational Compliance for the year ending December 31, 2013**

**Review Date: May 5, 2014**

STERA compliance may be divided into two categories of compliance: (a) compliance with required submissions to NYS ABO and (b) compliance with several types of operating compliance responsibilities. The latter category, operating compliance, may further be subdivided into five sub-categories of compliance: (a) organizational operating responsibilities, (b) individual Board member responsibilities, (c) Audit Committee responsibilities, (d) Governance Committee responsibilities, and (e) Executive Committee responsibilities.

**A. NYS ABO Filings for 2014**

<u>Requirement</u>	<u>NYS ABO Submission Deadline</u>	<u>Compliance Status</u>
• Operating and Capital Budget for 2014	October 31, 2013	Submitted
• Four-Year Financial Plan for 2014 to 2017	October 31, 2013	Submitted
• Annual Report, FYE 12/31/13	March 31, 2014	May 5, 2014
• Assessment of the Effectiveness of Internal Controls	March 31, 2014	May 5, 2014
• Audit and Management Letter, FYE 12/31/13	March 31, 2014	May 5, 2014
• Board Member Attendance Evaluation Report	March 31, 2014	May 5, 2014
• Board Self-Evaluation Report, FYE 12/31/13	March 31, 2014	May 5, 2014
• Investment Report, FYE 12/31/13	March 31, 2014	May 5, 2014
• Procurement Report, FYE 12/31/13	March 31, 2014	May 5, 2014
• Mission Statement and Measurements	March 31, 2014	May 5, 2014
• Performance Report per Measurement Standards	March 31, 2014	May 5, 2014
• Procurement Report, FYE 12/31/13	March 31, 2014	May 5, 2014
• Property Disposition Report, FYE 12/31/13	March 31, 2014	May 5, 2014
• Property Listing Report, FYE 12/31/13	March 31, 2014	May 5, 2014

All of the NYS ABO filings due to be submitted on March 31, 2014 will be submitted to NYS ABO by May 5. The lateness of the report submission is due to an inability to obtain a quorum to approve the reports

prior to the March 31, 2014 submission deadline. STERA also must transmit the Annual Report to additional parties.

**B. Operating Compliance**

<u>Requirement</u>	<u>Compliance Deadline</u>	<u>Projected Compliance Date</u>
<b>1. <u>Organizational / Board responsibilities</u></b>		
○ Internal control functions	Ongoing	Ongoing
▪ Review of financial statements and bank accounts (fiduciary oversight)	Ongoing	Ongoing
▪ Risk identification/assessment/minimization & avoidance	Ongoing	Ongoing
▪ Review & monitor the implementation of financial and management controls	Ongoing	Ongoing
▪ Assessment of the Effectiveness of Internal Controls	March 31, 2014 Submission to NYS ABO	May 5, 2014
▪ Management oversight	Ongoing	Ongoing
▪ Audit	March 31, 2014 Submission to NYS ABO	May 5, 2014
○ Management oversight	Ongoing	Ongoing
▪ Management (Corporate officers) performance standards	March 31, 2014	May 5, 2014
▪ Management (Corporate officers) evaluation process	March 31, 2014	May 5, 2014
▪ Review of compliance with staff training requirements	March 31, 2014	In compliance
○ Creation of required policies	Ongoing	Ongoing
▪ Personnel Policy	Ongoing	Ongoing
○ Review/revise existing policies	March 31, 2014	May 5, 2014
▪ Bylaws		
▪ Audit Committee Charter		
▪ Governance Committee Charter		
▪ Code of Ethics		
▪ Compensation, Reimbursement and Attendance Policy		
▪ Competencies and Personal Attributes Required of Board Members		
▪ Defense and Indemnification Policy		

<u>Requirement</u>	<u>Compliance Deadline</u>	<u>Projected Compliance Date</u>
<ul style="list-style-type: none"> <li>▪ Equal Opportunity and Affirmative Action Policy</li> <li>▪ Internal Control Procedure</li> <li>▪ Investment Policy</li> <li>▪ Lobbying Policy</li> <li>▪ Management Performance Evaluation Standards</li> <li>▪ Measurement Standards for Performance Evaluation</li> <li>▪ Mission Statement</li> <li>▪ New Member Orientation Process</li> <li>▪ New Member Orientation Process Reference Document</li> <li>▪ Procurement Guidelines</li> <li>▪ Property Disposition Guidelines</li> <li>▪ Public Access to Records Policy</li> <li>▪ Public Access to Records – Subject Matter List</li> <li>▪ Records Management Program</li> <li>▪ Travel and Use of Discretionary Funds Policy</li> <li>▪ Uniform Tax Exemption Policy</li> <li>▪ Whistleblower Policy</li> </ul>		
○ Web site operation	Ongoing	Ongoing
○ Open Meetings Law compliance	Ongoing	Ongoing
○ New member orientation process	Ongoing	Ongoing
<b>2. <u>Individual Board member responsibilities</u></b>		
○ Duty of care and loyalty	Ongoing	Ongoing
○ Fiduciary duty	Ongoing	Ongoing
○ Perform duties in good faith with due diligence and care	Ongoing	Ongoing
○ Apply judgment in the best interest of the authority, its mission, and the public	Ongoing	Ongoing
○ Training	Not all Board members have received required training from State-approved trainer; should be complied with as soon as is possible	

<u>Requirement</u>	<u>Projected Compliance Deadline</u>	<u>Compliance Date</u>
○ Ethics Form		Currently in compliance; Board members must execute and submit form, which is submitted to the Cattaraugus County Attorney each spring
○ Acknowledgement of Fiduciary Duties and Responsibilities form		Currently in compliance; each Board member must execute form and submit the executed form to STERA for permanent retention
<b>3. <u>Audit Committee responsibilities</u></b>		
○ Meeting – required number per year, Open Meetings compliance	Ongoing	In compliance
○ Meet with the Authority’s independent auditor at least once annually	Ongoing	In compliance
○ Assist the Board by assuring that the STERA Board fulfills its responsibilities for STERA’s internal and external audit process, the financial reporting process and the system of risk assessment and internal controls over financial reporting	Ongoing	Ongoing
▪ Oversight of procurement of independent audit services	Ongoing	Ongoing
▪ Recommending that STERA hire a specific certified independent auditing firm	Ongoing	Ongoing
▪ Establishing the compensation to be paid to the auditing firm	Ongoing	Ongoing
▪ Direct oversight of the performance of the independent audit	Annual	May 5, 2014
▪ Pre-approving all audit services provided by the independent auditor	Ongoing	Ongoing
▪ Providing an avenue of communication between management, the independent auditors, the internal auditors, and the STERA Board	Ongoing	Ongoing
▪ Establish procedures for the engagement of the independent auditor to provide permitted audit services	Ongoing	Ongoing
▪ Review any proposals from the independent auditor to provide non-audit services	Ongoing	Ongoing

<u>Requirement</u>	<u>Compliance Deadline</u>	<u>Projected Compliance Date</u>
<ul style="list-style-type: none"> <li>▪ Reviewing &amp; approving the audited financial statements, associated management letter, report on internal controls and all other auditor communications</li> </ul>	Annual	March 20, 2014
<ul style="list-style-type: none"> <li>▪ Reviewing significant accounting and reporting issues</li> </ul>	Ongoing	March 20, 2014
<ul style="list-style-type: none"> <li>▪ Meet with the independent audit firm on a regular basis to discuss any significant issues</li> </ul>	Ongoing	March 20, 2014
<ul style="list-style-type: none"> <li>▪ Review any significant risks reported in the independent audit findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities</li> </ul>	Annual	March 20, 2014
<ul style="list-style-type: none"> <li>▪ Provide certain specific services to the Board with respect to internal audit activities</li> </ul>	As needed	In compliance
<ul style="list-style-type: none"> <li>○ Ensure that the Authority has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by the Board, officers, or employees of the Authority or any persons having business dealings with STERA or breaches of internal control.</li> </ul>	Ongoing	In compliance
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>▪ Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body</li> </ul> </li> </ul>	Ongoing	In compliance
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>▪ Request and oversee special investigations as needed and/or refer specific issues to the appropriate body for further investigation</li> </ul> </li> </ul>	Ongoing	Ongoing
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>▪ Review all reports delivered to it by the Inspector General and serve as a point of contact with the Inspector General</li> </ul> </li> </ul>	Ongoing	In compliance

<u>Requirement</u>	<u>Compliance Deadline</u>	<u>Projected Compliance Date</u>
○ Obtain any information and training needed to enhance the Committee members' understanding of the role of internal audits and the independent auditor, the risk management process, internal controls and a certain level of familiarity in financial reporting standards and processes	Ongoing	In compliance
○ Assessment of the Effectiveness of Internal Controls	March 31, 2014	May 5, 2014
○ Review of charter and recommendation of revisions to Board	March 31, 2014	May 5, 2014
○ Audit Committee self-evaluation process	March 31, 2014	May 5, 2014
<b>4. <u>Governance Committee responsibilities</u></b>		
○ Meeting – required number per year, Open Meetings compliance	Ongoing	In compliance
○ Reports to Board		
▪ Review of Committee charter and recommendation of revisions to Board	March 31, 2014	May 5, 2014
▪ Governance Committee self-evaluation process	March 31, 2014	May 5, 2014
▪ Governance guidelines	March 31, 2014	May 5, 2014
○ General compliance with Committee Charter, STERA Bylaws, NYS ABO, PAAA, PARA, and other State requirements	Ongoing	May 5, 2014
○ Committee responsibilities with respect to authority operations		
▪ Reviewed of general compliance with Committee Charter, STERA Bylaws, STERA policies, NYS ABO, PAAA, PARA, and other State requirements and provision of Compliance report to the Board	March 31, 2014	May 5, 2014
▪ Oversight of New Member Orientation Process, including reference materials	March 31, 2014	May 5, 2014

<u>Requirement</u>	<u>Projected Compliance Deadline</u>	<u>Compliance Date</u>
<ul style="list-style-type: none"> <li>▪ Review STERA governance practices with respect to transparency, independence, accountability, fiduciary responsibilities, and management oversight</li> </ul>	March 31, 2014	May 5, 2014
<ul style="list-style-type: none"> <li>▪ Review the competencies and personal attributes required of Board members so as to assist appointing entities in identifying qualified individuals</li> </ul>	March 31, 2014	May 5, 2014
<ul style="list-style-type: none"> <li>▪ Review the number and structure of STERA committees, with recommendations to the Board</li> </ul>	March 31, 2014	May 5, 2014
<ul style="list-style-type: none"> <li>▪ Review compliance with Board member training requirements (with training to be obtained from State-approved trainers)</li> </ul>	March 31, 2014	May 5, 2014
<ul style="list-style-type: none"> <li>▪ Review of senior management performance expectations</li> </ul>	March 31, 2014	May 5, 2014
<ul style="list-style-type: none"> <li>▪ Evaluation of senior management performance</li> </ul>	March 31, 2014	May 5, 2014
<ul style="list-style-type: none"> <li>▪ Review Organizational performance with respect to measurement standards</li> </ul>	March 31, 2014	May 5, 2014
<ul style="list-style-type: none"> <li>▪ Review Board performance</li> </ul>	March 31, 2014	May 5, 2014
<ul style="list-style-type: none"> <li>▪ Review Board self evaluation</li> </ul>	March 31, 2014	May 5, 2014
<ul style="list-style-type: none"> <li>▪ Oversight of compliance with staff training requirements</li> </ul>	March 31, 2014	May 5, 2014
<ul style="list-style-type: none"> <li>▪ Review compensation and benefits for senior management</li> </ul>	March 31, 2014	May 5, 2014
<ul style="list-style-type: none"> <li>○ Review of current policies and recommendation of revisions to Board <ul style="list-style-type: none"> <li>▪ Bylaws</li> <li>▪ Governance Committee Charter</li> <li>▪ Code of Ethics (Standards of Conduct Policy)</li> <li>▪ Compensation, Reimbursement and Attendance Policy</li> <li>▪ Competencies and Personal Attributes Required of Board Members</li> <li>▪ Defense and Indemnification Policy</li> <li>▪ Investment Policy</li> <li>▪ Lobbying Policy</li> <li>▪ Management Performance Evaluation Standards</li> </ul> </li> </ul>	March 31, 2014	May 5, 2014

<b>Compliance Requirement</b>	<b>Deadline</b>	<b>Projected Compliance Date</b>
<ul style="list-style-type: none"> <li>▪ Measurement Standards for Performance Evaluation</li> <li>▪ Mission Statement</li> <li>▪ New Member Orientation Process</li> <li>▪ New Member Orientation Process Reference Document</li> <li>▪ Procurement Guidelines (Contract and Procurement Policy)</li> <li>▪ Property Disposition Guidelines</li> <li>▪ Public Access to Records Policy</li> <li>▪ Public Access to Records – Subject Matter List</li> <li>▪ Records Management Program</li> <li>▪ Travel and Use of Discretionary Funds Policy</li> <li>▪ Uniform Tax Exemption Policy</li> <li>▪ Whistleblower Policy</li> </ul>		
○ Review and proposed policies and recommendation of action to Board	March 31, 2014	May 5, 2014
○ Review of reports and recommendation of revisions to Board		
<ul style="list-style-type: none"> <li>▪ Operating and Capital Budget</li> <li>▪ Four-Year Financial Plan</li> <li>▪ Audit &amp; Management Letter, FYE 12/31/13</li> <li>▪ Investment Report, FYE 12/31/13</li> <li>▪ Property Listing Report, FYE 12/31/13</li> <li>▪ Property Disposition Report, FYE 12/31/13</li> <li>▪ Procurement Report, FYE 12/31/13</li> <li>▪ Mission Statement and Measurements</li> <li>▪ Performance Report per Measurement Standards</li> <li>▪ Board Self-Evaluation Report, FYE 12/31/13</li> <li>▪ Assessment of the Effectiveness of Internal Controls</li> <li>▪ Board Member Attendance Evaluation Report</li> <li>▪ Annual Report, FYE 12/31/13</li> </ul>	<ul style="list-style-type: none"> <li>October 31, 2012</li> <li>October 31, 2012</li> <li>March 31, 2014</li> <li>March 31, 2014</li> <li>March 31, 2014</li> <li>March 31, 2014</li> <li>March 31, 2014</li> <li>March 31, 2014</li> <li>March 31, 2014</li> <li>March 31, 2014</li> <li>March 31, 2014</li> <li>March 31, 2014</li> <li>March 31, 2014</li> <li>March 31, 2014</li> <li>March 31, 2014</li> <li>March 31, 2014</li> <li>March 31, 2014</li> <li>March 31, 2014</li> </ul>	<ul style="list-style-type: none"> <li>Submitted</li> <li>Submitted</li> <li>May 5, 2014</li> <li>May 5, 2014</li> <li>May 5, 2014</li> <li>May 5, 2014</li> <li>May 5, 2014</li> <li>May 5, 2014</li> <li>May 5, 2014</li> <li>May 5, 2014</li> <li>May 5, 2014</li> <li>May 5, 2014</li> <li>May 5, 2014</li> <li>May 5, 2014</li> <li>May 5, 2014</li> <li>May 5, 2014</li> <li>May 5, 2014</li> <li>May 5, 2014</li> </ul>
○ Review of NYS ABO Policy Guidances	Ongoing	Ongoing



**5. Executive Committee responsibilities**

<b><u>Requirement</u></b>	<b><u>Projected Compliance Deadline</u></b>	<b><u>Compliance Date</u></b>
○ Executive Committee self-evaluation process	March 31, 2014	May 5, 2014