



Chautauqua, Cattaraugus, Allegany & Steuben Counties
Southern Tier Extension Railroad Authority
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"This institution is an equal opportunity organization"

Terry Everetts, Chairman
 Richard Zink, Chief Executive Officer

STERA Governance Committee Report to the STERA Board
 on
Organizational Compliance for the year ending December 31, 2018

Submission and Review Date: March 25, 2019

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 2018

<u>Requirement</u>	<u>NYS ABO Submission Deadline</u>	<u>Compliance Status</u>
• Operating and Capital Budget for 2019	October 31, 2018	Submitted
• Four-Year Financial Plan for 2019 to 2022	October 31, 2018	Submitted
• Annual Report, FYE 12/31/18	March 31, 2019	March 31, 2019
• Authority Performance Report per Measurement Standards	March 31, 2019	March 31, 2019
• Audit and Management Letter, FYE 12/31/18	March 31, 2019	March 31, 2019
• Board Member Attendance Report	March 31, 2019	March 31, 2019
• Board Self-Evaluation Report, FYE 12/31/18	March 31, 2019	March 31, 2019
• Effectiveness of Internal Controls	March 31, 2019	March 31, 2019
• Investment Report, FYE 12/31/18	March 31, 2019	March 31, 2019
• Procurement Report, FYE 12/31/18	March 31, 2019	March 31, 2019
• Mission Statement and Measurements	March 31, 2019	March 31, 2019
• Procurement Report, FYE 12/31/8	March 31, 2019	March 31, 2019
• Property Disposition Report, FYE 12/31/18	March 31, 2019	March 31, 2019
• Property Listing Report, FYE 12/31/18	March 31, 2019	March 31, 2019

All of the NYS ABO filings due to be submitted on March 31, 2019 will be reviewed and approved by the STERA Board on March 25, 2019 and submitted to NYS ABO by March 31, 2019. 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>
1. <u>Organizational / Board responsibilities</u>		
○ 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
▪ Effectiveness of Internal Controls	March 31, 2019 Submission to NYS ABO	March 31, 2019
▪ Management oversight	Ongoing	Ongoing
▪ Audit	March 31, 2019 Submission to NYS ABO	March 31, 2019
○ Management oversight	Ongoing	Ongoing
▪ Management (Corporate officers) performance standards	March 31, 2019	March 31, 2019
▪ Management (Corporate officers) evaluation process	March 31, 2019	March 31, 2019
▪ Review of compliance with staff training requirements	March 31, 2019	In compliance
○ Creation of required policies	Ongoing	Ongoing
▪ Personnel Policy	Ongoing	Ongoing
○ Review/revise existing policies	March 31, 2019	March 31, 2019
▪ 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"> ▪ Equal Opportunity and Affirmative Action Policy ▪ Internal Control Procedure ▪ Investment Policy ▪ Lobbying Policy ▪ Management Performance Evaluation Standards ▪ Measurement Standards for Performance Evaluation ▪ Mission Statement ▪ New Member Orientation Process ▪ New Member Orientation Process Reference Document ▪ Procurement Guidelines ▪ Property Disposition Guidelines ▪ Public Access to Records Policy ▪ Public Access to Records – Subject Matter List ▪ Records Management Program ▪ Travel and Use of Discretionary Funds Policy ▪ Uniform Tax Exemption Policy ▪ Whistleblower Policy 		
○ Web site operation	Ongoing	Ongoing
○ Open Meetings Law compliance	Ongoing	Ongoing
○ New member orientation process	Ongoing	Ongoing
2. <u>Individual Board member responsibilities</u>		
○ 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	Currently in compliance; all current Board members have received the required training	

<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
3. <u>Audit Committee responsibilities</u>		
○ Meetings – 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	Ongoing
▪ 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"> ▪ Reviewing & approving the audited financial statements, associated management letter, report on internal controls and all other auditor communications 	Annual	March 31, 2019
<ul style="list-style-type: none"> ▪ Reviewing significant accounting and reporting issues 	Ongoing	March 31, 2019
<ul style="list-style-type: none"> ▪ Meet with the independent audit firm on a regular basis to discuss any significant issues 	Ongoing	March 31, 2019
<ul style="list-style-type: none"> ▪ Review any significant risks reported in the independent audit findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities 	Annual	March 31, 2019
<ul style="list-style-type: none"> ▪ Provide certain specific services to the Board with respect to internal audit activities 	As needed	In compliance
<ul style="list-style-type: none"> ○ 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. 	Ongoing	In compliance
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ▪ Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body 	Ongoing	In compliance
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ▪ Request and oversee special investigations as needed and/or refer specific issues to the appropriate body for further investigation 	Ongoing	Ongoing
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ▪ Review all reports delivered to it by the Inspector General and serve as a point of contact with the Inspector General 	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
○ Effectiveness of Internal Controls	March 31, 2019	March 31, 2019
○ Review of charter and recommendation of revisions to Board	March 31, 2019	March 31, 2019
○ Audit Committee self-evaluation process	March 31, 2019	March 31, 2019
4. <u>Governance Committee responsibilities</u>		
○ Meetings – 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, 2019	March 31, 2019
▪ Governance Committee self-evaluation process	March 31, 2019	March 31, 2019
▪ Governance guidelines	March 31, 2019	March 31, 2019
○ General compliance with Committee Charter, STERA Bylaws, NYS ABO, PAAA, PARA, and other State requirements	Ongoing	March 31, 2019
○ 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, 2019	March 31, 2019
▪ Oversight of New Member Orientation Process, including reference materials	March 31, 2019	March 31, 2019

<u>Requirement</u>	<u>Projected Compliance Deadline</u>	<u>Compliance Date</u>
<ul style="list-style-type: none"> ▪ Review STERA governance practices with respect to transparency, independence, accountability, fiduciary responsibilities, and management oversight 	March 31, 2019	March 31, 2019
<ul style="list-style-type: none"> ▪ Review the competencies and personal attributes required of Board members so as to assist appointing entities in identifying qualified individuals 	March 31, 2019	March 31, 2019
<ul style="list-style-type: none"> ▪ Review the number and structure of STERA committees, with recommendations to the Board 	March 31, 2019	March 31, 2019
<ul style="list-style-type: none"> ▪ Review compliance with Board member training requirements (with training to be obtained from State-approved trainers) 	March 31, 2019	March 31, 2019
<ul style="list-style-type: none"> ▪ Review of senior management performance expectations 	March 31, 2019	March 31, 2019
<ul style="list-style-type: none"> ▪ Evaluation of senior management performance 	March 31, 2019	March 31, 2019
<ul style="list-style-type: none"> ▪ Review Organizational performance with respect to measurement standards 	March 31, 2019	March 31, 2019
<ul style="list-style-type: none"> ▪ Review Board performance 	March 31, 2019	March 31, 2019
<ul style="list-style-type: none"> ▪ Review Board self-evaluation 	March 31, 2019	March 31, 2019
<ul style="list-style-type: none"> ▪ Oversight of compliance with staff training requirements 	March 31, 2019	March 31, 2019
<ul style="list-style-type: none"> ▪ Review compensation and benefits for senior management 	March 31, 2019	March 31, 2019
<ul style="list-style-type: none"> ○ Review of current policies and recommendation of revisions to Board <ul style="list-style-type: none"> ▪ Bylaws ▪ Governance Committee Charter ▪ Code of Ethics (Standards of Conduct Policy) ▪ Compensation, Reimbursement and Attendance Policy ▪ Competencies and Personal Attributes Required of Board Members ▪ Defense and Indemnification Policy ▪ Investment Policy ▪ Lobbying Policy ▪ Management Performance Evaluation Standards 	March 31, 2019	March 31, 2019

Compliance Requirement	Deadline	Projected Compliance Date
<ul style="list-style-type: none"> ▪ Measurement Standards for Performance Evaluation ▪ Mission Statement ▪ New Member Orientation Process ▪ New Member Orientation Process Reference Document ▪ Procurement Guidelines (Contract and Procurement Policy) ▪ Property Disposition Guidelines ▪ Public Access to Records Policy ▪ Public Access to Records – Subject Matter List ▪ Records Management Program ▪ Travel and Use of Discretionary Funds Policy ▪ Uniform Tax Exemption Policy ▪ Whistleblower Policy 		
○ Review and proposed policies and recommendation of action to Board	March 31, 2019	March 31, 2019
○ Review of reports and recommendation of revisions to Board		
<ul style="list-style-type: none"> ▪ Operating and Capital Budget ▪ Four-Year Financial Plan ▪ Annual Report, FYE 12/31/18 ▪ Authority Performance Report per Measurement Standards ▪ Audit & Management Letter, FYE 12/31/18 ▪ Board Member Attendance Report ▪ Board Self-Evaluation Report, FYE 12/31/18 ▪ Effectiveness of Internal Controls ▪ Investment Report, FYE 12/31/18 ▪ Mission Statement and Measurements ▪ Procurement Report, FYE 12/31/18 ▪ Property Listing Report, FYE 12/31/18 ▪ Property Disposition Report, FYE 12/31/18 	<ul style="list-style-type: none"> October 31, 2018 October 31, 2018 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 	<ul style="list-style-type: none"> Submitted Submitted March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019 March 31, 2019
○ Review of NYS ABO Policy Guidances	Ongoing	Ongoing

5. Executive Committee responsibilities

<u>Requirement</u>	<u>Projected Compliance Deadline</u>	<u>Compliance Date</u>
○ Executive Committee self-evaluation process	March 31, 2019	March 31, 2019