



**Chautauqua, Cattaraugus, Allegany & Steuben Counties**

**Southern Tier Extension Railroad Authority**

Center for Regional Excellence, 4039 Route 219, Suite 200, Salamanca, New York 14779  
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**“This institution is an equal opportunity organization”  
 John Margeson, Chairman**

**STERA Governance Committee Report to the STERA Board  
 On  
 Organizational Compliance for the year ending December 31, 2010**

**Submitted March 8, 2011**

<u>Requirement</u>	<u>Deadline</u>	<u>Status</u>
<b>NYS ABO Filings for 2011</b>		
• Operating and Capital Budget	October 31, 2010	Submitted
• Four-Year Financial Plan	March 31, 2011	In process
<b>NYS ABO Filings for Year Ending December 31, 2010</b>		
• Audit and Management Letter, FYE 12/31/10	March 31, 2011	In process
• Investment Report, FYE 12/31/10	March 31, 2011	In process
• Property Listing Report, FYE 12/31/10	March 31, 2011	In process
• Property Disposition Report, FYE 12/31/10	March 31, 2011	In process
• Procurement Report, FYE 12/31/10	March 31, 2011	In process
• Mission Statement and Measurements	March 31, 2011	In process
• Performance Report per Measurement Standards	March 31, 2011	In process
• Board Self-Evaluation Report, FYE 12/31/10	March 31, 2011	In process
• Assessment of the Effectiveness of Internal Controls	March 31, 2011	In process
• Board Member Attendance Evaluation Report	March 31, 2011	In process
• Annual Report, FYE 12/31/10	March 31, 2011	In process
<b>Operating Compliance</b>		
• <b>Organizational / Board responsibilities</b>		
○ Internal control functions	Ongoing	
▪ Review of financial statements (fiduciary oversight)	Ongoing	
▪ Risk identification/assessment/minimization & avoidance	Ongoing	

<ul style="list-style-type: none"> <li>▪ Review &amp; monitor the implementation of financial and management controls</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>▪ Assessment of the Effectiveness of Internal Controls</li> </ul>	March 31, 2011	In process
<ul style="list-style-type: none"> <li>▪ Management oversight</li> </ul>	Ongoing	
<ul style="list-style-type: none"> <li>▪ Audit</li> </ul>	March 31, 2011	In process
○ Management oversight	Ongoing	
<ul style="list-style-type: none"> <li>▪ Management (Corporate officers) performance standards</li> </ul>	March 31, 2011	In process
<ul style="list-style-type: none"> <li>▪ Management (Corporate officers) evaluation process</li> </ul>	March 31, 2011	In process
<ul style="list-style-type: none"> <li>▪ Review of compliance with staff training requirements</li> </ul>	March 31, 2011	In process
○ Creation of required policies	March 31, 2011	In process
<ul style="list-style-type: none"> <li>▪ Records Management Program</li> <li>▪ Management Performance Evaluation Standards</li> <li>▪ Competencies and Personal Attributes Required of Board Members</li> <li>▪ Public Access to Records Policy</li> <li>▪ Public Access to Records – Subject Matter List</li> </ul>		
○ Review/revise existing policies	March 31, 2011	In process
<ul style="list-style-type: none"> <li>▪ Bylaws</li> <li>▪ Audit Committee Charter</li> <li>▪ Governance Committee Charter</li> <li>▪ Code of Ethics (Standards of Conduct Policy)</li> <li>▪ Compensation, Reimbursement and Attendance Policy</li> <li>▪ Defense and Indemnification Policy</li> <li>▪ Investment Policy</li> <li>▪ Lobbying Policy</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 (Contract and Procurement Policy)</li> <li>▪ Property Disposition Guidelines</li> <li>▪ Travel Policy</li> <li>▪ Uniform Tax Exemption Policy</li> <li>▪ Whistleblower Policy</li> </ul>		
○ Web site operation	Ongoing	
○ Open Meetings Law compliance	Ongoing	

- New member orientation process Ongoing
- **Individual Board member responsibilities**
  - Duty of care and loyalty Ongoing
  - Fiduciary duty Ongoing
  - Perform duties in good faith with due diligence and care Ongoing
  - Apply judgment in the best interest of the authority, its mission, and the public Ongoing
  - Training Not all Board members have received required training from State-approved trainer  
Board members must execute and submit form
  - Ethics Form Board members must execute form
  - Acknowledgement of Fiduciary Duties and Responsibilities form Board members must execute form
- **Audit Committee responsibilities**
  - Meeting – required number per year, Open Meetings compliance Ongoing Compliance
  - Meet with the Authority’s independent auditor at least once annually Ongoing 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
    - Oversight of procurement of independent audit services December 2009 Completed
    - Recommending that STERA hire a specific certified independent auditing firm
    - Establishing the compensation to be paid to the auditing firm
    - Direct oversight of the performance of the independent audit
    - Pre-approving all audit services provided by the independent auditor
    - Providing an avenue of communication between management, the independent auditors, the internal auditors, and the STERA Board
    - Establish procedures for the engagement of the independent auditor to provide permitted audit services
    - Review any proposals from the independent auditor to provide non-audit services

- Reviewing & approving the audited financial statements, associated management letter, report on internal controls and all other auditor communications
- Reviewing significant accounting and reporting issues
- Meet with the independent audit firm on a regular basis to discuss any significant issues
- Review any significant risks reported in the independent audit findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities
- Provide certain specific services to the Board with respect to internal audit activities
- 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.
- Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body
- Request and oversee special investigations as needed and/or refer specific issues to the appropriate body for further investigation
- Review all reports delivered to it by the Inspector General and serve as a point of contact with the Inspector General
- 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
- Assessment of the Effectiveness of Internal Controls March 31, 2011 In process
- Review of charter and recommendation of revisions to Board March 31, 2011 In process
- Audit Committee self-evaluation process March 31, 2011 In process

- **Governance Committee responsibilities**

○ Meeting – required number per year, Open Meetings compliance	Ongoing	Compliance
○ Reports to Board		
▪ Review of Committee charter and recommendation of revisions to Board	March 31, 2011	In process
▪ Governance Committee self-evaluation process	March 31, 2011	In process
▪ Governance guidelines	March 31, 2011	In process
○ General compliance with Committee Charter, STERA Bylaws, NYS ABO, PAAA, PARA, and other State requirements	Ongoing	In process
○ 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, 2011	In process
▪ Oversight of New Member Orientation Process, including reference materials	March 31, 2011	In process
▪ Review STERA governance practices with respect to transparency, independence, accountability, fiduciary responsibilities, and management oversight	March 31, 2011	In process
▪ Review the competencies and personal attributes required of Board members so as to assist appointing entities in identifying qualified individuals	March 31, 2011	In process
▪ Review the number and structure of STERA committees, with recommendations to the Board	March 31, 2011	In process
▪ Review compliance with Board member training requirements (with training to be obtained from State-approved trainers)	March 31, 2011	In process
▪ Review of senior management performance expectations	March 31, 2011	In process
▪ Evaluation of senior management performance	March 31, 2011	In process
▪ Review Organizational performance with respect to measurement standards	March 31, 2011	In process
▪ Review Board performance	March 31, 2011	In process
▪ Review Board self evaluation	March 31, 2011	In process
▪ Oversight of compliance with staff training requirements	March 31, 2011	In process
▪ Review compensation and benefits for senior management	March 31, 2011	In process

<ul style="list-style-type: none"> <li>○ Review of current policies and recommendation of revisions to Board</li> </ul>	<ul style="list-style-type: none"> <li>March 31, 2011</li> </ul>	<ul style="list-style-type: none"> <li>In process</li> </ul>
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<ul style="list-style-type: none"> <li>○ Review and proposed policies and recommendation of action to Board</li> </ul>	<ul style="list-style-type: none"> <li>March 31, 2011</li> </ul>	<ul style="list-style-type: none"> <li>In process</li> </ul>
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<ul style="list-style-type: none"> <li>○ Review of reports and recommendation of revisions to Board</li> </ul>	<ul style="list-style-type: none"> <li>October 31, 2010</li> </ul>	<ul style="list-style-type: none"> <li>Submitted</li> </ul>
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- Board Member Attendance Evaluation Report  
March 31, 2011  
In process
    - Annual Report, FYE 12/31/10  
March 31, 2011  
In process
    - Review of NYS ABO Policy Guidances  
Ongoing
- **Executive Committee responsibilities**
  - Executive Committee self-evaluation process  
March 31, 2011  
In process