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## Authority Budget Office Policy Guidance



**No.** 07-03

**Date Issued:** July 23, 2007

**Supercedes:** New

**Subject:** Compliance Review Process

**Statutory Citation:** Section 27(2)(a) of Chapter 766 of the Laws of 2005

**Provisions:** Public authorities are expected to adopt the corporate governance principles embodied in the Public Authorities Accountability Act. The purpose of the statute is to empower directors to take the steps necessary to promote effective management, improve accountability and oversight, encourage transparent and full disclosure, and establish a culture of ethical behavior and personal responsibility. The Authority Budget Office (ABO) was created, in part, to assess the compliance of public authorities with these requirements and to review, analyze and report on their operations, budgets and practices.

**Authority Budget Office (ABO) Policy Guidance:** The ABO is committed to applying the requirements of the Act and other applicable provisions of State law in a fair and balanced way. Its goal is to achieve broad compliance with the intent of the Act and to identify and address factors that inhibit compliance.

It is the responsibility of the ABO to ensure that all public authorities, regardless of size and resources, recognize the importance of adopting and following the model governance principles contained in the Act. Accordingly, its compliance assessments will focus on:

- Governance reviews. The purpose of these reviews will be to provide an objective determination as to whether the authority has adopted the governance principles codified in the Public Authorities Accountability Act and in other applicable State laws.
- Operational reviews. These reviews will be objective assessments of an authority's actual adherence to its adopted governance principles.

Compliance reviews will provide directors and officers with useful information to assist them to manage the financial, operating and business risks associated with public authorities. The reviews will also provide information to the public and other government officials on the governance practices of public authorities.

The ABO will conduct its compliance reviews in accordance with internal protocols developed specifically for these reviews, which are based on generally accepted professional standards. These standards address issues such as the independence, competence, professional judgment, and training of ABO staff; quality control over the review process, the planning, supervision, and documenting of information for the compliance review; and the specific elements that must be included in the compliance review report.

Public authorities will be sufficiently notified in advance of a compliance review in order to have time to prepare and to maximize the efficiency of the process.

The components of the compliance review will consist of the following:

Entrance Conference: An entrance conference will be held with the authority's executive management to inform the authority as to the review process and its proposed scope.

Review Stage: This is the analytical phase and generally will take the most time to perform. During this stage, members of the ABO's compliance review team will examine and assess relevant financial, operational and procedural documents of the authority and interview appropriate management and staff of the authority. This work will be conducted on-site at the authority, but may also take place in other locations.

Discussion Draft: This preliminary written document will provide the authority with the results and conclusions of the compliance review. It is shared with authority management for its review and to address any factual errors or misinterpretations made by the review team.

Exit Conference: After authority management has had sufficient time to review the discussion draft and prepare comments, an exit conference will be held with the review team. At the exit conference, the review team and authority officials will discuss the contents of the discussion draft and management comments and feedback. Based on the exit conference, revisions may be made in advance of the final report, and any revisions will be discussed with authority management.

Final Report: A final compliance review report will be issued to the head of the authority. It is management's responsibility to respond to the compliance issues and recommendations outlined in the report. Management is expected to adopt policies and procedures that adequately address the concerns raised in the report and that advance the authority toward compliance with its statutory obligations. Subsequent to the release of the report, the ABO, as part of its technical assistance, training and oversight responsibilities, will be available to work with management on developing and implementing appropriate corrective actions and will monitor progress toward compliance.

As a general rule, compliance review reports will also be distributed to officials having a direct interest in the results of the review team's work. Such officials include the Governor, the chairman and ranking minority member of the Senate and Assembly standing committees on corporations, authorities, and commissions, and the chairman and ranking minority member of the appropriate oversight committees. Compliance review reports will not contain information specifically exempted from disclosure by state or federal statute, or such information which if disclosed would constitute an unwarranted invasion of personal privacy or interfere with law enforcement investigations or judicial proceedings. When a compliance review report is issued, a PDF version of the report will be made available to the public on the Authority Budget Office's website.