



# **Southern Tier Extension Railroad Authority**

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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, 2011**

**Submitted March 5, 2012**

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 2012**

<u>Requirement</u>	<u>NYS ABO Submission Deadline</u>	<u>Compliance Status</u>
• Operating and Capital Budget for 2012	October 31, 2011	Submitted
• Four-Year Financial Plan for 2012 to 2015	October 31, 2011	Submitted
• Annual Report, FYE 12/31/11	March 31, 2012	March 31, 2012
• Assessment of the Effectiveness of Internal Controls	March 31, 2012	March 31, 2012
• Audit and Management Letter, FYE 12/31/11	March 31, 2012	March 31, 2012
• Board Member Attendance Evaluation Report	March 31, 2012	March 31, 2012
• Board Self-Evaluation Report, FYE 12/31/11	March 31, 2012	March 31, 2012
• Investment Report, FYE 12/31/11	March 31, 2012	March 31, 2012
• Procurement Report, FYE 12/31/11	March 31, 2012	March 31, 2012
• Mission Statement and Measurements	March 31, 2012	March 31, 2012
• Performance Report per Measurement Standards	March 31, 2012	March 31, 2012
• Procurement Report, FYE 12/31/11	March 31, 2012	March 31, 2012
• Property Disposition Report, FYE 12/31/11	March 31, 2012	March 31, 2012
• Property Listing Report, FYE 12/31/11	March 31, 2012	March 31, 2012

All of the NYS ABO filings due to be submitted on March 31, 2012 will be submitted to NYS ABO by that date. STERA also must transmit the Annual Report to additional parties.

**B. Operating Compliance**

**1. Organizational / Board responsibilities**

<u>Requirement</u>	<u>Compliance Deadline</u>	<u>Projected Compliance Date</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
▪ Assessment of the Effectiveness of Internal Controls	March 31, 2012 Submission to NYS ABO	March 5, 2012
▪ Management oversight	Ongoing	Ongoing
▪ Audit	March 31, 2012 Submission to NYS ABO	March 5, 2012
○ Management oversight	Ongoing	Ongoing
▪ Management (Corporate officers) performance standards	March 31, 2012	March 5, 2012
▪ Management (Corporate officers) evaluation process	March 31, 2012	March 5, 2012
▪ Review of compliance with staff training requirements	March 31, 2012	In compliance
○ Creation of required policies	In compliance	In compliance
▪ STERA is not required to create any policies other than those currently in place.		
○ Review/revise existing policies	March 31, 2012	March 5, 2012
▪ 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		
▪ Equal Opportunity and Affirmative Action Policy		
▪ Internal Control Procedure		

<u>Requirement</u>	<u>Compliance Deadline</u>	<u>Projected Compliance Date</u>
<ul style="list-style-type: none"> <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 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

**2. Individual Board member responsibilities**

<u>Requirement</u>	<u>Projected Compliance Deadline</u>	<u>Compliance Date</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	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

### **3. Audit Committee responsibilities**

<u>Requirement</u>	<u>Projected Compliance Deadline</u>	<u>Compliance Date</u>
○ 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	December 2009	Completed
▪ Recommending that STERA hire a specific certified independent auditing firm	December 2009	Completed
▪ Establishing the compensation to be paid to the auditing firm	December 2009	Completed
▪ Direct oversight of the performance of the independent audit	Annual	March 5, 2012
▪ Pre-approving all audit services provided by the independent auditor	December 2009	Completed
▪ 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	December 2009	Completed

<u>Requirement</u>	<u>Projected Compliance Deadline</u>	<u>Compliance Date</u>
<ul style="list-style-type: none"> <li>▪ Review any proposals from the independent auditor to provide non-audit services</li> </ul>	Ongoing	Ongoing
<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 5, 2012
<ul style="list-style-type: none"> <li>▪ Reviewing significant accounting and reporting issues</li> </ul>	Ongoing	March 5, 2012
<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 5, 2012
<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 5, 2012
<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>Projected Compliance Deadline</u>	<u>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, 2012	March 5, 2012
○ Review of charter and recommendation of revisions to Board	March 31, 2012	March 5, 2012
○ Audit Committee self-evaluation process	March 31, 2012	March 5, 2012

#### **4. Governance Committee responsibilities**

<u>Requirement</u>	<u>Projected Compliance Deadline</u>	<u>Compliance Date</u>
○ Meeting – required number per year, Open Meetings compliance	Ongoing	In compliance
○ Reports to Board <ul style="list-style-type: none"> <li>▪ Review of Committee charter and recommendation of revisions to Board</li> <li>▪ Governance Committee self-evaluation process</li> <li>▪ Governance guidelines</li> </ul>	March 31, 2012 March 31, 2012 March 31, 2012	March 5, 2012 March 5, 2012 March 5, 2012
○ General compliance with Committee Charter, STERA Bylaws, NYS ABO, PAAA, PARA, and other State requirements	Ongoing	March 5, 2012
○ Committee responsibilities with respect to authority operations <ul style="list-style-type: none"> <li>▪ 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</li> <li>▪ Oversight of New Member Orientation Process, including reference materials</li> </ul>	March 31, 2012 March 31, 2012	March 5, 2012 March 5, 2012

<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, 2012	March 5, 2012
<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, 2012	March 5, 2012
<ul style="list-style-type: none"> <li>▪ Review the number and structure of STERA committees, with recommendations to the Board</li> </ul>	March 31, 2012	March 5, 2012
<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, 2012	March 5, 2012
<ul style="list-style-type: none"> <li>▪ Review of senior management performance expectations</li> </ul>	March 31, 2012	March 5, 2012
<ul style="list-style-type: none"> <li>▪ Evaluation of senior management performance</li> </ul>	March 31, 2012	March 5, 2012
<ul style="list-style-type: none"> <li>▪ Review Organizational performance with respect to measurement standards</li> </ul>	March 31, 2012	March 5, 2012
<ul style="list-style-type: none"> <li>▪ Review Board performance</li> </ul>	March 31, 2012	March 5, 2012
<ul style="list-style-type: none"> <li>▪ Review Board self evaluation</li> </ul>	March 31, 2012	March 5, 2012
<ul style="list-style-type: none"> <li>▪ Oversight of compliance with staff training requirements</li> </ul>	March 31, 2012	March 5, 2012
<ul style="list-style-type: none"> <li>▪ Review compensation and benefits for senior management</li> </ul>	March 31, 2012	March 5, 2012
<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>▪ 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> </ul> </li> </ul>	March 31, 2012	March 5, 2012

<u>Requirement</u>	<u>Projected Compliance Deadline</u>	<u>Compliance Date</u>
<ul style="list-style-type: none"> <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>		
<ul style="list-style-type: none"> <li>○ Review and proposed policies and recommendation of action to Board <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> </li> </ul>	March 31, 2012	March 5, 2012
<ul style="list-style-type: none"> <li>○ 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 12/31/11</li> <li>▪ Investment Report, FYE 12/31/11</li> <li>▪ Property Listing Report, FYE 12/31/11</li> <li>▪ Property Disposition Report, FYE 12/31/11</li> <li>▪ Procurement Report, FYE 12/31/11</li> <li>▪ Mission Statement and Measurements</li> <li>▪ Performance Report per Measurement Standards</li> <li>▪ Board Self-Evaluation Report, FYE 12/31/11</li> <li>▪ Assessment of the Effectiveness of Internal Controls</li> <li>▪ Board Member Attendance Evaluation Report</li> <li>▪ Annual Report, FYE 12/31/11</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>October 31, 2011</li> <li>October 31, 2011</li> <li>March 31, 2012</li> <li>March 31, 2012</li> <li>March 31, 2012</li> <li>March 31, 2012</li> <li>March 31, 2012</li> <li>March 31, 2012</li> <li>March 31, 2012</li> <li>March 31, 2012</li> <li>March 31, 2012</li> <li>March 31, 2012</li> <li>March 31, 2012</li> <li>March 31, 2012</li> <li>March 31, 2012</li> <li>March 31, 2012</li> <li>March 31, 2012</li> </ul>	<ul style="list-style-type: none"> <li>Submitted</li> <li>Submitted</li> <li>March 5, 2012</li> <li>March 5, 2012</li> <li>March 5, 2012</li> <li>March 5, 2012</li> <li>March 5, 2012</li> <li>March 5, 2012</li> <li>March 5, 2012</li> <li>March 5, 2012</li> <li>March 5, 2012</li> <li>March 5, 2012</li> <li>March 5, 2012</li> <li>March 5, 2012</li> <li>March 5, 2012</li> <li>March 5, 2012</li> <li>March 5, 2012</li> <li>March 5, 2012</li> </ul>
<ul style="list-style-type: none"> <li>○ Review of NYS ABO Policy Guidances</li> </ul>	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, 2012	March 5, 2012