



**NEW YORK STATE THRUWAY AUTHORITY
NEW YORK STATE CANAL CORPORATION**



MINUTES

AUDIT COMMITTEE MEETING NO. 23

May 18, 2011

Minutes of a meeting of the New York State Thruway Authority/Canal Corporation Audit Committee, held in the Board Room at Administrative Headquarters, 200 Southern Boulevard, Albany, New York and via video conference from the Corporation's New York Division Office, 4 Executive Boulevard, Suffern, New York.

The meeting began at 10:00 a.m.

The following members of the Audit Committee were present, constituting a quorum:

Present:

Chairman John L. Buono, ex officio Audit Committee Member

J. Donald Rice, Chair, Audit Committee

Richard N. Simberg, Audit Committee Member

Brandon R. Sall, Audit Committee member

In addition, there were present the following staff personnel:

Michael R. Fleischer, Executive Director

Wendy Allen, Director, Office of Management and Planning

John Bryan, Chief Financial Officer

William Estes, General Counsel

Jonathan Gunther, Assistant Counsel

J. Marc Hannibal, Director, Audit and Management Services

Harry Lennon, Senior Investigator

Tracie Sandell, Assistant Director, Audit and Management Services

Dorraine Steele, Director, Office of Fiscal Audit and Budget
Jill B. Warner, Board Administrator
Michael Sikule, Director, Office of Investments and Asset Management
Douglas Elson, Information Technology

Also in Attendance:

John Armstrong, New York Network
Joseph Reid, Principal, Law Offices of Joseph C. Reid, P.A.

PUBLIC SESSION

Mr. Rice, Committee Chair, called the meeting of the Audit Committee to order.

Ms. Warner recorded the minutes as contained herein.

Item 1

Approval of Minutes of Audit Committee Meeting No. 22

After full discussion, on the motion of Mr. Simberg, seconded by Mr. Sall, without any objections, the Audit Committee approved the minutes of Audit Committee meeting No. 22, held March 23, 2011.

Item 2

Review and Discuss, as Necessary, Annual Audit Committee Charter Assessment and Committee Self Evaluation

Mr. Hannibal reported that pursuant to the Audit Committee charter, the Committee must annually review its charter and make assessments as to any changes that are required. Staff is recommending that the charter be revised to remove the requirement to send the Internal Control Certification to the Division of the Budget (“DOB”).

Historically, the Internal Control Certification has been submitted to the DOB. Pursuant to changes in the Public Authorities Accountability Act (“PAAA”), as amended by the Public Authorities Reform Act (“PARA”), the Authorities Budget Office (“ABO”) should be the

recipient of that document. The guidelines staff was given by the ABO have not indicated a final disposition of the document. Staff was advised, by the ABO, to display the Internal Control Certification on the Authority's website, which has been done. The Committee's charter language needs to be amended to reflect this change. The revised charter will be provided to the Committee and staff is recommending that the Committee review the suggested changes on this matter, as well as any additional changes, and an item will be presented to the Committee at its next meeting for a vote.

Mr. Simberg inquired as to whether or not the ABO would approve the charter or just receive a copy. Mr. Hannibal responded that the ABO would only receive a copy and confirmed that this change would not result in it being more difficult for the Committee to make future changes.

After full discussion, on the motion of Mr. Simberg, seconded by Mr. Sall, without any objections, the Audit Committee accepted Annual Audit Committee Charter Assessment and Committee Self Evaluation.

Item 3

Review and Accept 2010-2011 Internal Control Report

Mr. Hannibal stated that the 2010-2011 Internal Control Certification report has been completed. As he reported in the prior item, in the past this report was submitted to the Division of Budget following execution by the Executive Director. Mr. Fleisher executed it on May 3, 2011 and pursuant to Public Authorities Accountability Act ("PAAA") it was not submitted to the Division of the Budget. It was placed on the Authority's website pursuant to direction provided by the Authorities Budget Office ("ABO").

This report is a certification from the outside auditor that the Authority has no major discrepancies in its internal controls. The Authority is partially compliant in the area related to the Audit/Management Services Office completion of its peer review, which is scheduled to take place in the next year. Audit personnel from other State entities will come in and review the Authority's compliance with internal audit standards that the Comptroller set forth.

Staff is in the process of scheduling internal control reviews for the audit segment of the high risk internal controls that were identified by Authority and Corporation managers in the internal control process. That will be completed within the next two months and staff will prepare a report by the end of the summer that will aid in training the entire staff on new internal control forms put out in the past year from Division of the Budget (“DOB”).

Mr. Rice inquired if that was the only area in which the Authority was partially compliant. Mr. Hannibal responded that each agency is supposed to review the certifications provided by managers and test some of the internal control processes to make certain they are adequate and up and running. The Authority had difficulty in the past because the office was understaffed. Staff was added this year following submission of the internal controls. Approximately 63 high risk items were identified. Staff will look at 20 percent of them over the next two months, chosen at random, to determine whether or not the internal controls that are in place are adequate. The report is due to be finished in August and will be brought before the Committee at that point. By this time next year the Authority expects to be fully compliant in all areas.

Mr. Simberg requested that Mr. Hannibal make time to sit down with him prior to that time to go over risk assessment. Mr. Hannibal replied that he would be available to do so at Mr. Simberg’s convenience.

After full discussion, on the motion of Mr. Simberg, seconded by Mr. Sall, without any objections, the Audit Committee accepted the 2010-2011 Internal Control Report.

Item 4

Review and Accept periodic reports sent to the New York State Office of Inspector General

Mr. Hannibal stated that in 2010 the Authority submitted a report on open and closed cases to the Inspector General (“IG”) on a monthly basis. The new IG’s Office has indicated that they

would like it on a quarterly basis. Staff is complying with that request and this is the first of such reports, completed on April 1, 2011.

Mr. Simberg stated that it seems like there were more investigations in this report where the charges could not be substantiated. He inquired if that was a new trend where there were more allegations than valid charges. Mr. Hannibal responded that it is not a trend and that it often depends on the nature of the allegations made.

After full discussion, on the motion of Mr. Simberg, seconded by Mr. Sall, without any objections, the Audit Committee accepted the periodic reports sent to the New York State Office of Inspector General.

Adjournment

There being no further business to come before the Audit Committee, on the motion of Mr. Sall, seconded by Mr. Simberg, without any objections, the public session of the meeting was adjourned at 10:13 a.m.

Note: Webcasts, which include dialogue of Authority/Corporation Audit Committee Meeting, are available on the Thruway Authority website 48 hours after such meetings occur and remain on the website for a period of 4 months