



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



MINUTES

AUDIT AND FINANCE COMMITTEE MEETING NO. 19

March 29, 2010

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

The meeting began at 1:00 p.m.

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

Present:

Chairman John L. Buono, ex officio Audit and Finance Committee Member via teleconference

E. Virgil Conway, Chair, Audit and Finance Committee via video conference

Donna J. Luh, Audit and Finance Committee Member via video conference

Richard N. Simberg, Audit and Finance Committee Member

In addition, there were present the following staff personnel:

Michael R. Fleischer, Executive Director

William Estes, General Counsel

John Bryan, Chief Financial Officer

J. Marc Hannibal, Acting Director, Audit and Management Services via video conference

Daniel Gilbert, Chief of Staff

Wendy Allen, Deputy Chief of Staff

Kevin Allen, Assistant Director, Audit and Management Services

Jill Warner, Board Administrator

Harry Lennon, Senior Investigator

Tracie Sandell, Assistant Counsel
Dorraine Steele, Director, Office of Fiscal Audit and Budget
Betsy Graham, Acting Director, Office of Public Affairs
David Malone, Director, Accounting and Disbursements
Mildred Selby, Supervisor, Cash and Investment Management
Karen Osborn, Budget Manager, Office of Fiscal Audit and Budget

Also in Attendance:

Karl Diehl, Production Coordinator, New York Network
Ronald Toski, Managing Director, Toski, Schaefer & Co., P.C., via video conference
Joseph Klimak, Director, Toski, Schaefer & Co., P.C., via video conference
Douglas Zimmerman, Director, Toski, Schaefer & Co., P.C., via video conference

PUBLIC SESSION

Mr. Conway called the meeting of the Audit and Finance Committee to order.

Ms. Warner recorded the minutes as contained herein.

Item 1

Approval of minutes of Audit and Finance Committee Meeting No. 18

After full discussion, on the motion of Mr. Simberg, seconded by Ms. Luh, without any objections, the Audit and Finance Committee approved the minutes of Audit and Finance Committee meeting No. 18, held January 20, 2010.

Item 2

Acceptance of the 2009 Financial Statement, the Single Audit, and any Related Audit Reports for the Year Ending December 31, 2009 prepared by Toski, Schaefer & Co., P.C.

Mr. Bryan requested the Committee to approve the 2009 annual independent audit that was completed by the Authority's auditors, Toski, Schaefer & Co., P.C. He introduced Ronald Toski, Managing Director of Toski, Schaefer & Co., P.C., who provided a report of the audit's findings.

Mr. Toski stated that Toski, Schaefer & Co., P.C. completed an audit of the Thruway Authority for the year ending December 31, 2009, during the course of which no significant deficiencies or material weaknesses were noted. Subsequently, the firm: issued an unqualified opinion of the Authority's financial statements; determined that there were no material weaknesses in internal control over financial reporting or instances of non-compliance pursuant to government auditing reporting standards; and deemed the Authority compliant with the Public Authorities Law and the Department of Transportation's highway and construction program.

After full discussion, on the motion of Ms. Luh, seconded by Mr. Conway, without any objections, the Audit and Finance Committee accepted the 2009 Financial Statement, the Single Audit, and related audit reports for the year ending December 31, 2009 prepared by Toski, Schaefer & Co., P.C.

Item 3

Approval of the Authority's Fourth Quarter Investment Report for Board Action

Mr. Bryan requested the Committee approve the Authority's investment report for the fourth quarter of 2009. The Office of the State Comptroller requires the Authority to provide a quarterly report on all its investments including an itemization of investments and the corresponding yield obtained. Summarizing fourth quarter investments, Mr. Bryan noted that the Authority invested a total of \$980.1 million, which earned an average yield of approximately .17 percent.

After full discussion, on the motion of Ms. Luh, seconded by Mr. Simberg, without any objections, the Audit and Finance Committee approved the Authority's investment report for the fourth quarter of 2009 and authorized its advancement to the Thruway Authority Board for consideration.

Item 4

Approval of the Authority's Annual Investment Report for Board Action

Mr. Bryan requested the Committee approve the Authority's 2009 annual investment report. The Public Authorities Law requires the Authority to prepare, approve and submit an annual investment report to the Division of the Budget. The report includes the Authority's policies for making investments, results of the annual independent audit, and investment income information and information on fees charged by firms rendering investment services for the Authority. A recommended change in the investment policy would require the annual and quarterly investment reports to be submitted to the Finance Committee instead of the Audit and Finance Committee (which will be addressed in a subsequent item). Summarizing the Authority's 2009 investment activity, Mr. Bryan noted that the Authority invested a total of \$8.9 billion, which earned an average yield of approximately .52 percent (approximately \$6.6 million).

After full discussion, on the motion of Mr. Simberg, seconded by Mr. Conway, without any objections, the Audit and Finance Committee approved the Authority's 2009 investment report and authorized its advancement to the Thruway Authority Board for consideration.

Item 5

Approval of the Establishment of Separate Audit and Finance Committees and Related Charters for Board Action

Mr. Fleischer requested the Committee approve the establishment of separate Audit and Finance Committees and related charters pursuant to statutory requirements.

The 2005 Public Authorities Accountability Act required the formation of an Audit Committee responsible for recommending the hiring of a certified independent accounting firm and providing oversight of the performance of the independent audit.

The Board established such Committee and, in April 2007, expanded the Committee's oversight to include the financial policies and matters of the Authority and Corporation.

On December 11, 2009, the Governor signed the Public Authority Reform Act that required the establishment of separate Audit and Finance Committees, with the Audit Committee retaining all the responsibilities required under the 2005 Act. The Finance Committee is responsible to review proposals for the issuance of debt, and staff recommends that the Finance Committee oversee the Authority's and Corporation's risk management strategies, though this is not required by the Act.

The proposed Audit Committee and Finance Committee Charters memorialize the purpose and responsibilities of each committee, define that the Chairman is authorized to establish committee membership and how the members will be appointed and provide guidelines for the conduct of committee meetings.

The proposed charters seek to reflect the specific role of the two committees with the Audit Committee focusing on oversight of the independent auditor, financial statements, disclosure matters and internal controls, and the Finance Committee focusing on the Authority/Corporation's budgets and financial plans, the Multi-Year Capital Program, any proposed General Revenue and State Supported Debt transactions and the Authority/Corporation's policies and/or practices with regard to risk assessment and management. In addition, the previous Audit Committee Charters contained something called "Limitation of Audit and Finance Committee's Role" which staff recommends striking.

A discussion of membership requirements, assignments and appointments ensued.

After full discussion, on the motion of Mr. Simberg, seconded by Mr. Conway, without any objections, the Audit and Finance Committee approved the establishment of separate Audit and Finance Committees and related charters and authorized their advancement to the Thruway Authority Board for consideration.

Item 6

Acceptance of an Investigative Report by the Office of the State Inspector General (OSIG) Concerning an Anonymous Complaint of Public Officers Law Violations

Mr. Hannibal requested the Committee's acceptance of an investigative report submitted by the OSIG concerning the inappropriate use of Thruway Authority resources. An anonymous complaint prompted the investigation, whereby a Thruway Authority employee in the Buffalo Division was alleged to have conducted a private business during business hours. In its report, the OSIG determined that the employee did operate a business on State time using Thruway Authority resources and recommended appropriate disciplinary action. The employee was subsequently terminated on February 11, 2010. Mr. Conway noted that this action was well warranted.

After full discussion, on the motion of Ms. Luh, seconded by Mr. Simberg, without any objections, the Audit and Finance Committee accepted the OSIG's report.

Item 7

Report on the Following Items:

- a. Audit and Finance Committee's Functions and Performance**
- b. Audit Committee's 2010 Draft Work Plan**

No discussion related to this item occurred, as the Committee Members deemed it unnecessary.

Adjournment

There being no further business to come before the Audit and Finance Committee, on the motion of Ms. Luh, seconded by Mr. Simberg, without any objections, the meeting was adjourned at 1:49 p.m.