

2008-09 INTERNAL CONTROL SUMMARY & CERTIFICATION FORM

The Internal Control Summary and Certification Form provides supporting justification for an agency's or authority's level of compliance with the requirements of the Internal Control Act as outlined below. This form requests information regarding specific actions taken, or needed to be taken, by agencies/authorities to comply with each of the Act's requirements as described in Budget Policy and Reporting Manual (BPRM) Item B-350. A completed and signed Internal Control Summary and Certification Form should be submitted by April 30, 2009, via e-mail as an attached PDF file to the Division of the Budget's internal control reporting mailbox at dob.sm.icreporting@budget.state.ny.us.

Olympic Regional Development Authority 03/10/2009 Kathleen R Bushy 518-523-1655

1. Establish and maintain guidelines for a system of internal controls for the agency or authority. Internal control guidelines communicate an organization's management and programmatic objectives to its employees and provide the methods and procedures used to assess the effectiveness of its internal controls in supporting those objectives. Internal control guidelines should:

1. State the agency head's support of internal controls to provide staff with an understanding of the benefits of effective controls;
2. Identify the agency's primary responsibilities and the objectives;
3. Explain how internal controls are organized and managed;
4. Define responsibilities of agency management and supervisors and agency staff;
5. Acknowledge that internal controls adhere to accepted standards; and,
6. Describe the organization's process for evaluating internal controls.

For this requirement, the agency/authority is:

Fully Compliant Partially Compliant Not Compliant

Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement.

Ted Blazer, President and CEO enforces the need for internal controls in meetings and memorandum.

ORDA's mission is to maximize visitation to the Adirondack region by operating our venues (Olympic Center, Olympic Sports Complex, Olympic Jumping Complex, Whiteface Mountain, Gore Mountain) in a fiscally responsible manner while at the same time promoting environmental awareness, safety, fun, and the Olympic spirit. ORDA's mission statement is on the ORDA website. ORDA's mission is discussed at employee orientation training sessions.

Each venue and department is responsible for monitoring and testing internal controls. The Internal Control Officer (ICO) periodically sends out internal control information to Venue Managers and Department Heads. During the course of the fiscal year, Venue Managers and Department heads often send documentation of internal control initiatives taken in between yearly “official” testing periods. On a yearly basis, the ICO sends testing materials and policy; internal controls are “officially” tested and documented on a yearly basis, however testing and monitoring is done regularly during the fiscal year. ORDA discusses internal controls at regular meetings. Independent Auditors test internal controls regularly (yearly).

Venue Managers and Department Heads are responsible for internal controls at their venue/department. They are also responsible for training their supervisors and staff on the importance of internal controls, and testing. Periodically the ICO sends out new IC information in order to help get the message across. The CEO talks about internal control efforts and issues at regular meetings.

ORDA's Internal Control Systems adhere to accepted standards

The document called “Manager’s Guide – Testing Compliance with Internal Controls” is sent to Venue Managers and Department heads. Testing is administered, the results of which are provided to the ICO, who shares it with the President when necessary.

The Olympic Regional Development Authority (ORDA) is and has been compliant with this requirement.

- 1. Establish and maintain a system of internal controls and a program of internal control review for the agency or authority.** The system of internal control should be developed using the COSO (Committee of Sponsoring Organizations of the Treadway Commission) conceptual framework adopted in the *Standards for Internal Controls in New York State Government*, and should incorporate COSO's five basic components of internal control: control environment, risk assessment, control activities, information and communication and monitoring.

The program of internal control review shall be a structured, continuing and well documented system designed to identify internal control weaknesses, identify actions that are needed to correct these weaknesses, monitor the implementation of necessary corrective actions and periodically assess the adequacy of the agency's or authority's internal controls.

Organizations can adopt a system of internal control review tailored to their needs, size and degree of centralization. The procedures for evaluating the adequacy of that system also vary, but at a minimum should:

- Identify and clearly document the primary operating responsibilities (functions) of the agency or authority;
- Define the objectives of these functions so they are easily understood by staff accountable for carrying out the functions;
- Identify/document the policies and procedures used to execute functions;
- Identify the major functions of each of the agency's assessable units;
- Develop a process or cycle to assess risk and test controls for major functions;
- Assess the risks and consequences associated with controls failing to promote the objectives of major functions;
- Test controls to ensure they are working as intended (see the "Manager's Testing Guide" which can be downloaded from BPRM Item B-350);
- Institute a centrally monitored process to document, monitor and report deficiencies and corrective actions.

For this requirement, the agency/authority is:

Fully Compliant

Partially Compliant

Not Compliant

Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement and specifically address the following points:

1. Describe the process used to review the agency's/authority's internal controls.
 - The Authority held regular periodic meetings to monitor internal controls.
 - Independent auditors review specific internal control areas, with follow-up reviews.
 - The finance office staff reviews all financial paperwork for compliance with policy. (Policies attached)
 - An emergency response plan for all five venues is tested periodically.
 - Each venue and department is provided with detailed income and expense data that is reviewed and approved prior to financial statement preparation.
 - Manager's and Department Heads periodically test internal controls.
 - Regular safety inspections of venues are performed.
 - Internet usage is monitored.
 - Employees are encouraged to attend training meetings whenever they become available.
 - The ORDA Board of Directors receives financial statements with explanations of variations compared to budget and the previous year.

2. List all high-risk activities and indicate which were reviewed during 2008-09.
 - The cost of Worker's Compensation was evaluated.
 - Employee and Public Safety is an ongoing concern and was reviewed.
 - Ticket sales and revenue handling was reviewed
 - Inventory processes were reviewed
 - Employee membership in the NYSERS was reviewed.
 - Health Insurance Cost was reviewed
 - Customer privacy regarding credit card numbers was tested.
 - Computer security is constantly under scrutiny.
 - Phone bills, and expensive conference calls were reviewed.
 - Cash handling and box office procedures and documentation are reviewed.
 - The accounts payable, accounts receivable, payroll, and reconciliation functions are reviewed regularly (monthly), and then again at yearly audit time.

3. Identify the significant deficiencies revealed during the 2008-09 review process. Outline the actions taken, or planned, to eliminate deficiencies, highlighting the most important improvements made during the year.
 - ORDA management took steps to pursue a worker's compensation carrier that would provide a more 'hands on' approach regarding safety training for ORDA employees than the current carrier, while decreasing worker's

compensation expense. After a lengthy process, about \$200,000 per year was saved, and a much more comprehensive employee training program is in place.

- The Finance Office audited membership in the NYSERS, and identified staff that needed to join the retirement system, and required them to do so. Procedures were also amended to prevent this from happening in the future.
 - Health Insurance Costs were reviewed again, and as a result, the M/C staff's contribution was increased.
 - Credit card numbers that were found stored on a local computer at Whiteface Mountain were secured. More control was set up on the computer and the numbers are now stored in an encrypted format.
 - Hard copy files of credit card numbers stored in a filing cabinet were secured. Locking file cabinets were physically moved to a more secured location. The locking cabinets are now in a locked office.
 - The ORDA computer network is in the process of being upgraded, hubs throughout the organization have been upgraded with new, programmable switches.
 - Gore Mountain staff organized a Mass Casualty Incident (MCI) training session,, that included local fire departments, rescue squads, and law enforcement communities.
 - For expensive conference calls, utilize Skype.com – Free.
4. Describe the monitoring system installed by the agency to verify that corrective actions are taken. Discuss the extent to which IT systems are used to track corrective actions.
- Independent auditors review previous audit recommendations, and report to management and the Board of Directors.
 - ORDA management continues to have regular, periodic meetings to review high-risk areas, and address problems.
 - The Finance Office continues to audit all financial transactions for accuracy and compliance with policy.
 - Computer programs are in place that monitor computer usage. Only the IT departments has access to these programs.
 - ORDA periodically performs safety inspections at venues, with insurance providers.
 - The Internal Control Officer follows up with managers who have done internal control testing.
5. Summarize specific actions the agency has taken to install a compliance testing program. Describe actions taken during 2008-09 to verify test results and expand the testing program.
- Formal testing of internal controls is required for all Venue Managers and Department Heads every year. The ICO follows up with each manager/department head. In 2008-2009, some lower level managers were instructed on internal controls, and required to do internal control

testing. ORDA uses the “Manager’s Guide: Testing Compliance with Internal Control Requirements”.

6. Describe measures instituted to sustain the effectiveness of the internal control program during 2008-09. Include information on reorganizations and other revisions in the program to enhance operations.
 - In the summer of 2008, Tom Lukacs, NYS Division of the Budget, Internal Control Unit, and two of his staff members came to ORDA and gave an outstanding presentation to ORDA management staff on internal controls. This made a real difference in how managers viewed the importance of an internal control program.
 - In 2008-2009, I found good training materials on the NYS Internal Control Association (NYSICA) web site, and distributed it to management.
 - In 2008-2009, a few lower level managers performed internal control testing.

7. Describe efforts agency/authority management has taken to coordinate and integrate the documentation and reporting of activities the Office of the State Comptroller’s *Standards for Internal Controls in New York State Government* recognize as supporting a good internal control system: Evaluation, Strategic Planning and Internal Audit.
 - ORDA management is constantly evaluating its operations. The authority is partially funded by New York State (20-25%), but must generate enough revenue to meet a \$14million payroll, along with payroll added costs and non-personal service, total expenses are approximately \$30million, Since ORDA’s operations are weather dependent, constant (daily) evaluation is necessary. This is done by financial reporting, trail conditions reporting, in depth weather reporting, tourism trends research and reporting, and extensive communication between management staff.
 - ORDA started a long term strategic planning process in 2007-2008, it is a work in progress.
 - ORDA management has considered an internal audit function, however the Board of Directors, along with management and the outside auditor, has decided it is not necessary at this time.

8. Describe efforts agency/authority management has taken to effectively communicate information within the organization. Information should be communicated to management and other employees who need it in a form and within a time frame that helps them to carry out their responsibilities. Communication is not an isolated internal control component. It affects every aspect of an organization’s operations and helps support its system of internal control. The feedback from this communication network can help management evaluate how well the various components of the system of internal control are working.

- ORDA's IT Department, and Communications Department have been working on creating an Intranet for the purposes described in number eight, above. However, reductions in funding, and loss of staff have put that project on hold.
- In 2008-2009, ticket sellers were given access to email, which made communicating and updating current information much easier.
- ORDA's finance office prepares daily revenue, visitor, and weather reports that compare this year to last. This helps venue managers and the CEO make important staffing and snowmaking decisions.
- ORDA's communications department prepares a daily venue and event schedule, to make sure everyone is aware of what's currently happening. This is emailed to everyone at ORDA.
- The finance office prepares biweekly payroll expense reports, including all venues and departments, comparing revenue to payroll expense for the same two week period, which is given to Venue Managers, Department Heads, and the CEO.

- 2. Make available to each officer and employee of the agency or authority a clear and concise statement of the generally applicable management policies and standards with which the officer or employee of such agency or authority shall be expected to comply along with detailed policies and procedures the employees are expected to adhere to in completing their work.** The statement should set the tone at the top. It should be issued periodically and emphasize the importance of effective internal controls to the agency or authority and the responsibility of each officer and employee for effective internal controls.

Managerial policies and procedures for the performance of specific functions are articulated in administrative manuals, employee handbooks, job descriptions and applicable policy and procedure manuals. While it is not necessary for all employees to possess all manuals, employees should be provided with, or have access to, applicable policies and procedures for their position.

For this requirement, the agency/authority is:

Fully Compliant **Partially Compliant** **Not Compliant**

Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement.

- Full time employees of ORDA are given all applicable policies. The long range plan is to build an intranet, where all policies, procedures and other pertinent information will be placed.
- 3. Designate an Internal Control Officer (ICO), who shall report to the head of the agency or authority or to their designee within the executive office, to implement and review the internal control responsibilities established pursuant to this Item. The designation of the ICO should be communicated to all employees.**

The ICO works with appropriate personnel within the agency or authority to coordinate the internal control activities and to help ensure that the internal control program meets the requirements established by BPRM Item B-350. Although the ICO evaluates the adequacy of the internal control reviews performed by agency or authority staff, program and line managers are primarily responsible for conducting reviews to assure adherence to controls and analyzing and improving control systems. The ICO should be an individual with sufficient authority to act on behalf of the agency head in implementing and reviewing the agency's internal control program. This individual should have a broad knowledge of agency operations, personnel and policy objectives.

For this requirement, the agency/authority is:

Fully Compliant Partially Compliant Not Compliant

Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement.

- Kathleen Bushy continues to perform the duties of Internal Control Officer.

4. Implement education and training efforts to ensure that officers and employees have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques.

Agencies and authorities should identify staff requiring internal control training and the depth and content of that training. Such education and training should be on-going with specific courses directed at line staff, middle managers and executive management. For organizations that have established internal audit functions, training and education should be offered on the appropriate role of the internal auditor within the organization's internal control system.

For this requirement, the agency/authority is:

Fully Compliant Partially Compliant Not Compliant

Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement.

- Tom Lukacs and staff came to ORDA in summer of 2008, and gave an excellent presentation on internal controls. This refresher helped managers understand the importance of an internal control program.
- A new method of testing was introduced in the Marketing and Communications Department, whereby each employee was given a questionnaire that asked how things could be improved in their department (limit two), and in the organization. This practice not only gave the manager material for internal control testing, but also boosted the moral of the staff.

5. Periodically evaluate the need for an internal audit (IA) function. If an IA function exists, it should be maintained in compliance with generally accepted professional auditing standards. Agencies on the Division of the Budget's list of agencies required to establish IA

functions – and those choosing to have an IA function – are required to comply with The Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing* (see BPRM Item B-350 Section III “IA Responsibilities”).

As outlined in BPRM Item B-350, agencies and authorities are required to periodically evaluate the need to establish, maintain or modify an IA function utilizing the *Internal Audit Evaluation Criteria* (Attachment C).

Agencies concluding that an IA function is warranted should submit their evaluation to DOB as outlined in BPRM Item B-350. Periodically thereafter, agencies with IA functions should review current operations to determine whether the function should be altered or maintained.

Agencies concluding an IA function is not warranted should periodically reevaluate the need for such a function using Attachment C, especially when organizational, operating, fiscal, program, legal, or personnel changes occur which affect the agency’s exposure to risk or which could otherwise change the results of the initial assessment.

Pursuant to BPRM Item B-350, agencies required to have – and those entities choosing to have – an internal audit unit should comply with The Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*. Therefore, IA units should comply with the guidance outlined below regarding organizational placement, independence and reporting.

1. Directors of Internal Audit (DIA) should report functionally to the agency head or audit committee and may report administratively to the designated executive deputy (or equivalent position). If the executive deputy has line or staff duties, the DIA should report directly to the agency head.
2. A current organizational chart should be available that identifies the placement of the IA unit, the individual that has responsibility for overseeing the internal audit activity, and other organizations/activities under its purview.
3. The IA function should be independent of the ICO, but should work closely with the ICO. Limitations should be established on IC activities where those duties overlap. Agencies should identify impairments to the independence of the DIA that may be created where the DIA is performing the ICO function. Furthermore, IA units should not assume operating responsibilities, perform management functions, make management decisions or assume other monitoring roles (e.g., Information Security Officer).
4. Internal audit staff should complete an annual independence statement identifying actual/potential impairments to independence and notifying the DIA whenever a new actual/potential impairment arises.
5. At a minimum, DIAs should hold quarterly meetings with agency executive management and the audit committee, where applicable, to report on audit results. Final reports should be distributed to the agency head, executive deputy, auditee, ICO, and the audit committee.
6. The DIA should assure that agency audit staff have the skills, knowledge and ability to perform the audit work required, and that the size of the audit staff is appropriate given the size and complexity of the organization.

7. IA units should take steps to ensure sufficient audit resources are available given the size and complexity of the organization. This can be accomplished by exploring in-sourcing, outsourcing and sharing audit services.

For this requirement, the agency/authority is:

Not Applicable – This agency/authority does not have an IA function.

Fully Compliant

Partially Compliant

Not Compliant

Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement by providing the following information:

1. A current organizational chart identifying the placement of the IA unit, the name and title of the IA director, other organizations/activities under the IA function's purview and the name and title of the person to whom the IA director reports.
2. A description of how the internal audit director's credentials, education and experience meets the minimum qualifications established in BPRM Item B-350.
3. A description of how continuing professional education requirements are met by the director and each staff member.
4. A description of how quality assurance review requirements are being met.
5. A description of how the IA function ensures that it does not compromise its independence if it is also responsible for other functions (i.e., internal control, information security or other duties).

2008-09 INTERNAL CONTROL CERTIFICATION

Olympic Regional Development Authority

Agency/Authority Name

Ted Blazer, President/CEO ~ Joe Martens, Chairman, ORDA Board

Agency Head/Chairperson Governing Board

2634 Main Street

518-523-1655

Agency/Authority Address

Telephone Number

Kathleen R Bushy, Director of Finance

518-523-1655

Name of Internal Control Officer
Telephone Number

bushy@orda.org

Email Address of Internal Control Officer

I hereby certify the agency or authority is:

- Fully Compliant (Full compliance with all provisions)**
- Partially Compliant (Partial compliance with some or all provisions)**
- Not Compliant (Noncompliance with all provisions)**

With the New York State Governmental Accountability, Audit and Internal Control Act.

This certification is supported with detailed justification of actions taken and/or outlines specific actions needed to address areas of partial compliance or noncompliance as described in the preceding Internal Control Summary.

Signature/Agency Head or Chairperson Governing Board Date