

Assessment of Effectiveness of Internal Controls
New York State PARIS Reporting System for 2014

Upon assuming the role of Chief Financial Officer on July 1, 2014 I evaluated the internal control environment, the tone at the top of the Finance function as well as the structure and operation of controls related to the safeguarding of assets and the integrity of financial reporting and other matters at that date and prospectively for the year ending December 31, 2014. This evaluation included inquiry of various members of the Executive Leadership Team, the staff assigned to key functions within the Finance function and its various cycles, the Independent External Audit firm and others.

The results of this assessment indicated that, in general, the existing system of internal controls is adequate to process routine transactions and safeguard assets of the Corporation. However, there were areas in which internal control over monthly financial reporting could be enhanced. Further, various process improvement opportunities were identified that could be pursued to streamline and/or enhance existing management processes, as well as potentially strengthen internal controls. Accordingly, a series of recommendations were developed that are further discussed below. The internal control related improvement opportunities identified can be classified, pursuant to AICPA audit standards, as control deficiencies and do not constitute a significant deficiency or material weakness in internal control over financial reporting. In addition, this assessment and its recommendations were shared with the Audit Committee of the Board. The recommendations included the following: the development of an RFP process that would lead to the engagement of a qualified firm to perform internal audit services; the immediate engagement of the existing independent audit firm to perform additional procedures pertaining to certain known or suspected internal control weaknesses involving monthly financial reporting; and the development of a series of recommendations to improve internal controls over financial reporting and other management activities enhancing internal control and the control environment in general.

The internal audit RFP was issued, responses received and a contract awarded for internal audit services with the first required deliverable being the development of an enterprise wide risk assessment to be followed by work with the Audit Committee in developing an annual audit plan in response to the risks identified. The independent external audit firm performed additional procedures and reported their findings and recommendations to the Audit Committee of the Board including the development of a tracking tool to be used to catalog the findings, prioritize remediation actions and assign responsibility for resolution. . Management has developed a remediation plan and is in process of implementing that action plan with regular reporting regarding progress against that action plan to the Audit Committee of the Board.

Respectfully submitted

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Chief Financial Officer