

2009-10 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, 2010**, 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.

Hudson River-Black River

Regulating District	03312010	Richard J. Ferrara	465-3491
Agency Name	Date	Completed by (Name)	Phone

A. 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;

The Regulating District's Executive Director (ED) formally communicates to District staff the importance of an effective internal controls program during specific gatherings during the year. The ED communicates annually during the District's "all employee" training day function. The ED also includes a "standing" monthly agenda item on the District's senior staff meeting to discuss I/C status and activities. Progress of the program certification effort is the primary topic of discussion. To that end, all Senior Staff is involved in the ongoing effectiveness of the program. Internal Controls is discussed during all Board meeting.

2. Identify the agency's primary responsibilities and the objectives;

The mission of the Hudson River-Black River Regulating District is to regulate the flows of the Hudson River and Black River for the purposes of flood protection and flow augmentation.

The Regulating District accomplishes its mission by:

- At Great Sacandaga Lake, providing flood protection and low flow augmentation through reservoir releases in accordance with the [Upper Hudson/Sacandaga Offer of Settlement](#)

- At Indian Lake, Stillwater Reservoir, Old Forge and Sixth Lake, providing storage during periods of high flow and augmenting flows during periods of low flow
- Operating a data-gathering system for precipitation, stream flow, snow depth and flood conditions
- Providing the public with information pertinent to its mission
- Operating and maintaining facilities
- Maintaining a sound financial status for Regulating District operations
- Managing the lands of the State of New York under the Regulating District's jurisdiction
- Promulgating rules and regulations necessary to fulfilling its mission.

3. Explain how internal controls are organized and managed;

IC's are organized and managed around Assessable Units – see attached Visio Flow Chart exhibits

4. Define responsibilities of agency management and supervisors and agency staff;

The Board Chairman is the District's Agency Head. The Executive Director carries out the Board's directives. The Chief Fiscal Officer is the District's Internal Controls Officer. The two (2) Watershed Area Administrators are the responsible supervisors for their respective watersheds. They have primary oversight/responsibilities for many of the Assessable Units and associated functions as defined on the attached documents. Key agency staff at each office play a critical role in the formal process mapping of each function and are the process owners.

5. Acknowledge that internal controls adhere to accepted standards; and,

The District's internal controls are being developed around the standards as delineated in the Standards for Internal Controls in New York State Government document. Additionally, the District's Independent Auditor reviews the district control programs. Accordingly, internal controls do conform to accepted standards.

6. Describe the organization's process for evaluating internal controls.

The District's process for evaluating internal controls focuses on the mission of the organization, and this mission is kept in mind when evaluating the need and appropriateness of specific internal control practices.

More specifically, the I/C Officer works with the respective area administrator's and process owners in an effort to verify that critical process controls are in place and being followed. This is accomplished by way of interview, documentation review and audit.

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.

The District initiated a comprehensive review of all mission related activities by first assessing their inherent risks, determining the existence of a substantial control, and whether the control was proceduralized and working.

Assessable Units were developed by major organizational area. Each function was indentified, described, and assessed for risk level.

Process maps were developed to augment control activities.

- B. 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:

1. Identify and clearly document the primary operating responsibilities (functions) of the agency or authority;

The District initiated and completed an Internal Control Assessment by Assessable Unit whereby each unit identified their primary functions, inherent risks, control process or procedure, and impact and likelihood.

2. Define the objectives of these functions so they are easily understood by staff accountable for carrying out the functions;

The District initiated and completed an effort to define and assess the objectives of all functions utilizing Function Description and Functional Assessment documents.

3. Identify/document the policies and procedures used to execute functions;

The District initiated and completed an effort to identify and document pertinent policies and procedures used to execute its functions. Where a procedure or process was not in place or poorly documented, the District utilized a DMAIC approach. The DMAIC project methodology has five phases:

- **Define** the problem, the voice of the customer, and the project goals, specifically.
- **Measure** key aspects of the current process and collect relevant data.
- **Analyze** the data to investigate and verify cause-and-effect relationships. Determine what the relationships are, and attempt to ensure that all factors have been considered. Seek out root cause of the defect under investigation.
- **Improve** or optimize the current process based upon data analysis.
- **Control** the process to ensure that any deviations from target are corrected before they result in defects.

4. Identify the major functions of each of the agency's assessable units;

The District developed Assessable Unit charts which are attached for your review.

5. Develop a process or cycle to assess risk and test controls for major functions;

The Districts IC Officer is testing on a quarterly cycle for its Black River Area and Hudson River Area operations and on a bi-annual cycle for its Administrative office in Albany. Process going forward will be to test primary controls for each watershed starting with those involving financial assets.

6. Assess the risks and consequences associated with controls failing to promote the objectives of major functions;

The Districts IC Officer completed Functional Vulnerability Assessments and Function Descriptions for all primary functions. Part of that exercise included "Significant Risks" associated with each function.

7. Test controls to ensure they are working as intended (see the "Manager's Testing Guide" which can be downloaded from BPRM Item B-350);

Two (2) "major" functions were tested during the past year by utilizing an interview and sampling testing approach. Those included the District's Access Permit System New/renewal application process and the Black River Area voucher processing. Results are attached.

8. Institute a centrally monitored process to document, monitor and report deficiencies and corrective actions.

District utilizes Function Assessment & Corrective Action Plan document to monitor and identify deficiencies and corrective actions. It documents the Function reviewed, significant risks, adverse effects, likelihood of occurrence, principal control activity, proposed action to reduce adverse occurrence, responsible person and completion date.

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 Districts ICO reviews all pertinent internal controls by Assessable Unit. More specifically, the District's major functions were identified and assessed for risk and likelihood of occurrence. Where formal procedural documentation was missing, each responsible manager was instructed to perform process mapping efforts to establish control points and improvement opportunities.

2. List all high-risk activities and indicate which were reviewed during 2009-10.

The District's high-risk activities include; Disbursement (Voucher) Processing in both Watershed offices.

The Black River Area Accounts Payable (Voucher Processing) was reviewed by way of interview and sampling of transactions.

3. Identify the significant deficiencies revealed during the 2009-10 review process. Outline the actions taken, or planned, to eliminate deficiencies, highlighting the most important improvements made during the year.

As a result of reviews of the Access Permit System new/renewal process, a process improvement was noted and implemented.

More specifically, the filing of daily check logs should include the daily deposit slips which had been filed separately.

In the Black River Area, no significant deficiencies were reported.

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.

Following the identification of corrective action to be taken, the function requiring corrective action and due date are noted on the applicable Visio chart. At this time, the ICO verifies the implementation of corrective action(s) and the control activity to assure the action remains effective.

District is utilizing several Microsoft system software products to assist in the overall tracking and monitoring of IC corrective actions. They include for the most part, Visio, Word and Excel.

5. Summarize specific actions the agency has taken to install a compliance testing program. Describe actions taken during 2009-10 to verify test results and expand the testing program.

The District performed a transactional “random sampling” audit approach to review the Access Permit System application process and the Black River Disbursement process. Results of those audits are attached.

District will continue to review/audit the highest risk functions throughout the year.

6. Describe measures instituted to sustain the effectiveness of the internal control program during 2009-10. Include information on reorganizations and other revisions in the program to enhance operations.

Given the “static” nature of the District’s overall mission and operations, efforts to sustain the effectiveness of the I/C program were limited to ongoing senior staff communications. I/C officer continues to meet with key process owners in an effort to heighten the awareness of controls in their respective areas.

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.

With specific regard to Districts effort to integrate the documentation and reporting of activities recognized as supporting a good internal control system, the District’s ICO assessed controls in each of the three

(3) principal offices during 2009-2010 utilizing assessable units documentation.

From a strategic perspective, the District has developed Board approved mission statement, operational plans, and goals that reflect its Statutory mandate.

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.

The lion's share of I/C communication is disseminated among the District's Senior Staff, Board and key process leaders. Information necessary to advance the District's IC program is disseminated as required to all employees who need it to carry out their responsibilities.

At the District's annual all employee training day, the I/C Officer provided an update on the District's annual certification and the role of each in that effort. The District will provide employee access to the certification and related I/C documentation beginning in June via the District's website.

ED issued an Internal Control Certification backdrop memo to all employees on April 12, 2010. Memo provided background information concerning the origins of the directive, key tenets of the program and principal components.

C. 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.

The District issues to each employee an Employee Policy Handbook which requires the employee to acknowledge receipt and the intent to read and understand the policies it contains. They include Substance Abuse, District Vehicle Usage, Sexual Harassment, Drug and Alcohol, Code of Ethics, and Computer Acceptable Use and Technology.

The District is currently revising union position job descriptions as part of a collective bargaining initiative. Management/Exempt job descriptions formalize the periodic issuance of a clear and concise statement of the applicable management policies and standards with which the office or employee shall be expected to adhere to in completing their work. It will include an emphasis on the importance of effective internal controls. Email and the District's website will be utilized to communicate and serve as the repository of applicable policies and procedures.

D. 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.

The Executive Director designated the District's Chief Fiscal Officer to be the Internal Controls Officer. This action was approved by Board resolution. The Chief Fiscal Officer also services as the Districts Secretary Treasurer pursuant to the Districts enabling legislation. This person is intimately familiar with the requirements established by BRPM Item B-350 and has full authority to execute and implement all of the requirements for an effective Internal Control Program. He possesses an extensive knowledge of the District's operations, personnel, and policies and procedures. His appointment has been communicated to all employees of the District.

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.

The District ICO provides monthly training to all senior staff during the District's monthly staff meeting. Staff is encouraged to attend NYSICA training events when available.

The Regulating Districts ICO attends many of the NYSICA conferences. Moreover, the ICO is most familiar with the Standards for Internal Controls and has been formerly trained in Six Sigma. The Executive Director has identified the balance of the Senior Staff as the initial staff requiring IC training. That Staff includes all managers of the Districts Assessable Units.

The Districts ultimate goal is to have all Sr. Staff attend formal IC training. In the intervening time, all staff will continue to familiarize themselves with the Standards.

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). **Completed and attached**

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.

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.

5. 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.
6. 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).
6. A copy of your 2009-10 and 2010-11 internal and contract audit plans. (Please note: Dennis Whalen's memo of April 1, 2009 called on internal audit units to include the impact of Federal American Recovery and Reinvestment Act (ARRA) funding in their risk assessment and audit planning. If your agency is receiving ARRA funds, please be sure that your 2010-11 internal audit plan addresses this issue.)

7. Documentation pertaining to the risk-assessment utilized in formulating the 2010-11 audit plans.
8. An indication of which audits in the audit plan for FY 2009-10 were not conducted, and an explanation as to why they were not conducted.
9. An estimate of the cost savings to be achieved by virtue of implementing the recommendations contained in each conducted audit described in the FY 2009-10 audit plans and any audits that were conducted during that time period that were not in the audit plan. If it is not feasible to provide a cost estimate for savings, please identify process improvements, risk mitigation, fraud prevention or cost avoidance measures that result from implementation of such recommendations.
10. Identify the recommendations contained in the audits described in the FY 2009-10 audit plans that were not implemented, if any, and provide a full explanation why they were not implemented.
11. Identify the recommendations contained in final audits issued by the Office of State Comptroller between July 1, 2008 and March 31, 2010 that were not implemented, if any, and provide a full explanation why they were not implemented.

The Governor's Office of Taxpayer Accountability (OTA) and the Division of the Budget (DOB) will be conducting a review of these State agency and authority internal and contract audit plans and audit recommendations to assess (i) whether the audit plans are based on a documented risk assessment which captures areas for review that have the greatest risk exposure, (ii) the percentage of audits identified in each audit plan that were conducted, (iii) whether recommendations contained in audits were implemented, and any reasons for non-implementation, and (iv) cost savings and other benefits attributable to the audits. In addition, the OTA and DOB will assess whether recommendations contained in audits conducted by the Office of the State Comptroller were implemented, and any reasons for non-implementation.

2009-10 INTERNAL CONTROL CERTIFICATION

Hudson River-Black River Regulating District

Agency/Authority Name

Philip W. Klein

Agency Head/Chairperson Governing Board

350 Northern Boulevard, Albany, NY 12204

Agency/Authority Address

518-465-3491

Telephone Number

Richard J. Ferrara

Name of Internal Control Officer

518-465-3491

Telephone Number

rferrara@hrbrrd.com

Email Address of Internal Control Officer

I hereby certify the agency or authority is:

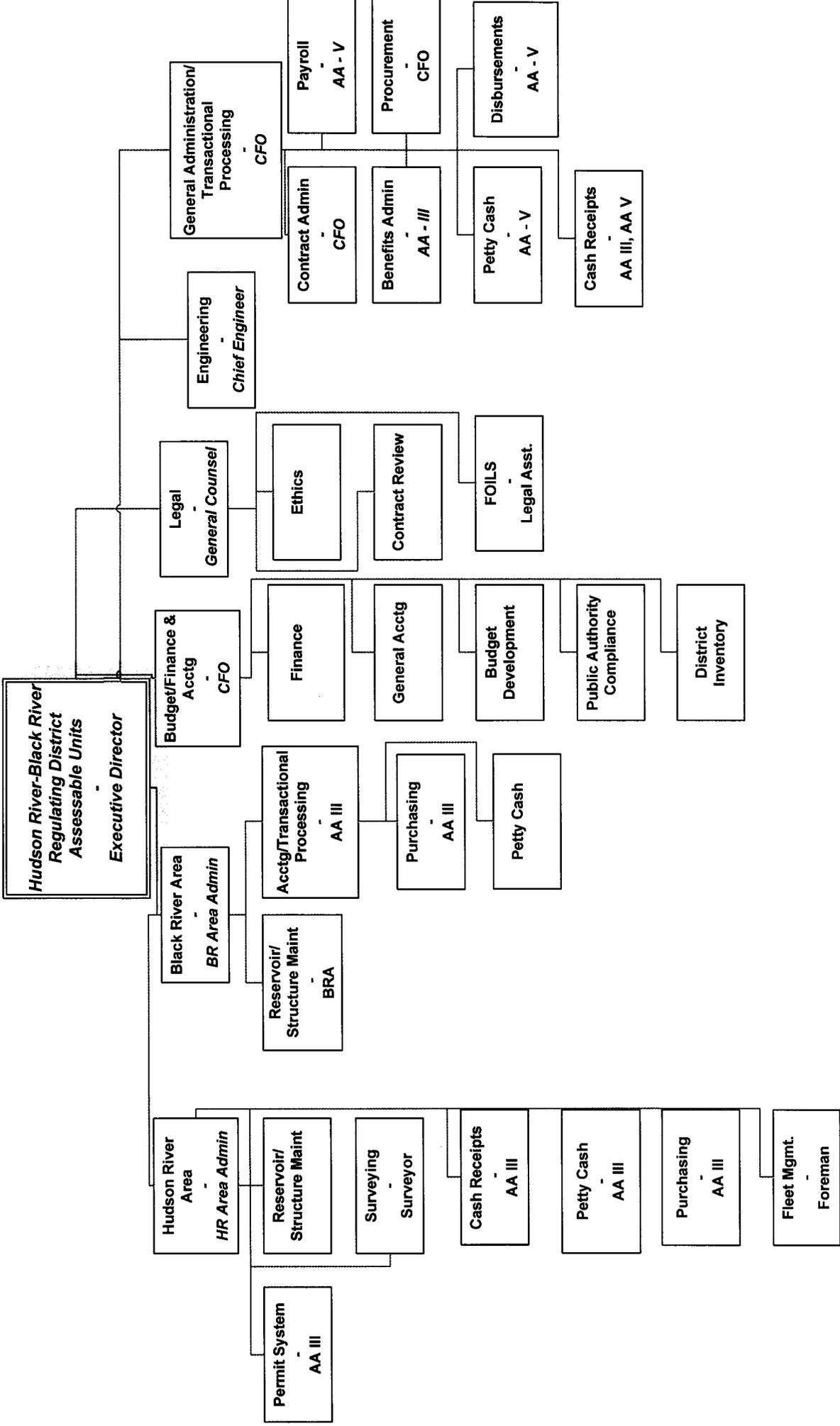
- Fully Compliant (Full compliance with all provisions)**
- Partially Compliant (Partial compliance with some or all provisions)**
- Not Compliant (Noncompliance with all provisions)**

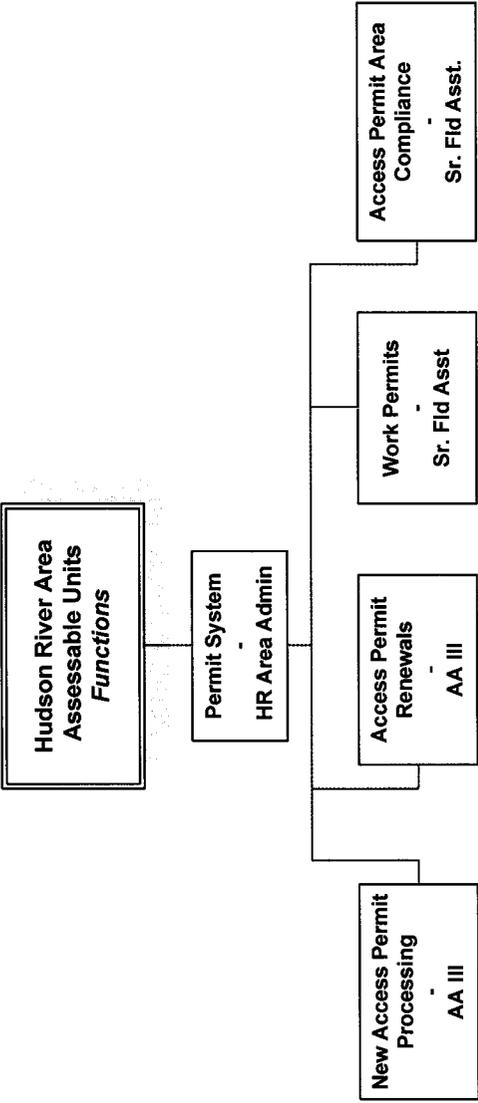
With the New York State Governmental Accountability, Audit and Internal Control Act.

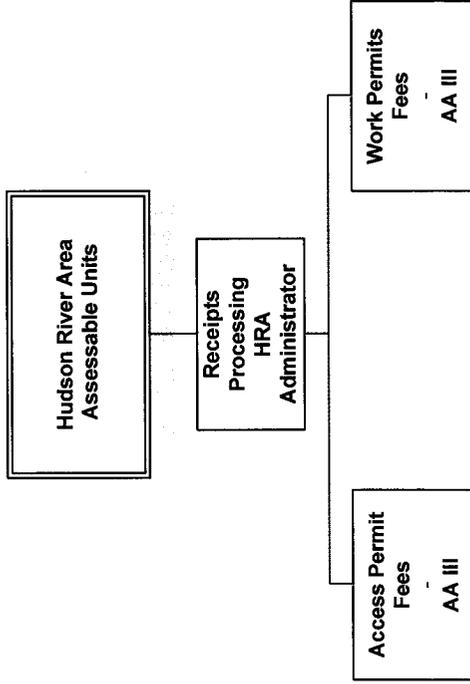
This certification is supported with detailed justification of actions taken and/or outlines specific actions needed to address areas of partial compliance or noncompliance as described in the preceding Internal Control Summary.

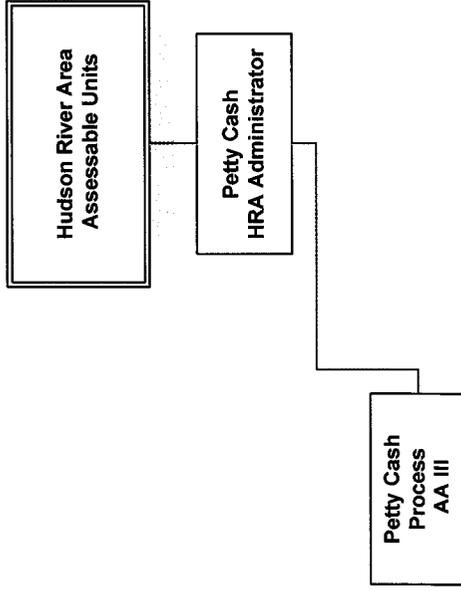
Signature/Agency Head or Chairperson of Governing Board

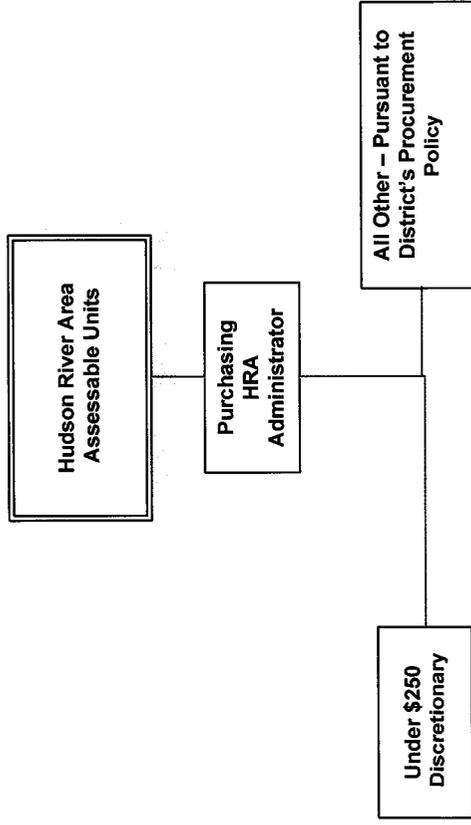
Date

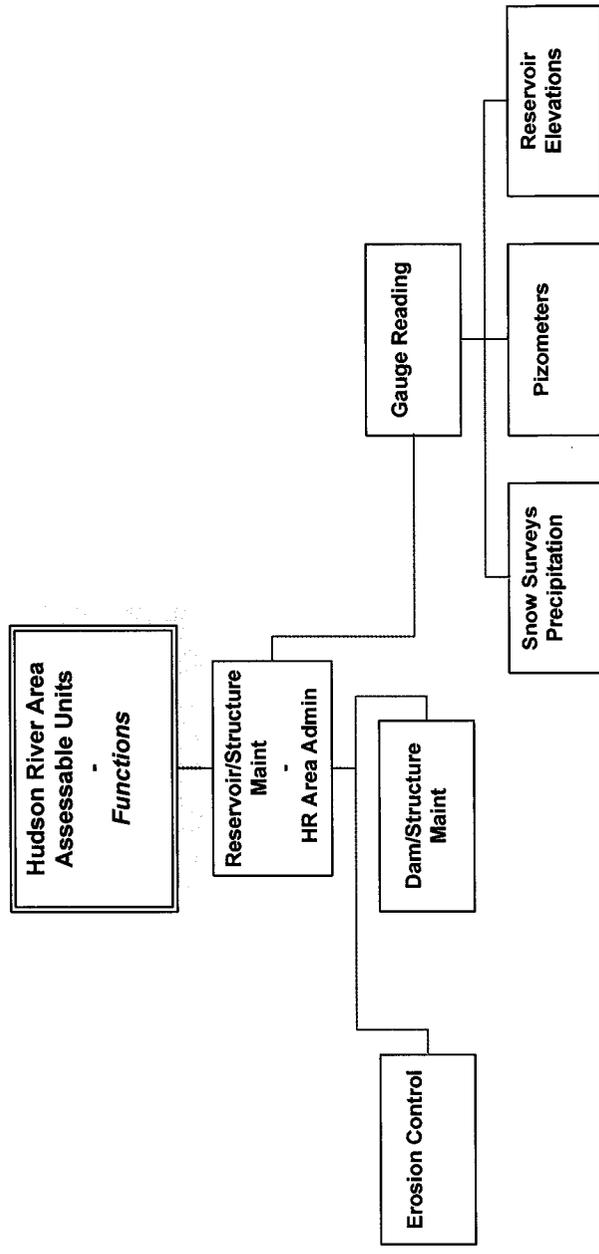


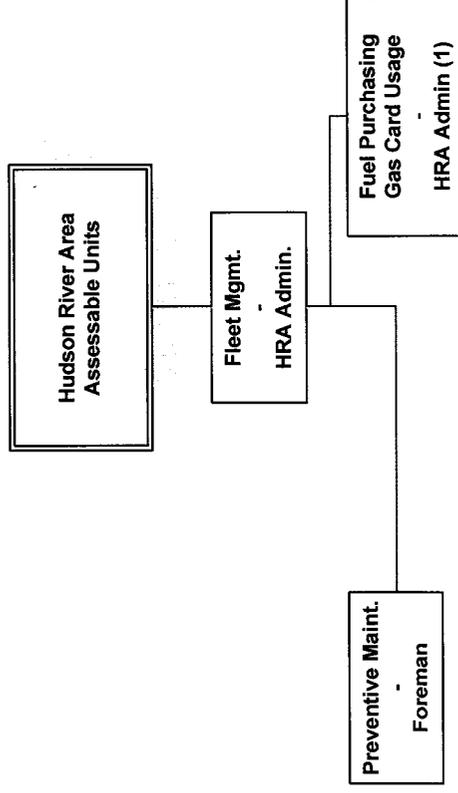




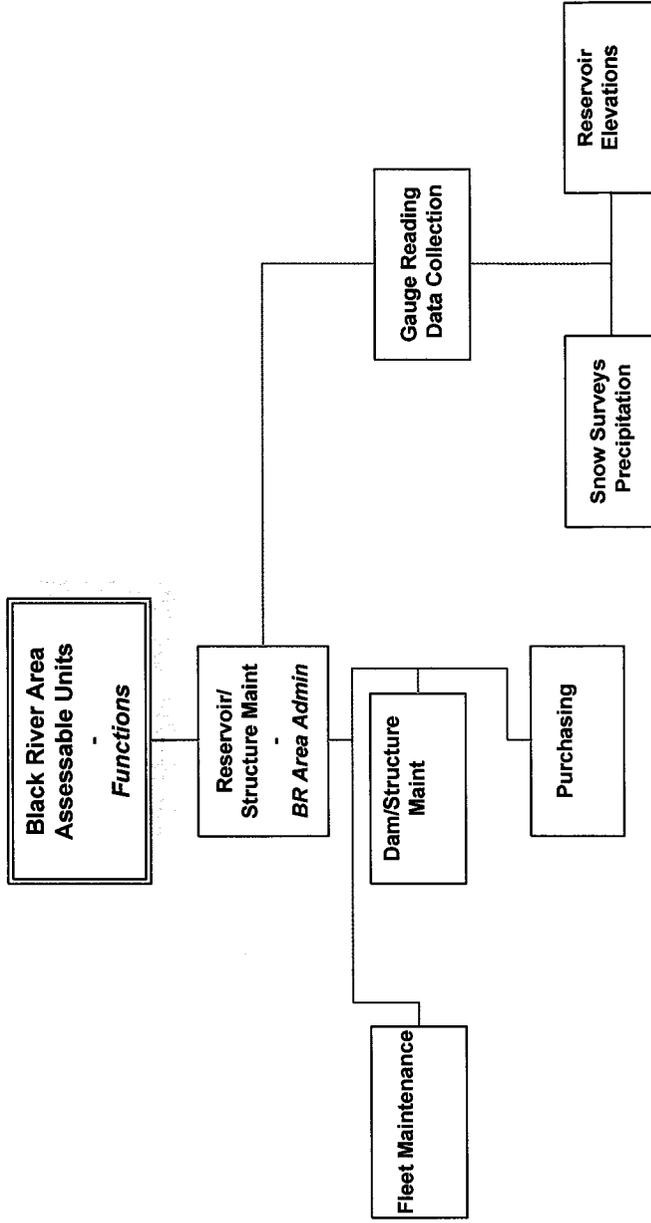


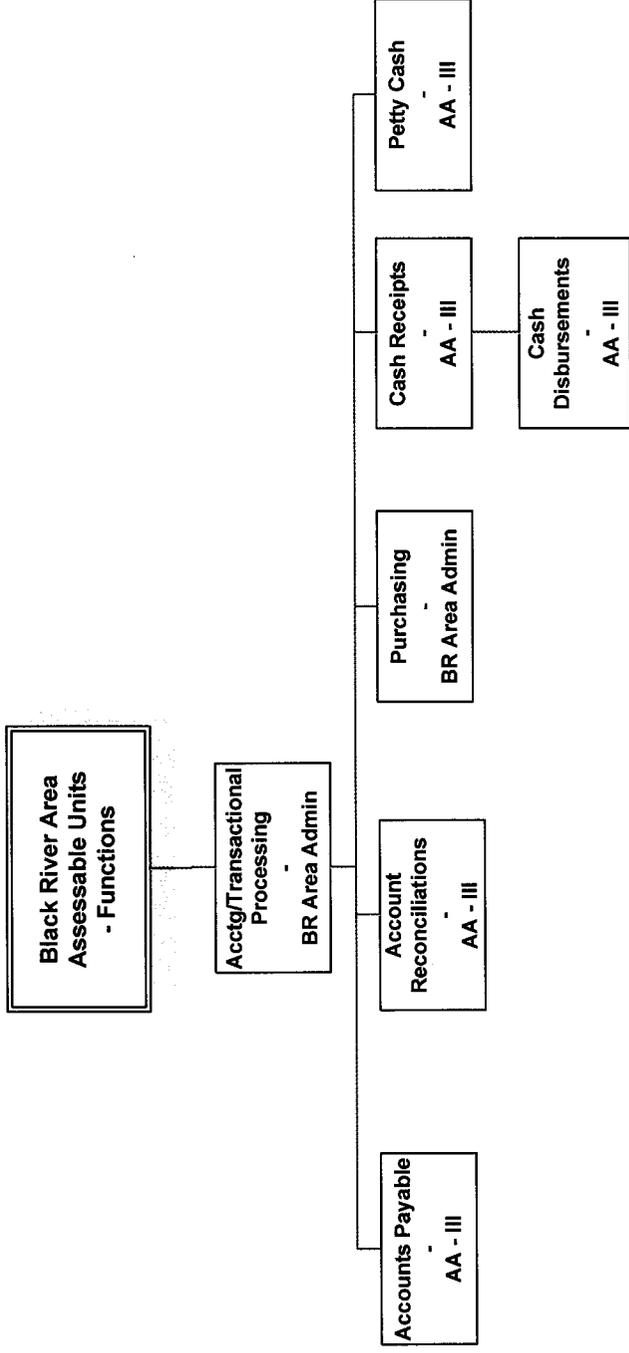


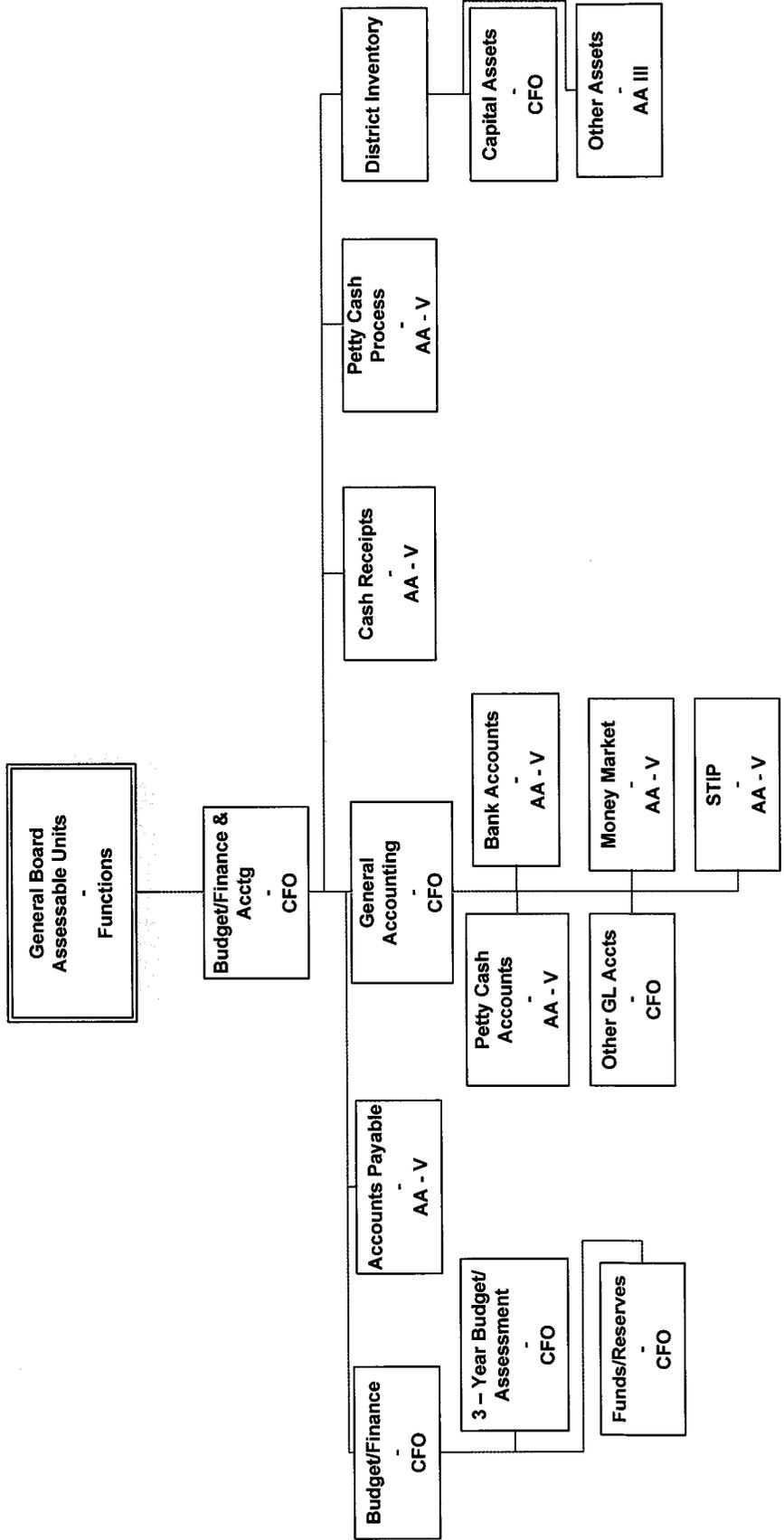


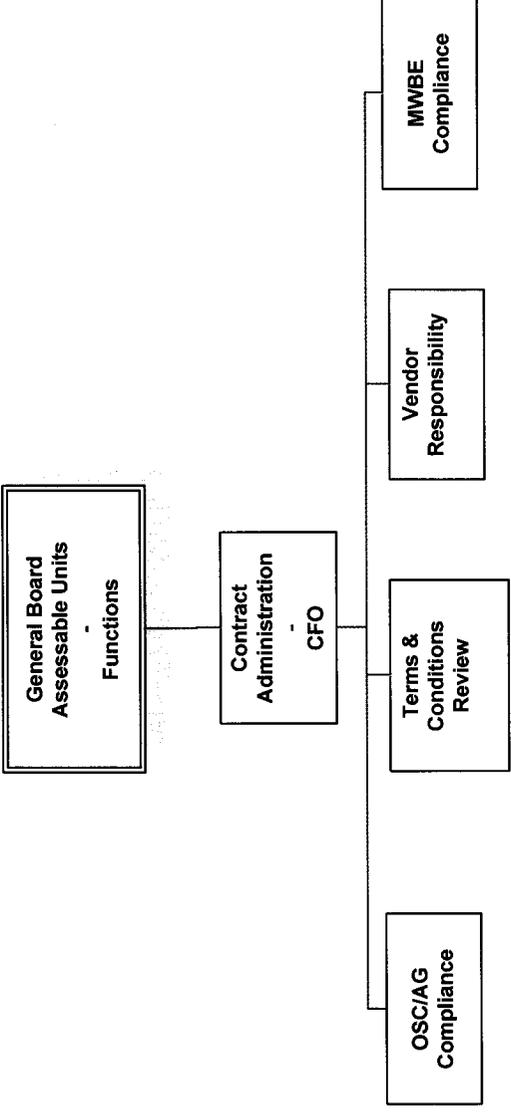


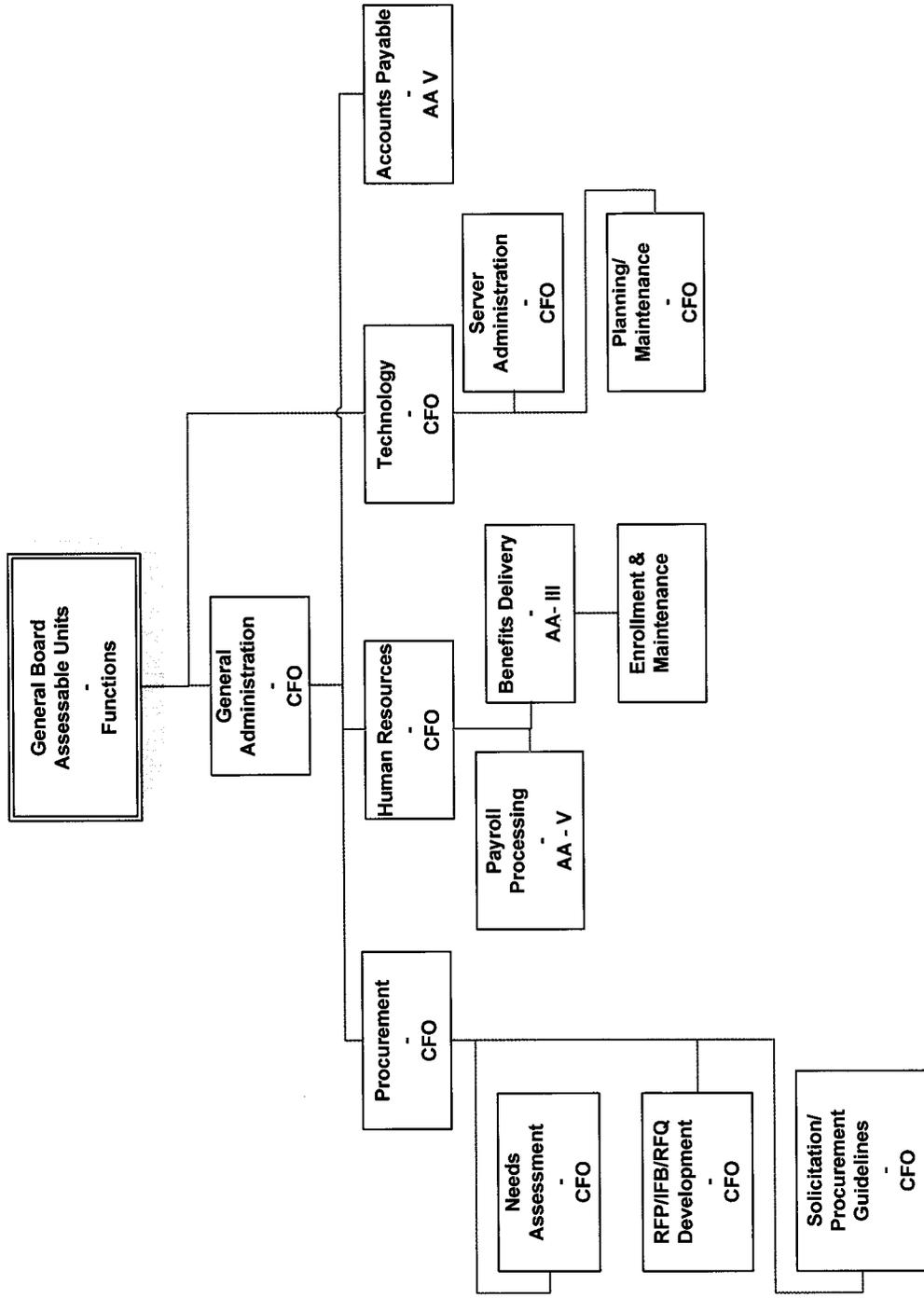
- (1) Following review of fuel cards being used District wide, vendor specific cards were cancelled for fewer "universal" fleet cards.
- Reduced number of cards
 - Reduced number of vendor payable transactions
 - Reduced risk of misuse

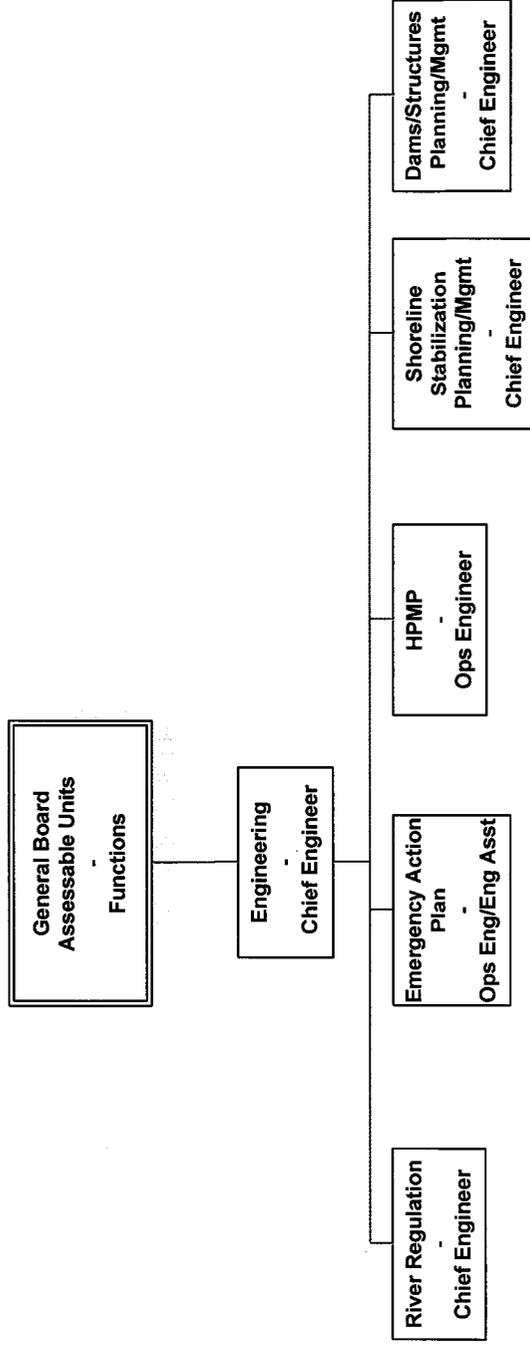


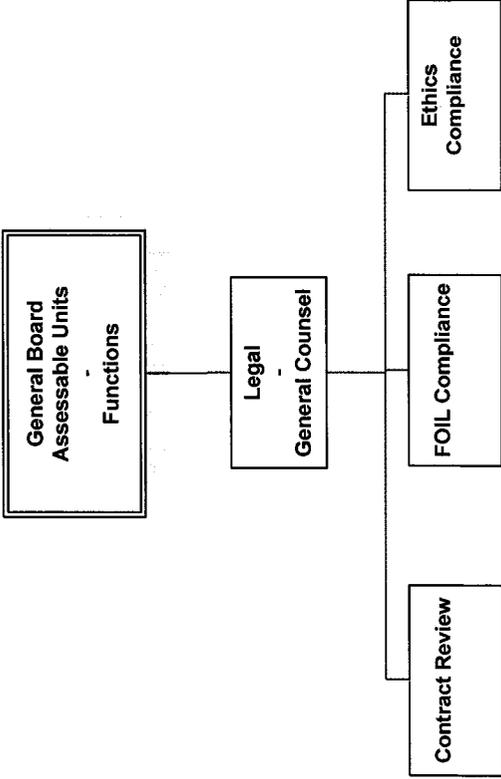




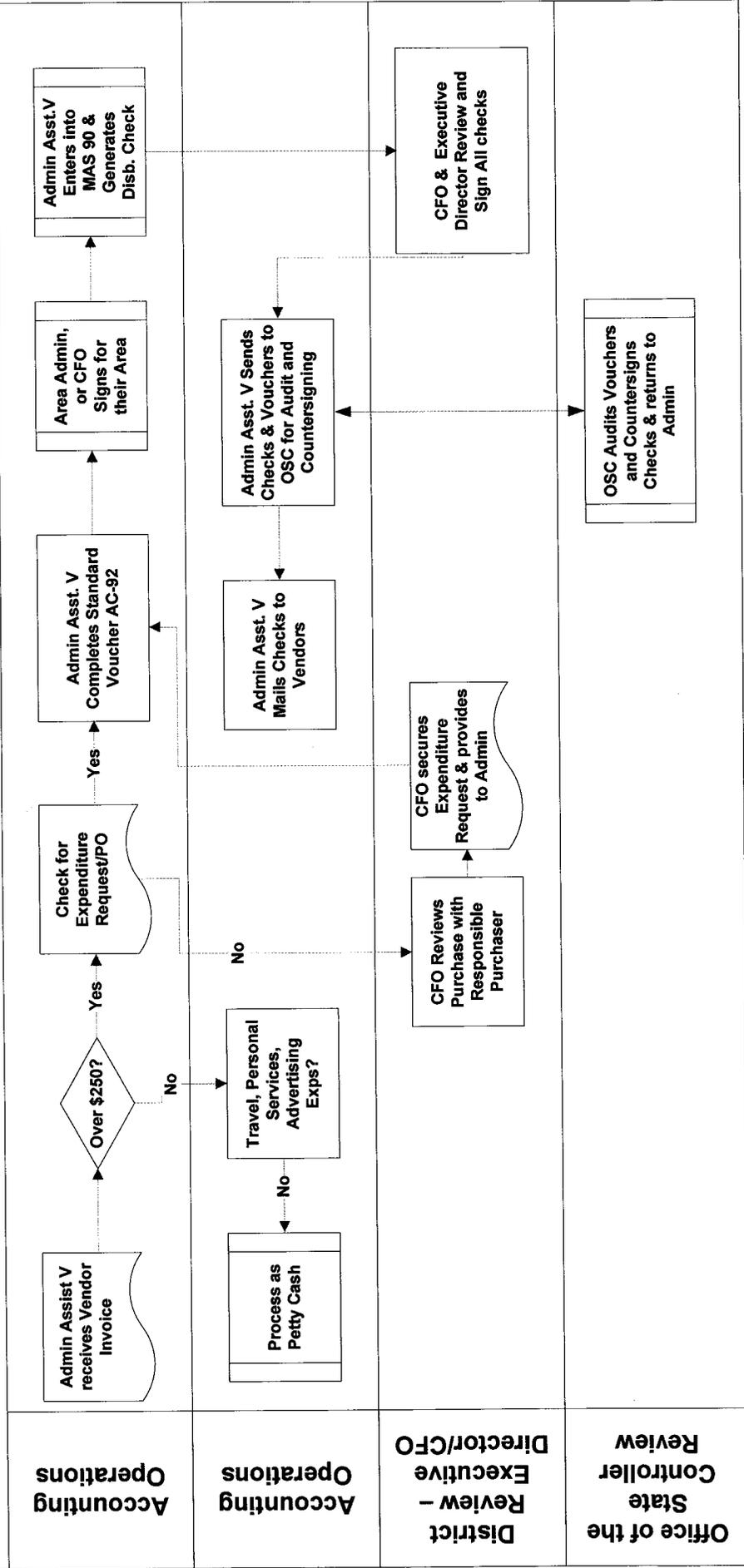






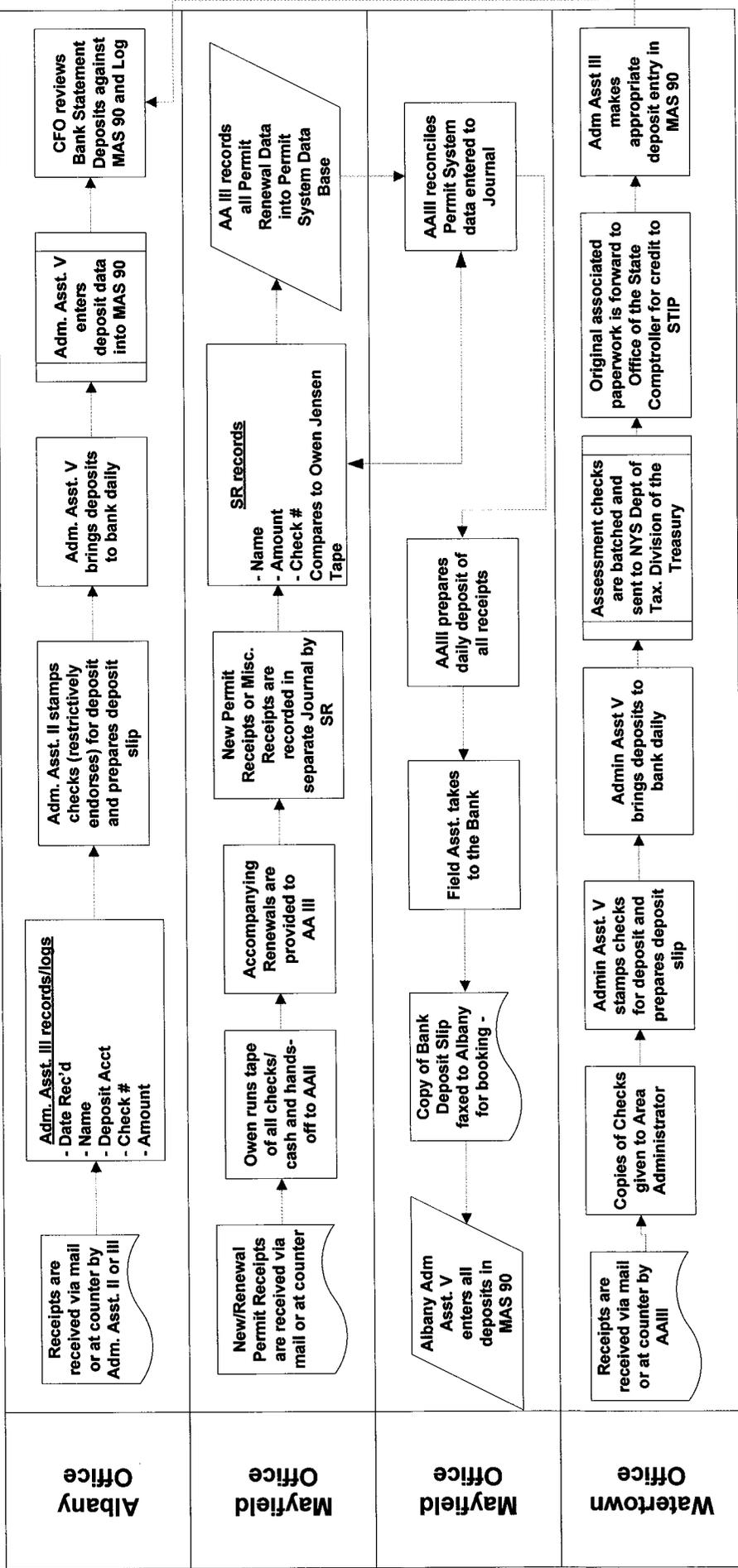


Vendor Payment Process Flow Diagram – OSC Required Standard Voucher Process

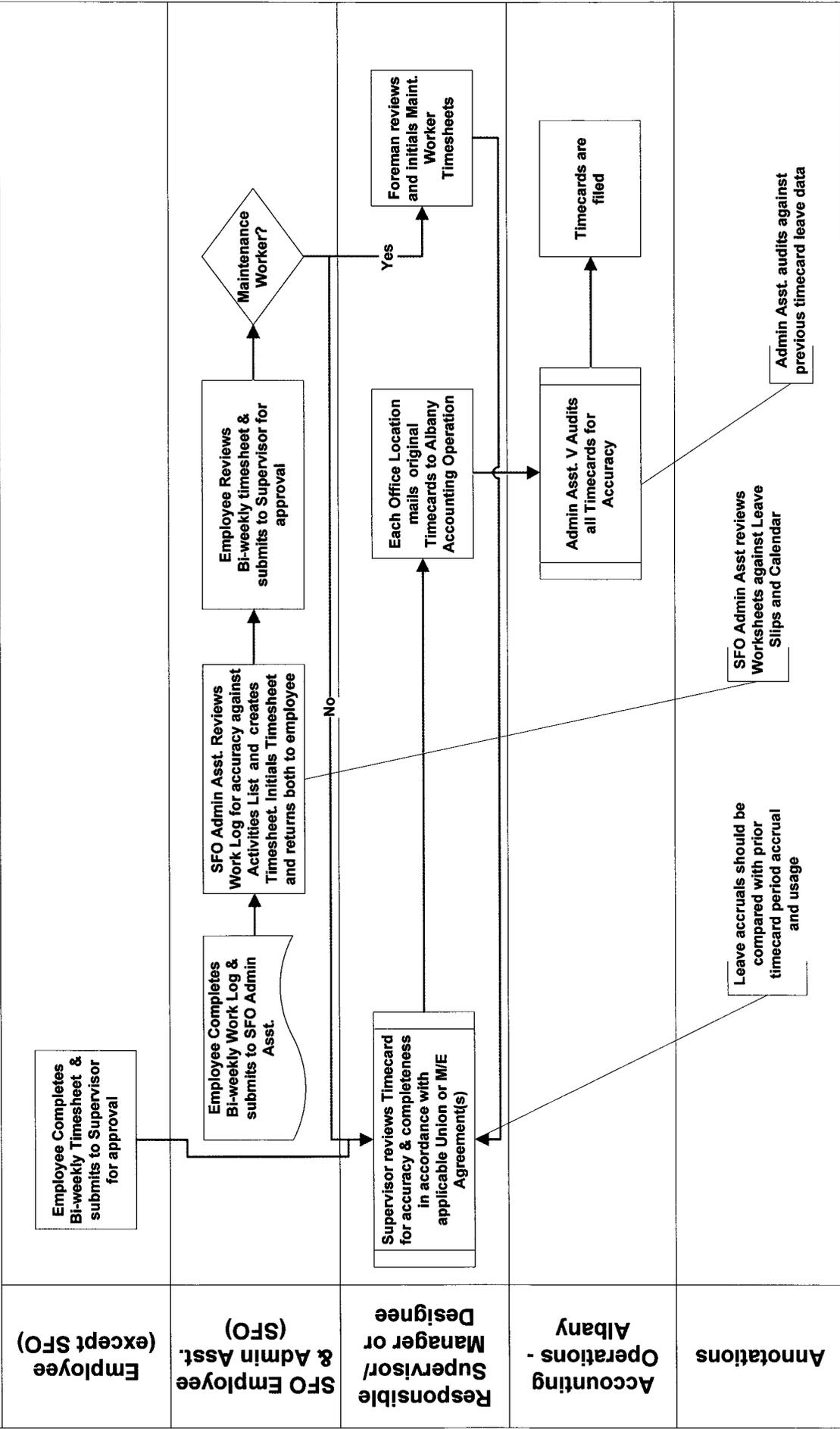


- AES – Architectural, Engineering, & Surveying Services
- OGS – Office of General Services
- AG – Attorney General
- OSC – Office of the State Comptroller
- RFP – Request for Proposal
- IFB – Invitation for Bid
- RFQ – Request for Qualification
- DPO – District Procurement Officer
- QV – Qualified Vendor
- CFO – Chief Fiscal Officer
- ED – Executive Director
- CE – Chief Engineer
- OPE – Operations Engineer
- RD – Regulating District

Cash/Check Receipts Procedure – Albany/Mayfield/Watertown



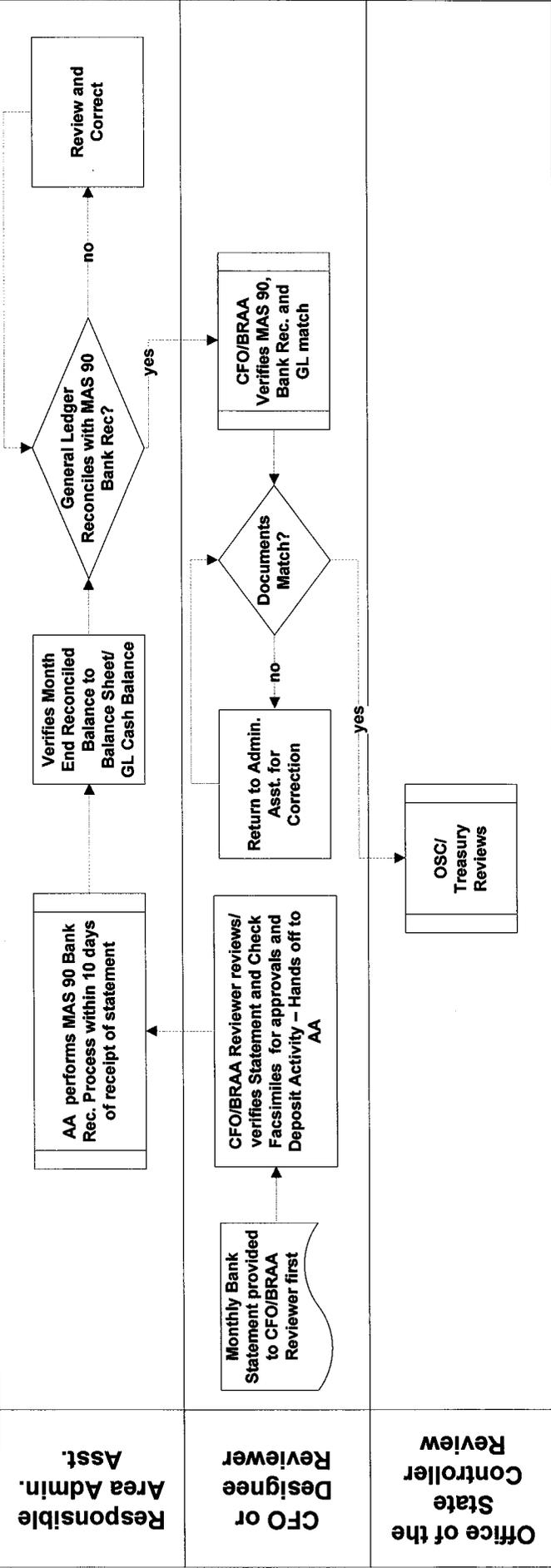
Timecard Reporting, Audit, and Approval Procedure



SFO Employee Daily Work Report: Details activity, hours, by day
 SFO Worksheet (timesheet): Bi-weekly timesheet provided to Admin for review and data entry

Activities Listing: Detailed listing of chargeable Reservoir Maintenance, Operations, Permit System and Administrative Activities

Bank Reconciliation Process



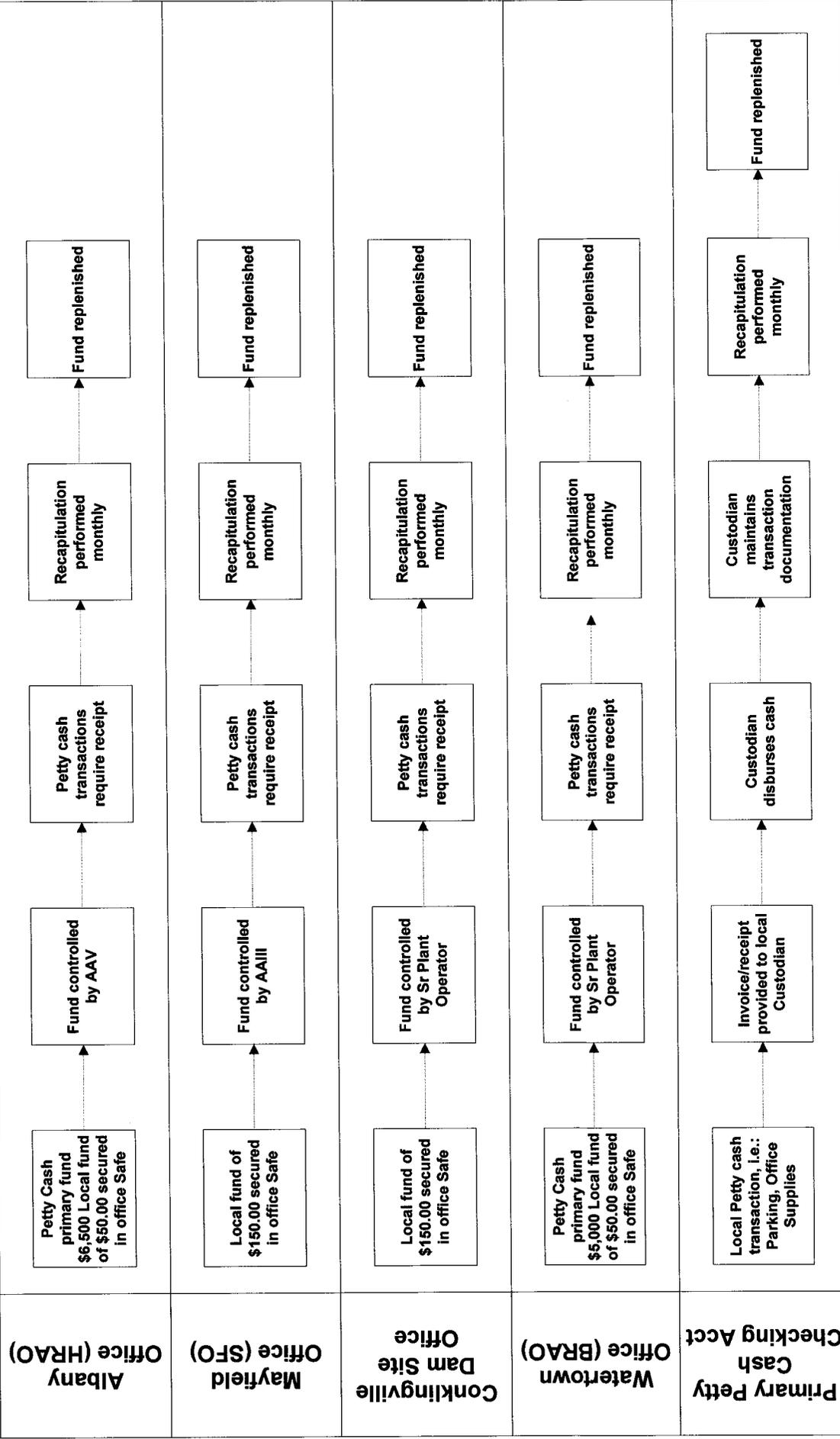
Responsible Area Admin. Asst.

CFO or Reviewer Designee

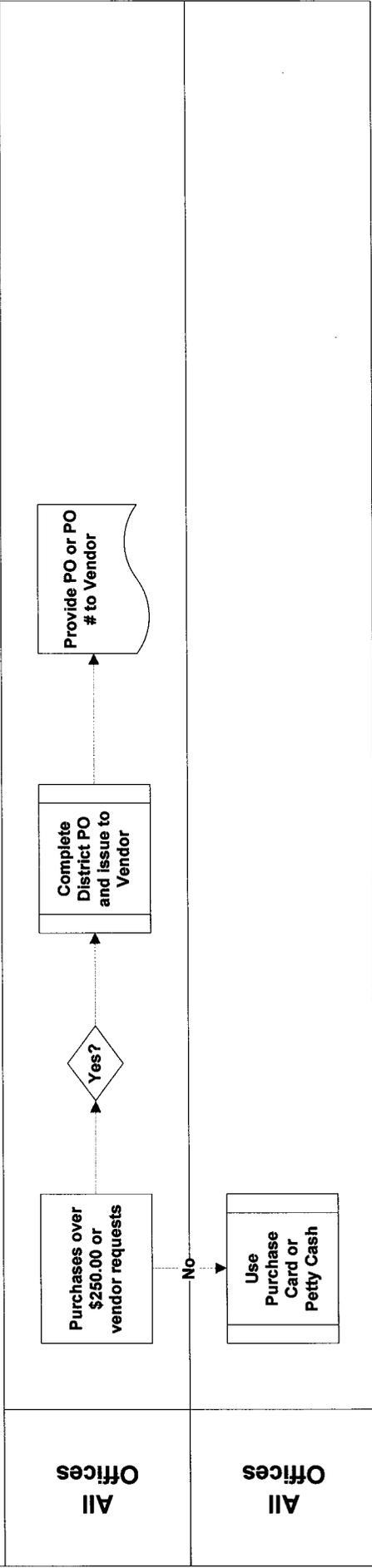
Office of the State Controller Review

CFO – Chief Fiscal Officer
 BRAA – Black River Area Administrator
 AA – Administrative Assistant

Petty Cash & "Local" Funds - Routines



Purchase Order Protocol



All
Offices

All
Offices

Balance Sheet - Reconciliations

District
CFO

CFO Reviews
District Balance
Sheets monthly

Verifies Account
Balances against GL
Transaction Register

Prints
Balance
Sheet for
each
Watershed

Becomes Part of
Monthly Financial
Reports

SFO Activities Time Recording, Tracking and Related Reporting

SFO Employee & Admin Asst. (SFO)

Employee Completes Bi-weekly Daily Work Report & Worksheet. Submits to SFO Admin Asst.

SFO Admin Asst. Reviews Daily Work Report and Worksheet for accuracy against Activities List.

Enters data into Permit System Timesheet Costing Excel Spreadsheet

Accounting - Albany Operations

Supervisor reviews Timecard for accuracy & completeness in accordance with applicable Union or M/E Agreement(s)

Each Office Location mails original Timecards to Albany Accounting Operation

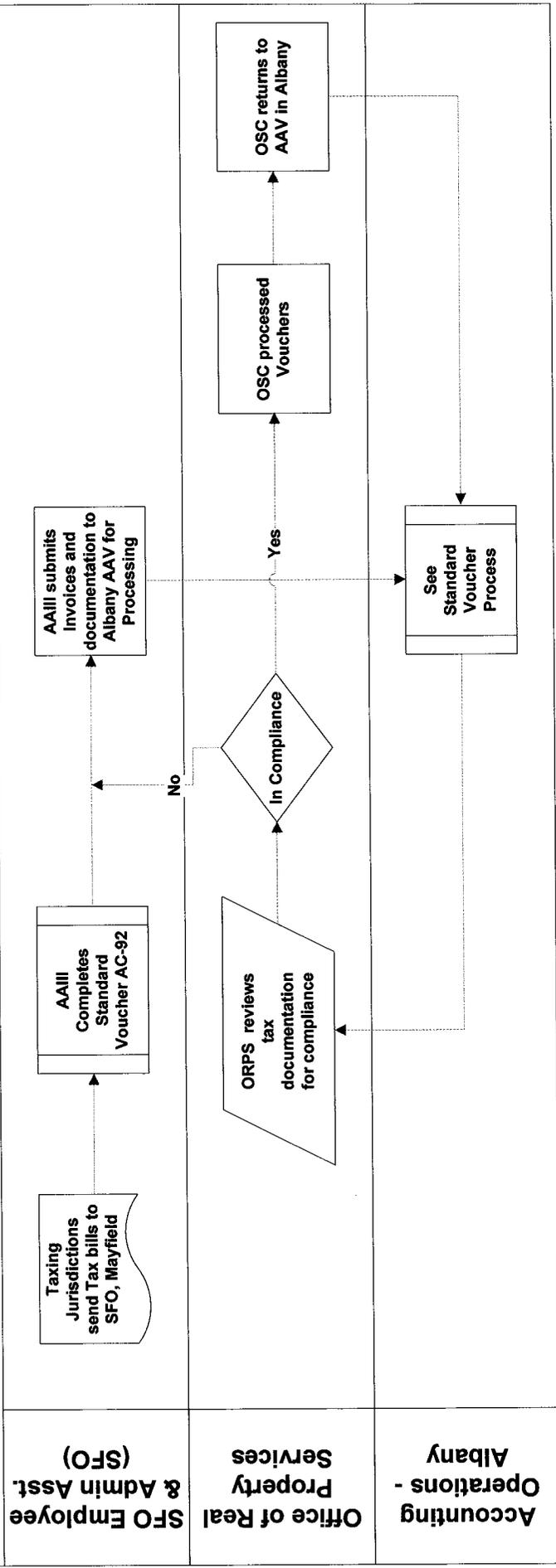
Foreman reviews and initials Maint. Worker Timesheets

Admin Asst. V Audits all Timecards for Accuracy

Timecards are filed

- SFO Employee Daily Work Report: Details activity, hours, by day
- SFO Worksheet (timesheet): Bi-weekly timesheet provided to Admin for review and data entry
- Activities Listing: Detailed listing of chargeable Reservoir Maintenance, Operations, Permit System and Administrative Activities

Property & School Tax Invoice Processing

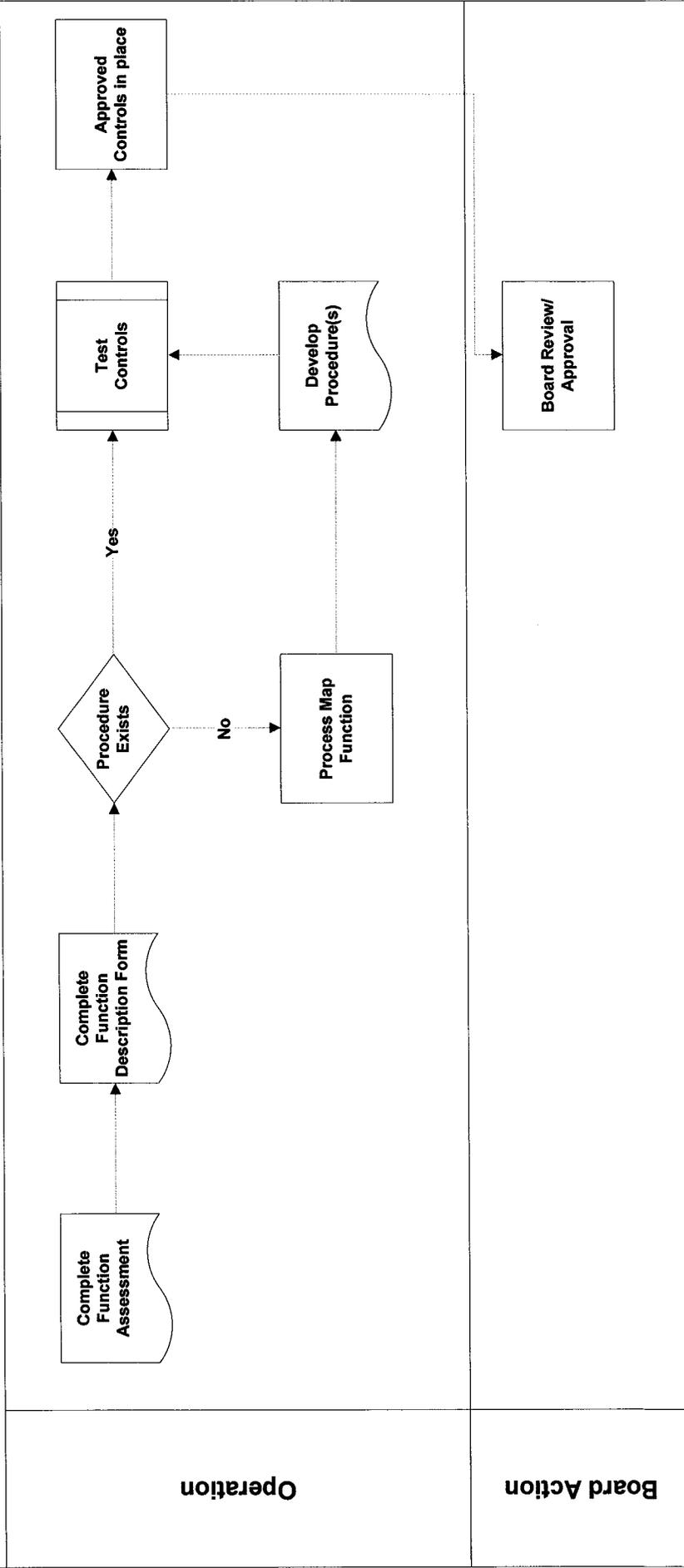


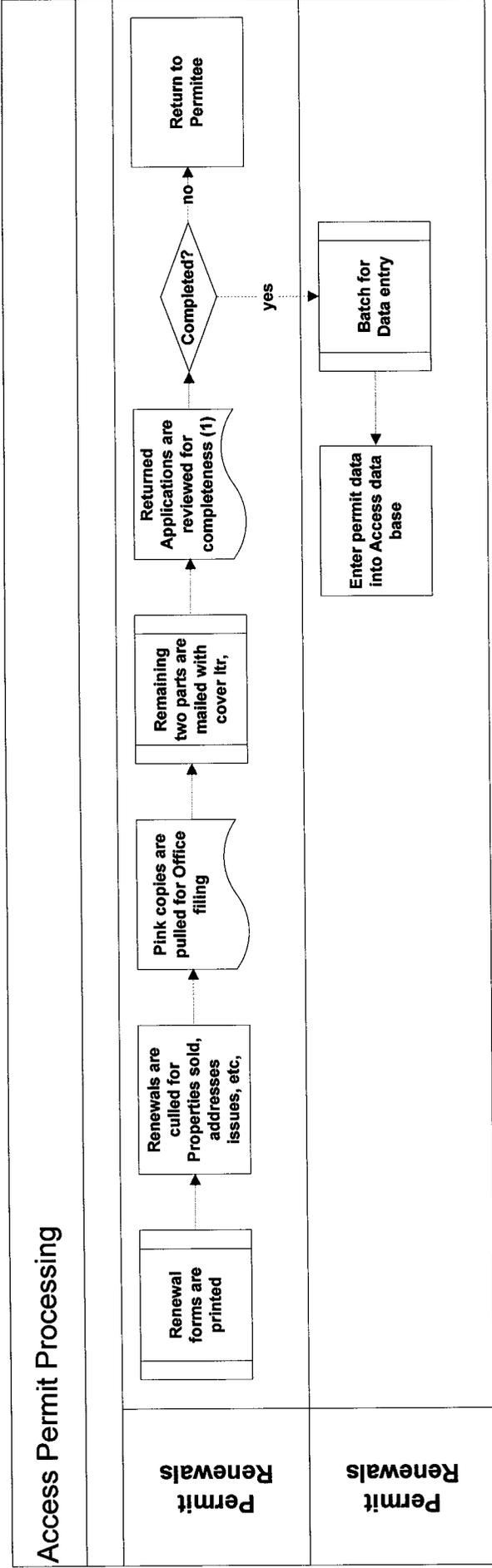
SFO Employee & Admin Asst. (SFO)

Office of Real Property Services

Accounting - Albany Operations

I/C Function Assessment/ Description/Mapping/Procedural - Process

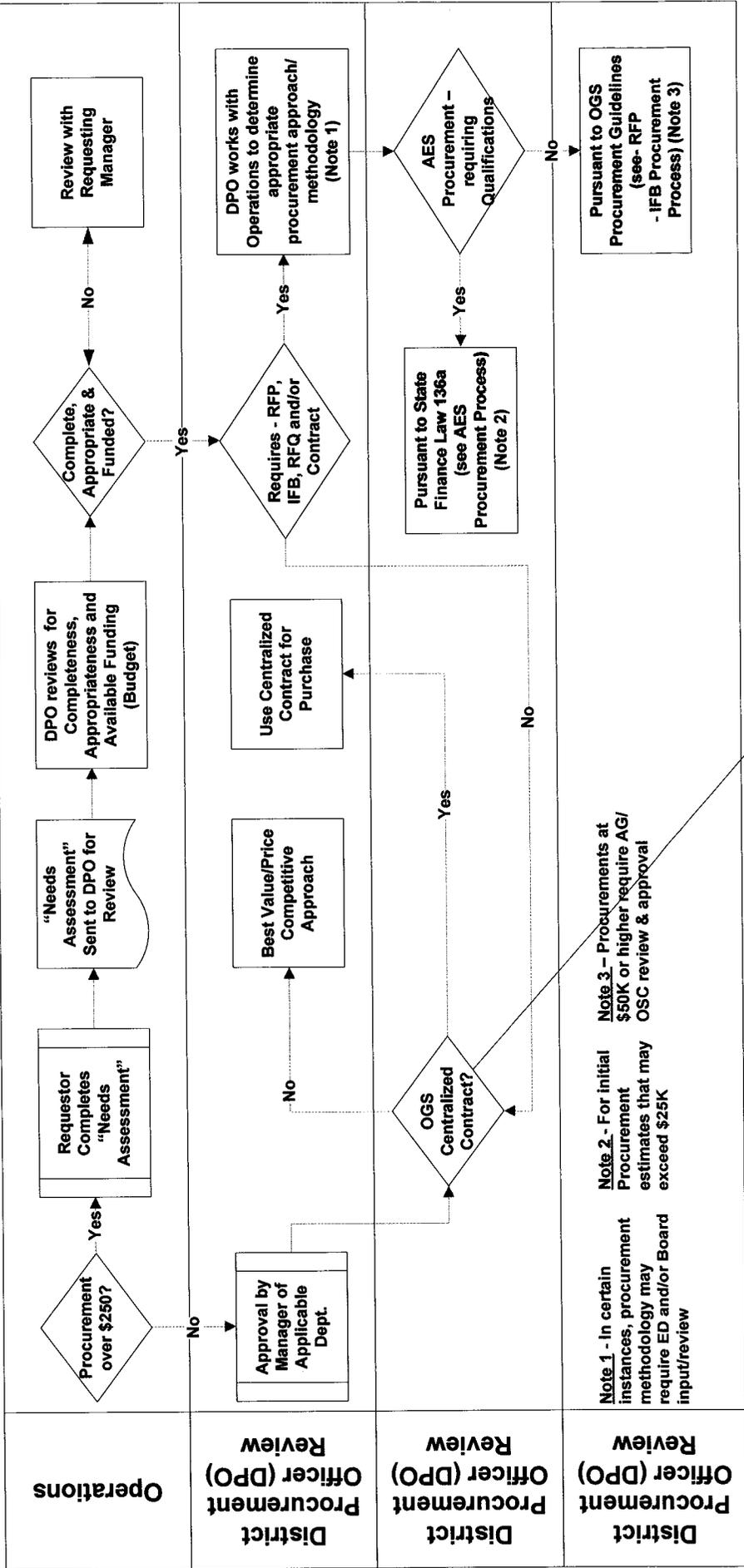




Footnotes:

(1) Proper signature, & payment

Procurement Process Flow Diagram – Operations Request/District Procurement Officer Review



Operations

District Procurement Officer (DPO) Review

District Procurement Officer (DPO) Review

District Procurement Officer (DPO) Review

Note 1 - In certain instances, procurement methodology may require ED and/or Board input/review

Note 2 - For initial Procurement estimates that may exceed \$25K

Note 3 - Procurements at \$50K or higher require AG/OSC review & approval

AES – Architectural, Engineering, & Surveying Services

OGS – Office of General Services

AG – Attorney General

OSC – Office of the State Comptroller

RFP – Request for Proposal

IFB – Invitation for Bid

RFQ – Request for Qualification

DPO – District Procurement Officer

QV – Qualified Vendor

CFO – Chief Fiscal Officer

ED – Executive Director

CE – Chief Engineer

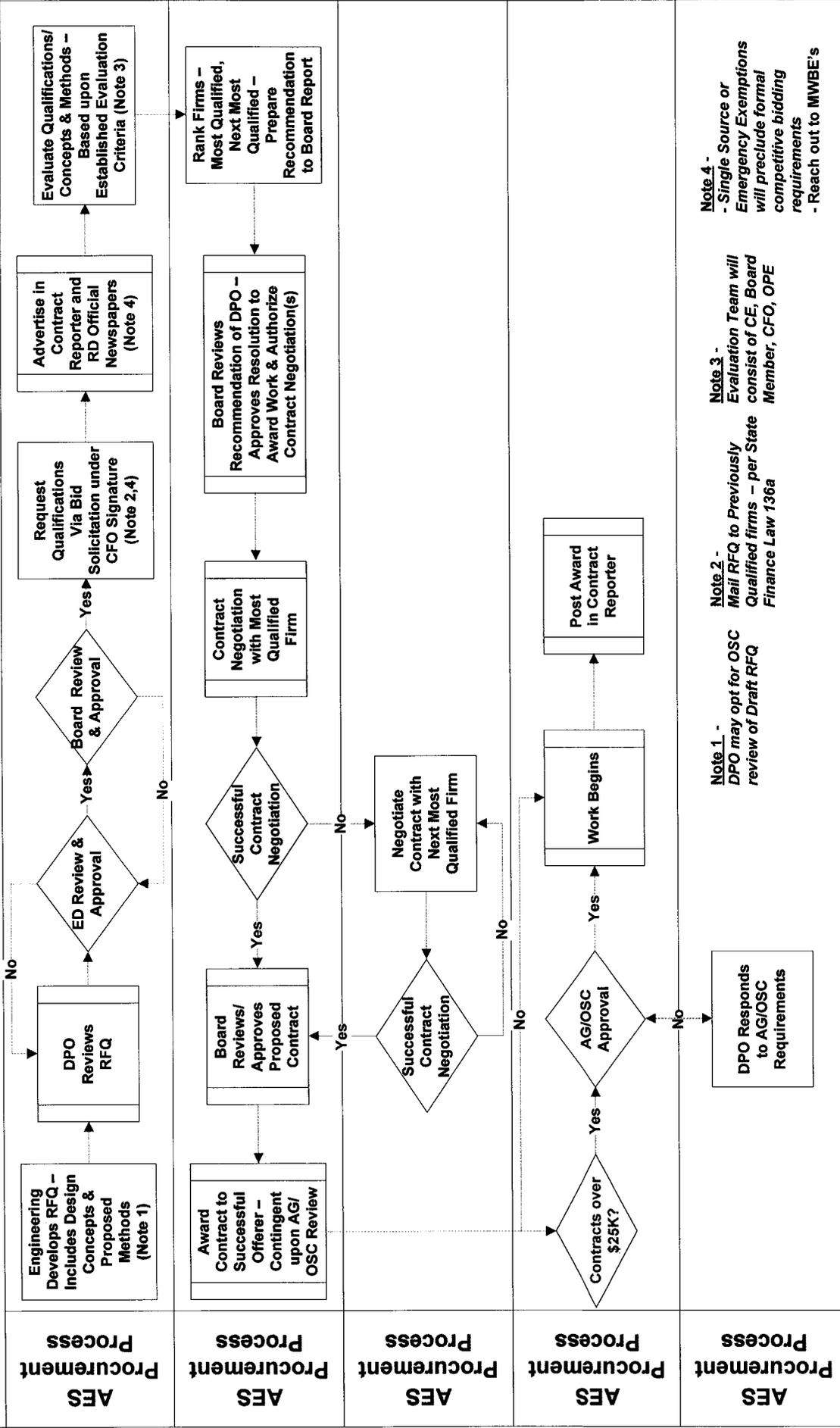
OPE – Operations Engineer

RD – Regulating District

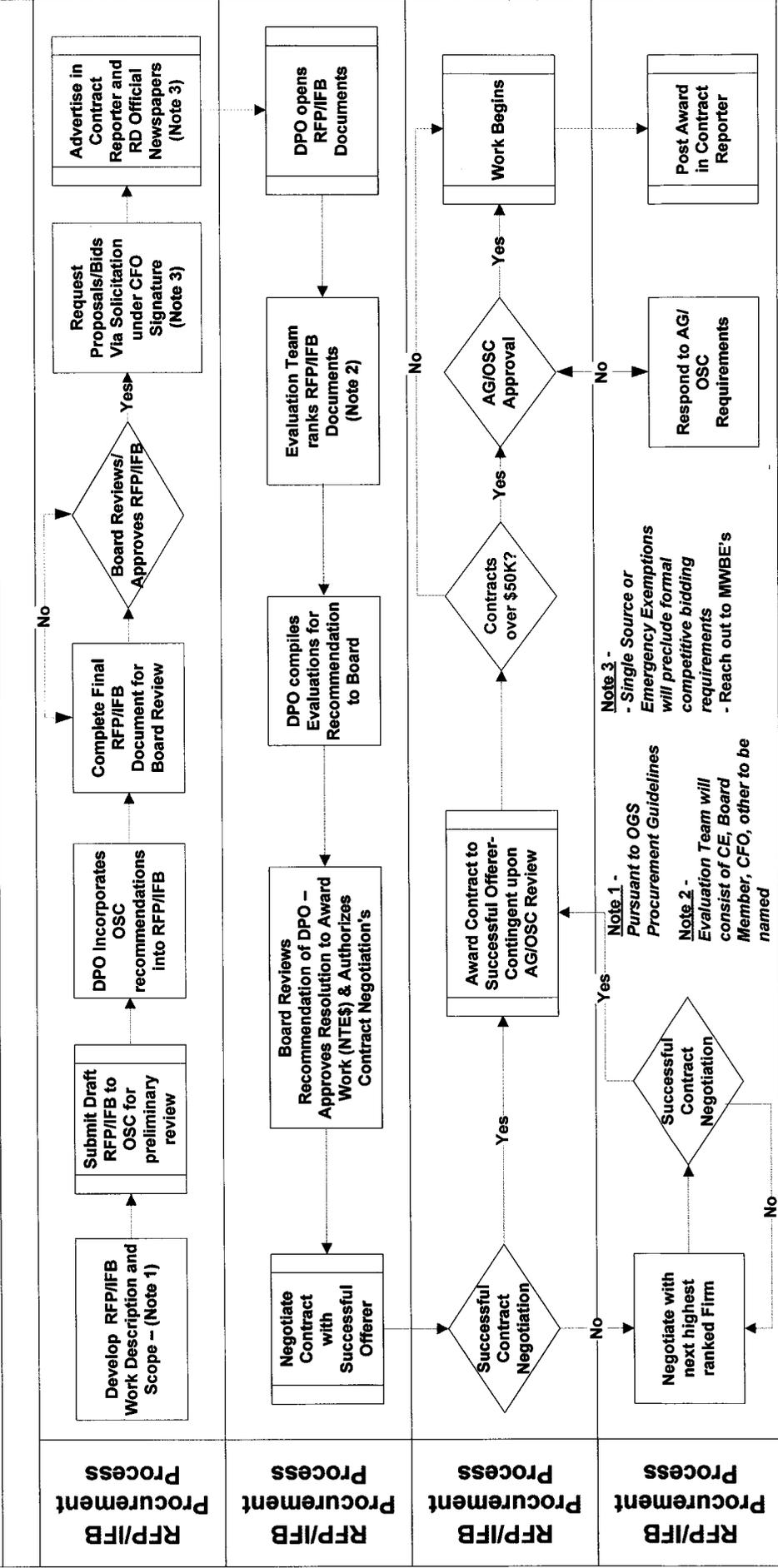
Consider in this order:

- Preferred Sources: MWBE
- OGS Contract: MWBE
- Discretionary Approach; MWBE

Procurement Process Flow Diagram - Architectural, Engineering, and Surveying Services



Procurement Process Flow Diagram – Request for RFP/IFB (Invitation to Bid)





Board of Hudson River-Black River Regulating District

Sacandaga Field Office

737 Bunker Hill Rd., Mayfield, New York 12117

Phone (518) 661-5535

FAX (518) 661-5720

INTEROFFICE MEMORANDUM

TO: RICK FERRARA, CFO
FROM: MICHAEL A. CLARK, P.E., HUDSON RIVER AREA ADMINISTRATOR *M. Clark*
SUBJECT: INTERNAL CONTROL CERTIFICATION - COMPLIANCE TEST
Date: 25 MARCH 2010

As of 12 March 2010, the Hudson River Area has completed our testing of the of new and renewed Access Permits in compliance with Internal Control Certification. For your review I am attaching our spreadsheet used during our audit process. The following is our findings of this activity.

As Hudson River Area Administrator, I randomly selected twenty-five (25) access permit renewals, and ten (10) new issue access permits for the year 2009. Each transaction was reviewed by both me and our Administrative Assistants II and III.

I personally reviewed each transaction confirming that each transaction was logged in, the check number or cash recorded, the access permit system data base updated, and that a bank deposit was made.

In all thirty-five(35) samples, I was able to track the new permit or renewal application from receipt to bank deposit.

Having said that, I do have two observations, and one recommendation which are made in my 12 March, 2010 memorandum to you, as well as the form on which I documented this component of our Internal Controls Certification- Compliance Testing Program.

It appears that the current segregation of duties is appropriate and meets standard requirements.

INTERNAL CONTROL CERTIFICATION - COMPLIANCE TESTING PROGRAM

SEO Access Permit Renewal / New Apps.

M. Clark
3/8/2010

Permit #	Application Rec'd	Remittance Rec'd	Database Updated	Remittance Logged In	Remittance Deposited	MAS 90 Processed	Amount	Cash/Check #	
RENEWAL									
1	1778	1-30-09	✓	✓	✓		56.00	# 5158	
2	4901	2-26-09	✓	✓	✓		48.00	# 556	
3	6381	2-12-09	✓	✓	✓		92.00	# 1377	
4	7039	1-26-09	✓	✓	✓		48.00	# 4988	
5	8585	2-09-09	✓	✓	✓		48.00	# 4697	
6	8338	2-06-09	✓	✓	✓		56.00	# 711	
7	9282	2-02-09	✓	✓	✓		56.00	# 1070	
8	10046	3-09-09	✓	✓	✓		43.00	# 3922	
9	10568	2-06-09	✓	✓	✓		72.00	# 1190	
10	10923	2-19-09	✓	✓	✓		72.00	# 2846	
11	10339	2-13-09	✓	✓	✓		43.00	# 1499	
12	11737	2-04-09	✓	✓	✓		43.00	# 4342	
13	12091	3-12-09	✓	✓	✓		43.00	# 1680354917	
14	12590	2-2-09	✓	✓	✓		43.00	# 5268	
15	12725	2-25-09	✓	✓	✓		43.00	# 5891	
16	12860	2-23-09	✓	✓	✓		43.00	# 1033	
17	13046	2-04-09	✓	✓	✓		72.00	# 358	
18	13248	2-24-09	✓	✓	✓		43.00	# 475	
19	13441	2-18-09	✓	✓	✓		92.00	# 2030	
20	13734	2-17-09	✓	✓	✓		43.00	# 1171	
21	14257	1-29-09	✓	✓	✓		56.00	# 2152	
22	14628	1-28-09	✓	✓	✓		56.00	# 336	
23	15188	3-02-09	✓	✓	✓		72.00	# 2669	
24	356	1-23-09	✓	✓	✓		1,896.00	# 1075	
25	4426	1-27-09	✓	✓	✓		87.00	# 3099	
NEW PERM									
1	15853	10-13-09	✓	✓	✓		50.00	# 4576	
2	9783	10-02-09	✓	✓	✓		200.00	CASH	
3	13478	9-30-09	✓	✓	✓		300.00	# 1081	
4	15852	9-24-09	✓	✓	✓		300.00	# 2742	
5	14483	9-21-09	✓	✓	✓		300.00	# 533	
6	15851	9-28-09	✓	✓	✓		93.00	# 1205	
7	10483	9-08-09	✓	✓	✓		300.00	# 6483	
8	10210	3-18-09	✓	✓	✓		300.00	# 4576	
9	15065	8-13-09	✓	✓	✓		300.00	# 501	
10	14532	8-05-09	✓	✓	✓		300.00	# 2701	

1863
1,896.00
4,987.00

INTEROFFICE MEMORANDUM

TO: RICK FERRARA, CFO
FROM: CAROL L WRIGHT, BRAA
SUBJECT: INTERNAL CONTROL CERTIFICATION - COMPLIANCE TEST
Date: 24 MARCH 2010

As of 9 February 2010, the Black River Area has completed our testing of "Voucher Processing" in compliance with Internal Control Certification. For your review I am attaching our spreadsheet used during our audit process. The following is our findings of this activity.

As Black River Area Administrator, I randomly selected twenty-four (24) vouchers, two vouchers per month for the year 2009. Each transaction was reviewed by both me and our Administrative Assistant IV.

I personally reviewed each transaction confirming invoice data matched voucher data and transmittal amount; when applicable, expenditure requests, for purchases of \$250 or greater were present; appropriate approvals were present and charging instructions (account numbers on invoices) were correct.

Our Administrative Assistant IV verified the aforementioned documentation against our MAS 90 data.

In all twenty-four (24) samples, the invoice data matched the voucher data and transmittal amount; taxes were not paid; the correct vendor was paid; expenditure requests were present for all purchases in the amount of \$250 or greater and all appropriate approvals were present.

In only one instance did I determine an expense charged to an incorrect account. That expense was a general board expense, an oil change on the ED's vehicle, which was ultimately reimbursed by the general board budget and expended to the correct account number at general board level. The transaction at the Black River Area level is in actuality only a wash as no true expense was incurred by the Black River Area nor charged against the Black River Area budget.

It appears that the current segregation of duties is appropriate and meets standard requirements.

Voucher	Invoice Data matches Voucher Data & Transmittal Amount		Tax not Paid	Correct Vendor paid		Expenditure Request present	Appropriate Approvals	Charging instructions present	
	Documents	MAS 90	MAS 90	Documents	MAS 90	Documents	Documents	Documents	MAS 90
12-19: Frontier	X	X	X	X	X	N/R*	X	X	X
Voucher 41: Metal Man Services	X	X	X	X	X	X	X	X	X
11-1: Northern Tool & Equipment	X	X	X	X	X	N/R*	X	X	X
Voucher 36: V.S. Virkler & Son, Inc.	X	X	X	X	X	X	X	X	X
10-3: AT&T	X	X	X	X	X	N/R*	X	X	X
Voucher 23: T&D Blacktop Sealing	X	X	X	X	X	X	X	X	X
9-4: Addcom Electronics	X	X	X	X	X	N/R*	X	X	X
Voucher 20: Waterra USA, Inc.	X	X	X	X	X	X	X	X	X
8-9: Brookers True Value Lumber & Hardware	X	X	X	X	X	N/R*	X	X	X
Voucher 5: Mohawk Comfort Home Services	X	X	X	X	X	State Contract	X	N/A*	X
7-5: W.H. Milikowski	X	X	X	X	X	N/R*	X	X	year end expensed to AP
Voucher 140: Miller Spraying	X	X	X	X	X	X	X	X	year end expensed to AP
6-6: Fastenal Co.	X	X	X	X	X	N/R*	X	X	year end expensed to AP
Voucher 128 - 134: Weather Observers	X	X	X	X	X	Contractual	X	N/A*	X
5-11: Davidson's Automotive Group	X	X	X	X	X	N/R*	X	Error (line#)	X
Voucher 124 - Van Bortel Ford, Inc.	X	X	X	X	X	X	X	X	X
4-13: Waite Toyota	X	X	X	X	X	N/R*	X	X	X
Voucher 110: Dell Marketing L.P.	X	X	X	X	X	X	X	X	X
3-1: McPc Computer Products & Consulting	X	X	X	X	X	N/R*	X	X	X
Voucher 104: Ikon Office Solutions	X	X	X	X	X	Contractual	X	N/A*	X
2-3: Lowville's Farmers' Cooperative, Inc.	X	X	X	X	X	N/R*	X	X	X
Voucher 85: Kleinschmidt Associates, PA, PC	X	X	X	X	X	Contractual	X	N/A*	X
1-14: Staples	X	X	X	X	X	N/R*	X	X	X
Voucher 72: Grainger	X	X	X	X	X	X	X	X	X

*N/R - Not Required

*N/A - Not Available

**Budget Policy and Reporting Manual Item B-350
Attachment C**

Internal Audit Evaluation Criteria

(To be used by agencies to determine whether an internal audit unit is needed)

AGENCY: Hudson River-Black River Regulating District

ADDRESS: 350 Northern Boulevard, Albany, NY 12204

AGENCY REPRESENTATIVE: Richard J. Ferrara, CFO

PHONE NUMBER: 518-465-3491 EMAIL ADDRESS: rferrara@hrbrrd.com

I. Agency Overview/Organization

1. Briefly describe the agency's mission and programs and, if applicable, identify the legal basis for the agency.

The Regulating District derives its statutory authority to operate from Article 15, Title 21 of Environmental Conservation Law. The District's mission is to regulate the flows of the Hudson River and Black River for the purpose of flood protection and flow augmentation. The District also administers an access permit system along the state buffer zone surrounding the Great Sacandaga Lake.

2. Describe the organizational structure of the agency. Discuss the organization in terms of span of control and separation of duties. (Attach agency and pertinent programmatic and organizational charts).

The District is organized around two (2) distinct watershed areas, the Hudson River Area and the Black River Area and a common General Board (District Governance/Administration) function. Each watershed area annually assesses its operating expenses, including property taxes, amongst certain statutorily-defined beneficiaries, including various hydroelectric power generators, industrial operators and municipalities. The District's General Board function provides general administration oversight and support to both watershed operations. Support includes strategic planning, management oversight, centralized payroll and benefits processing and administration.

3. Briefly discuss major organizational units in terms of major operating responsibility, decision-making processes and level of autonomy.

As previously discussed, the District maintains two (2) distinct watershed operations, the Hudson River Area and Black River Area. The major operating responsibilities of each are quite similar and primarily involve activities supporting the District's overarching mission of flood control and flow augmentation. The two (2) areas carry out their respective operational mandates autonomously in terms of funding, manpower, and facilities.

4. Number of Employees:

	Central Office Positions (FTE)	Regional/Field Office Positions (FTE)
Managerial	4	2
Professional/Technical	2	3
Support/Clerical	2	17.5
Seasonal/Temporary	0	0
Total	8	22.5

5. How would you characterize the agency's public purpose? (Percentage of time spent on each function).

Advocate	0%
Provider	10%
Regulator/Control	90%
Support	0%
Administrative	0%
Other (Specify)	0%

II. Contract and Grant Management

1. Describe the agency's policies and procedures for awarding, managing, and monitoring grants and contracts, including labor management committee funds or other non-salary contractual items and legislative member items.

District does not issue/award grants. In terms of the awarding, managing and monitoring of contracts, the District contracts pursuant to its Procurement Policy adopted/reviewed by the Board annually. Policy is in accordance with all Public Authority, State Finance and applicable other laws.

2. Specify award/grant recipients by type: (Most Recently Completed Fiscal Year)

	Number of Recipients	Aggregate Dollar Amount
Local Government	0	0
School Districts	0	0
Not-for-Profits	0	0
Labor Management Committees	0	0
Other (Specify)	0	0

3. Explain how the agency ensures that recipients spend funds in accordance with laws and regulations governing programs.

N/A – District does not issue grants.

III. Agency Control Systems

1. Describe the basic control systems and the documents supporting those systems. Is documentation comprehensive, up-to-date and available for all functions?

The District has Control Systems in place that effectively address the five basic components of control as prescribed by the Internal Control Standards. Beginning with the "Control Environment", the District's Board had addressed the following:

- approving and monitoring the organization's mission and strategic plan;
- establishing, practicing, and monitoring the organization's values and ethical code;
- overseeing the decisions and actions of senior managers;
- establishing high-level policy and organization structure;
- ensuring and providing accountability to stakeholders;

The District's Internal Control Officer has completed risk assessments of the District's major functions to include the development of assessable units. Pertinent control activities, generally in the form of policies and procedures, have been developed.

Documents supporting I/C systems include Risk Assessment sheets, Function Descriptions, Process Flow charts, org chart, and Assessable Unit charts.

2. How is compliance with these control systems monitored?

Management/Supervisors ensure compliance with applicable policies on a transactional basis. Internal Control Officer performs procedural based interviews with applicable staff on an impromptu basis. Internal Control Officer oversees annual internal control audits of major functions.

3. What training is in place for agency personnel on agency policies, procedures and control systems? What is the structure and frequency of this training?

The District's Internal Control Officer attends most NYSICA I/C conferences and receives pertinent information from the GFOA and District's independent auditor. District staff has received preliminary training and ongoing information from the CFO.

District senior staff has received formal training provided at Internal Control forums and the Office of General Services Procurement Seminars.

Beginning in 2010, senior staff and certain other staff will be required to attend applicable Internal Control training depending on their role and experience.

1. How often are the agency's internal control policies and procedures reviewed and revised? What is the structure of the review process and who is responsible for these activities (e.g., supervisor, managers, committees, task forces)?

The District's internal control policies are reviewed annually by the District's Internal Control Officer. The structure of the review parallels the annual certification process. Given the District's static mission and associated organizational support to complete, I/C exposure is minimized.

2. Does the agency have a formal planning process which includes risk analyses? If so, explain the specifics of the risk analyses process.

As previously stated, the District's ICO performed initial risk assessments of all of the District's major functions. More specifically, the ICO utilized Functional Vulnerability Assessment forms to determine a score for each major function. Twelve (12) Assessment Characteristics were reviewed and scored between Low Risk and High Risk.

Function Assessment & Corrective Action Plan for each major function will be initiated and completed by March 15, 2010.

3. Describe the agency's monitoring process for correcting identified control weaknesses.

The aforementioned Function Assessment & Corrective Action Plan will be utilized to monitor and correct identified control weaknesses. More specifically, each major function will be reviewed for proposed actions to reduce likelihood of adverse occurrences on a no less than quarterly.

IV. Internal Audit

1. Does the agency currently have an internal audit unit? If so, what is its function?

No.

2. Describe the internal audit unit's organization, staffing and operation.

N/A

3. Does the unit have an annual audit plan? If so, how is it developed?

N/A

V. Fiscal

1. Describe the agency's procedures for receiving, recording, depositing and managing cash and checks.

See attached Receipts Procedure Process Flow Chart

2. Identify the agency's sources of revenue or other assets collected in the most recent fiscal year.

Source	Amount
Contracts	1,042,029
Grants	
Users Fees	407,183
Fines	
Assessments	5,232,252
Other (Specify)	

3. Identify the agency's most recent fiscal year's budget expenditures:

	General Fund	Federal	Other	Total
State Operations			8,383,337	8,383,337
Local Assistance				
Capital				
Total			8,383,337	8,383,337

VI. Risk Exposure Analysis

1. On an agency wide basis, how vulnerable are operations to such factors as error, misuse of resources, inefficiency, unfavorable public opinion, fraud, waste, or abuse given the:

	Risk Level			
	Low		High	
	1	2	3	4
Complexity of Agency Operations	X			
Frequency and Effectiveness of Internal Audits	X			
Frequency and Effectiveness of External Audits	X			
Number of Confidential Public Issues and/or Sensitive Program Areas		X		
Stability and Training of Personnel	X			
Scope/Size of Regional/District Office Structure		X		
Extent of Regulatory Control		X		
Potential for Disruption of Services	X			
Anticipated Program Growth	X			
Volume of Cash Transactions (Revenue or Fee Collections, etc.)	X			
Reliability of Management Information Systems	X			
Presence of Documented Operating Procedures	X			

2. Describe the agency's highest risk, highest vulnerability program areas. (Attach additional pages if necessary)

Program Area

Reason for High Vulnerability

See attached Risk Assessment document

VII. Summary Evaluation

Based on the preceding information and other management considerations deemed appropriate, provide a conclusion as to whether the agency requires an internal audit function. Fully explain the major factors that lead to this conclusion either to have or not have an internal audit function.

Given the very static nature and scope of the Regulating District's mission, and organization structure, and in consideration of the following, it is the opinion of management that an internal audit function is unwarranted.

- **District does not issue or receive grants**
- **District has demonstrated satisfactory controls in place to obviate the likelihood of any of the inherent risks identified during its internal control risk assessment analysis.**
- **District has in place updated and annually reviewed policies and procedures.**
- **Segregates duties for all cash/receipts related functions.**
- **Has responded to all audits**
- **Has received regular/annual unqualified independent audits**

Approved by *Glena A. Johnson* Date 1-21-2010
(Agency Head)

**Budget Policy and Reporting Manual Item B-350
Attachment C**

Internal Audit Evaluation Criteria

(To be used by agencies to determine whether an internal audit unit is needed)

AGENCY: Hudson River-Black River Regulating District

ADDRESS: 350 Northern Boulevard, Albany, NY 12204

AGENCY REPRESENTATIVE: Richard J. Ferrara, CFO

PHONE NUMBER: 518-465-3491 EMAIL ADDRESS: rferrara@hrbrrd.com

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2. Describe the organizational structure of the agency. Discuss the organization in terms of span of control and separation of duties. (Attach agency and pertinent programmatic and organizational charts).

The District is organized around two (2) distinct watershed areas, the Hudson River Area and the Black River Area and a common General Board (District Governance/Administration) function. Each watershed area annually assesses its operating expenses, including property taxes, amongst certain statutorily-defined beneficiaries, including various hydroelectric power generators, industrial operators and municipalities. The District's General Board function provides general administration oversight and support to both watershed operations. Support includes strategic planning, management oversight, centralized payroll and benefits processing and administration.

3. Briefly discuss major organizational units in terms of major operating responsibility, decision-making processes and level of autonomy.

As previously discussed, the District maintains two (2) distinct watershed operations, the Hudson River Area and Black River Area. The major operating responsibilities of each are quite similar and primarily involve activities supporting the District's overarching mission of flood control and flow augmentation. The two (2) areas carry out their respective operational mandates autonomously in terms of funding, manpower, and facilities.

4. Number of Employees:

	Central Office Positions (FTE)	Regional/Field Office Positions (FTE)
Managerial	4	2
Professional/Technical	2	3
Support/Clerical	2	17.5
Seasonal/Temporary	0	0
Total	8	22.5

5. How would you characterize the agency's public purpose? (Percentage of time spent on each function).

Advocate	0%
Provider	10%
Regulator/Control	90%
Support	0%
Administrative	0%
Other (Specify)	0%

II. Contract and Grant Management

1. Describe the agency's policies and procedures for awarding, managing, and monitoring grants and contracts, including labor management committee funds or other non-salary contractual items and legislative member items.

District does not issue/award grants. In terms of the awarding, managing and monitoring of contracts, the District contracts pursuant to its Procurement Policy adopted/reviewed by the Board annually. Policy is in accordance with all Public Authority, State Finance and applicable other laws.

2. Specify award/grant recipients by type: (Most Recently Completed Fiscal Year)

	Number of Recipients	Aggregate Dollar Amount
Local Government	0	0
School Districts	0	0
Not-for-Profits	0	0
Labor Management Committees	0	0
Other (Specify)	0	0

3. Explain how the agency ensures that recipients spend funds in accordance with laws and regulations governing programs.

N/A – District does not issue grants.

III. Agency Control Systems

1. Describe the basic control systems and the documents supporting those systems. Is documentation comprehensive, up-to-date and available for all functions?

The District has Control Systems in place that effectively address the five basic components of control as prescribed by the Internal Control Standards. Beginning with the “Control Environment”, the District’s Board had addressed the following:

- approving and monitoring the organization’s mission and strategic plan;
- establishing, practicing, and monitoring the organization’s values and ethical code;
- overseeing the decisions and actions of senior managers;
- establishing high-level policy and organization structure;
- ensuring and providing accountability to stakeholders;

The District’s Internal Control Officer has completed risk assessments of the District’s major functions to include the development of assessable units. Pertinent control activities, generally in the form of policies and procedures, have been developed.

Documents supporting I/C systems include Risk Assessment sheets, Function Descriptions, Process Flow charts, org chart, and Assessable Unit charts.

2. How is compliance with these control systems monitored?

Management/Supervisors ensure compliance with applicable policies on a transactional basis. Internal Control Officer performs procedural based interviews with applicable staff on an impromptu basis. Internal Control Officer oversees annual internal control audits of major functions.

3. What training is in place for agency personnel on agency policies, procedures and control systems? What is the structure and frequency of this training?

The District’s Internal Control Officer attends most NYSICA I/C conferences and receives pertinent information from the GFOA and District’s independent auditor. District staff has received preliminary training and ongoing information from the CFO.

District senior staff has received formal training provided at Internal Control forums and the Office of General Services Procurement Seminars.

Beginning in 2010, senior staff and certain other staff will be required to attend applicable Internal Control training depending on their role and experience.

4. How often are the agency's internal control policies and procedures reviewed and revised? What is the structure of the review process and who is responsible for these activities (e.g., supervisor, managers, committees, task forces)?

The District's internal control policies are reviewed annually by the District's Internal Control Officer. The structure of the review parallels the annual certification process. Given the District's static mission and associated organizational support to complete, I/C exposure is minimized.

5. Does the agency have a formal planning process which includes risk analyses? If so, explain the specifics of the risk analyses process.

As previously stated, the District's ICO performed initial risk assessments of all of the District's major functions. More specifically, the ICO utilized Functional Vulnerability Assessment forms to determine a score for each major function. Twelve (12) Assessment Characteristics were reviewed and scored between Low Risk and High Risk.

Function Assessment & Corrective Action Plan for each major function will be initiated and completed by March 15, 2010.

6. Describe the agency's monitoring process for correcting identified control weaknesses.

The aforementioned Function Assessment & Corrective Action Plan will be utilized to monitor and correct identified control weaknesses. More specifically, each major function will be reviewed for proposed actions to reduce likelihood of adverse occurrences on a no less than quarterly.

IV. Internal Audit

1. Does the agency currently have an internal audit unit? If so, what is its function?

No.

2. Describe the internal audit unit's organization, staffing and operation.

N/A

3. Does the unit have an annual audit plan? If so, how is it developed?

N/A

V. Fiscal

1. Describe the agency's procedures for receiving, recording, depositing and managing cash and checks.

See attached Receipts Procedure Process Flow Chart

2. Identify the agency's sources of revenue or other assets collected in the most recent fiscal year.

Source	Amount
Contracts	1,042,029
Grants	
Users Fees	407,183
Fines	
Assessments	5,232,252
Other (Specify)	

3. Identify the agency's most recent fiscal year's budget expenditures:

	General Fund	Federal	Other	Total
State Operations			8,383,337	8,383,337
Local Assistance				
Capital				
Total			8,383,337	8,383,337

VI. Risk Exposure Analysis

1. On an agency wide basis, how vulnerable are operations to such factors as error, misuse of resources, inefficiency, unfavorable public opinion, fraud, waste, or abuse given the:

	Risk Level			
	Low		High	
	1	2	3	4
Complexity of Agency Operations	X			
Frequency and Effectiveness of Internal Audits	X			
Frequency and Effectiveness of External Audits	X			
Number of Confidential Public Issues and/or Sensitive Program Areas		X		
Stability and Training of Personnel	X			
Scope/Size of Regional/District Office Structure		X		
Extent of Regulatory Control		X		
Potential for Disruption of Services	X			
Anticipated Program Growth	X			
Volume of Cash Transactions (Revenue or Fee Collections, etc.)	X			
Reliability of Management Information Systems	X			
Presence of Documented Operating Procedures	X			

2. Describe the agency's highest risk, highest vulnerability program areas. (Attach additional pages if necessary)

Program Area

Reason for High Vulnerability

See attached Risk Assessment document

VII. Summary Evaluation

Based on the preceding information and other management considerations deemed appropriate, provide a conclusion as to whether the agency requires an internal audit function. Fully explain the major factors that lead to this conclusion either to have or not have an internal audit function.

Given the very static nature and scope of the Regulating District's mission, and organization structure, and in consideration of the following, it is the opinion of management that an internal audit function is unwarranted.

- **District does not issue or receive grants**
- **District has demonstrated satisfactory controls in place to obviate the likelihood of any of the inherent risks identified during its internal control risk assessment analysis.**
- **District has in place updated and annually reviewed policies and procedures.**
- **Segregates duties for all cash/receipts related functions.**
- **Has responded to all audits**
- **Has received regular/annual unqualified independent audits**

Approved by  Date 1-21-2010
(Agency Head)