

2014-15 INTERNAL CONTROL SUMMARY

To satisfy the requirement of the Authorities Budget Office, Sections 2800 (1)(a)(9) and 2800 (2)(a)(9) of the Public Authorities Law, an Internal Control Assessment is required. A statement will be posted to our website explaining that the Authority has conducted a formal, documented process to assess the effectiveness of the internal control structure and procedures.

AGENCY	DATE	COMPLETED BY
Ag & NYS Horse Breeding Dev. Fund	10/01/2014	Brian F. Squadere

1. Define the Authority's Major Business Function

The Authority's first major business function includes collecting the funds due from the New York racetracks and New York OTBs to the Fund, as per the Laverne Law (Laws of New York, Chapter 567). Also collected are the funds due from the horsemen in registering their horses for eligibility into the New York Sire Stakes races, Excelsior Stakes races and county fair races.

Along with that is the establishment and distribution of the funds associated with the New York Sire stakes races. This includes Sire Stakes & Excelsior Stakes races along with New York county fair purses.

The Fund is also involved with both equine research and equine education. Two percent (2%) of the funds received from the New York Racetracks and OTBs goes to the Harry M. Zweig Memorial fund for equine research. Monies are also sent to the 4H program and the Goshen Historic Museum in support of equine education.

In 2013 changes were made for payment of the county fair purses. These purses were paid directly to the horsemen from the Fund, as opposed to sending monies directly to the county fairs. This change provided more control by the Fund in assuring the horsemen were paid timely and accurately.

An annual budget is established every year and bills are paid accordingly in the operations of the fund.

2. Determine the Risks Associated with its Operations

The Fund's major internal control risks would include revenue handling. The Fund normally receives a few checks per week from several pari-mutuel wagering establishments and probably 1,000 checks or more from the horsemen during the first two weeks of the months of February, April and May. The risk would be that the Fund does not receive payments.

A second risk would be the wire transfers to the New York racetracks for the New York Sire Stakes races. A purse schedule is set-up by date, based on the budget, to

determine when funds have to be transferred to the individual race tracks to fund such races. The risk would be that the New York racetracks are not receiving the funds in time for their New York Sire Stakes races.

A third risk involves the processing of accounts payable checks, which all have to be sent to and signed by the New York State Comptroller (OSC). The risk is that the checks are not processed in a timely manner through the OSC's office.

A fourth risk involves paying the county fair purses. For tax reporting purposes, all horsemen must submit a W-9 before they can be paid. The risk is that the checks are cut and ultimately held due to non-receipt of the W-9s.

3. *Identify the Internal Control Systems in Place.*

As for revenue handling, the Executive Assistant opens the mail and gives it to the Executive Director, who makes out the bank deposit slip and deposits the money in the bank. The Senior Accountant, in using the backup from the checks, codes line items and enters the deposits into the Quickbooks system and into that deposit analysis report. In reconciling the monthly bank account, all transactions are shown and tied out to the deposits as well as any checks written on the account.

As for the wire transfers to the New York racetracks, the Senior Accountant sets up the purse schedule, completes paperwork for each race throughout the racing season, and wires a money transfer request to the OSC. Correspondence is sent to the appropriate racetrack personnel and recorded in the Quickbooks system. In reconciling the monthly bank account, all transactions are shown and tied out to the wire transfer requests.

As for the processing of accounts payable checks, the Executive Assistant opens the mail and gives it to the Executive Director, who reviews and signs off on each invoice. The invoice is given to the Senior Accountant. The Senior Accountant batches each week's checks and performs a check run once a week. The Senior Accountant codes each invoice, enters them into the Quickbooks system, and cuts the checks. When the batch is complete, it must be tied out to the Quickbooks cash balance. The checks are then given to the Executive Director who signs them and returns them to the Senior Accountant. Copies are made of everything and the checks are sent by courier to the OSC. OSC next reviews and signs the checks and returns them to the Fund. Checks and necessary backup are then mailed out.

4. *Assess the Extent to Which the Internal Control System is Effective*

With close monitoring of the revenues received from the New York racetracks and OTBs, all monies are collected on a timely basis and entities are contacted when payments have not been received.

With adhering to the purse budget and the specific races by date, processing purse payment requests and completing the wire transfers has been a success in performing our goals here.

In keeping with a strict schedule as far as submitting checks for signature to OSC, bills have been paid in a timely fashion.

5. Corrective Action

Currently all items with risk potential have been satisfied as we feel the people and processes in place are working satisfactory in completing our goals for the Fund.

6. Personnel

Executive Director – Open

Executive Assistant – Connie Richardson

Senior Accountant – Brian F. Squadere

INTERNAL CONTROL CERTIFICATION

Agriculture and NYS Horse Breeding Development Fund

Agency/Authority Name

Open

Executive Director

1 Broadway Center, Suite 602, Schenectady, NY 12305

Agency/Authority Address

518-388-0178

Telephone Number

Open

Name of Internal Control Officer

www.nysirestakes.com

Email Address

I hereby certify that the agency or authority has complied with the following provisions for internal controls.

These provisions are as follows:

- A. Establish and maintain guidelines for a system of internal controls for the agency or authority. Internal control guidelines communicate the management and programmatic objectives of an agency or authority to its employees and provide the methods and procedures used to assess the effectiveness of the agency or authority internal controls in supporting these objectives.
- B. Establish and maintain a system of internal controls and a program of internal control review for the agency or authority. 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.
- 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. Such statements shall emphasize the importance of effective internal controls to the agency or authority and the responsibility of each officer and employee for effective internal controls.
- D. Designate an internal control officer, who shall report to the head of the agency or authority or their designee within the executive office, to implement and review the internal control responsibilities established pursuant to this Item.
- E. Implement education and training efforts to ensure that officers and employees within such agency or authority have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques.
- F. Periodically evaluate the need for an internal audit function.

Executive Director

Date