



State University Construction Fund

March 26, 2018

The Board of Trustees
State University Construction Fund
363 Broadway
Albany, NY 12246

The State University Construction Fund (the Fund) maintains an internal control program as required by the New York State Government Accountability, Audit and Internal Control Act. The objective of our internal control program is to provide reasonable assurance as to the protection of and accountability for assets, compliance with applicable laws and regulations, proper authorization and recording of transactions, and the reliability of financial reporting.

This certificate is supported by the attached annual Internal Control Report.

We hereby certify that the Fund is fully compliant with the New York State Governmental Accountability, Audit and Internal Control Act for the fiscal year ended March 31, 2018.

Signed:

Robert M. Haelen
General Manager

Signed:

Suzette Barsoum Baker
Internal Control Officer





Annual Internal Control Report

Fiscal Year Ending March 31, 2018

I. Guidelines for the Internal Control Program

The State University Construction Fund's (the Fund) Internal Control Program was established in 1988 and is designed to dynamically adjust to changes in risk management practices over time, while helping to ensure that the Fund remains focused on the fulfillment of its mission:

"... to provide academic buildings, dormitories and other facilities for the State-operated institutions and contract and statutory colleges under jurisdiction of the State University, to reduce the time lag between determination of need for such facilities and actual occupancy thereof, to expedite the construction, acquisition, reconstruction and rehabilitation or improvement of such facilities and to assure that the same are ready for the purposes intended when needed and when scheduled under the approved master plan of State University."

The Fund's Internal Control Program Guidelines (Guidelines) are based on the principles and guidance of the Standards of Internal Controls in New York State Government issued by the Office of the State Comptroller (OSC) in 2007, the Manager's Guide for Testing Compliance with Internal Control Requirements published by the New York State Division of Budget (DOB) and the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) 1992 Integrated Framework (Framework) of Internal Controls. COSO has issued an updated version of the Framework in 2013, which has superseded the 1992 version as of December 15, 2014. OSC has issued an updated version of Internal Control Standards (Standards) in March 2016 to align with the updated Framework. The Fund will evaluate the impact of the updated Framework and Standards on the Fund's Internal Control Program.

The Fund's Internal Control Guidelines are maintained and reviewed periodically by the Internal Control Officer and the Internal Control Committee and are available on the Fund's internal Resource Center website as a convenient reference for all staff. The management and organization of the Fund's Internal Control program, as well as the specific responsibilities of its employees, Internal Control Officer, and Internal Control Advisory Committee are included within the Guidelines.

II. System of Internal Controls

The framework of the Fund's system of Internal Controls is comprised of the following 5 components.

1. Control Environment, Governance, and Culture

The Fund's governing body is a three member Board of Trustees (the Board), which met twice during the fiscal year ending March 31, 2018. At these meetings, the Board is briefed on the status of Fund activities. The Board regularly receives information on the progress made toward meeting established MWBE goals, the status of design and construction projects, anticipated funding needs and commitments, impact of the State's current and expected support of SUNY's capital program and other important issues.

In August 2017, the Board's Audit Committee met with the Fund's Senior Management and the Fund's independent auditors to review the results of the annual audit for fiscal year ending 2017. The Fund received an unmodified opinion from the independent auditors for the audit of the Fund's financial statements and the Fund's investment compliance. In addition, no material deficiencies in the internal controls over financial reporting were identified.

The Fund's senior management team meets bi-weekly, which includes the General Manager and Deputy General Managers. These meetings provide a structured venue for communicating and discussing Fund priorities, challenges and opportunities that impact the Fund's ability to accomplish its mission.

The Fund strives to promote a culture of ethical behavior. Ethics training has been provided by the Fund's Corporate Integrity and Ethics Officer to new and existing staff to acquaint Fund employees with ethics basics and relevant provisions of the Public Officers Law. All staff making over a specific annual salary, received training and were reminded of their obligation to submit the annual financial disclosure statement to the under the NYS Joint Commission on Public Ethics, as well as to report honoraria received. In addition, guidance on ethics issues was periodically disseminated to Fund staff.

The Fund's management recognizes the importance of good morale in an effective control environment and continues to be supportive of activities that promote a sense of unity and community in the workplace, such as the annual picnic and various volunteer activities.



A safe working environment is extremely important to the culture of an organization. The Fund provides training in workplace violence and sexual harassment to all staff, as well as job site safety training to all employees in the field.

The Fund's General Manager periodically issues a "tone from the top" memorandum to all staff underscoring the importance of internal controls to the Fund and their relationship to the Fund's mission.

2. Information and Communication

Information within the Fund is communicated in a variety of forms, including email, formal memoranda, and standardized reporting that supports ongoing and ad-hoc analyses and functions. Some examples of communication within the Fund include exception reporting, Fund wide staff meetings, departmental staff meetings, regular publication of senior staff meeting agendas, distribution of bid calendars and tabulations, updating of staff directories, announcement of new hires, publication of critical policies and procedures

The Fund's internal Resource Center was revamped to be more user-friendly and informative. The Resource Center streams messages to alert or bring awareness to staff regarding important information, events and accomplishments.

In addition, the Resource Center serves as a portal with links to all of the Fund's software applications, forms and various trainings.

The Fund continues to expand the awareness and use of iDashboards, a software package that pulls together information from different sources into graphs and charts. iDashboards is fully customizable so that each manager can define and access the information that they need to appropriately monitor performance in their respective areas of responsibility.

3. Risk Assessments

As described within the Fund's "Guide to Testing Internal Controls", each reporting unit identifies and documents its major functions and objectives and annually reviews the list to identify new, transferred or eliminated functions. For each function, the unit identifies significant risks and quantifies the overall risk based on a pre-established rating system. The overall risk rating is one of the criteria that a department manager may use to establish the appropriate frequency (i.e. every year, every 2 years etc.) of testing of the procedures and controls to provide reasonable assurance that they are present and functioning as intended.



In addition, Title 2, Chapter I, Part 6.6 of the New York Codes, Rules and Regulations requires each agency to maintain adequate internal controls over the payment process to support the validity of the agency claim certification for processing payments. Further, Part 6.6 requires the head of the agency (e.g., Commissioner, Chancellor, Executive Director) to submit an internal controls certification form to the Comptroller certifying that their agency has established such a system of internal control over the payment process. The agency head is required to complete this certification annually or upon change of the agency head. In support of the certification, the Fund performed testing of the controls over the payment process in general and over the specific area of record retention.

No material or significant findings were found during our testing of controls.

The Fund will provide such certification to the Office of the State Comptroller by the required filing date of April 30, 2018.

4. Control Activities

Key policies and procedures are documented, reviewed, and updated periodically, and may include written instructions, flow diagrams, and/or checklists. To the extent possible, written policies and procedures are available in an electronic form. Examples of the Fund's documented policies and procedures include Procurement, MWBE Policy Statement, FOIL Procedures, Job Order Contracting Execution, Project Cost Reporting Guide, Bulletin on Payment of Consultant Fees, Travel Guidelines, Campus Project Administration Procedures, and Physical Space Inventory. These policies are periodically reviewed and modified by management to incorporate improvements on a regular basis.

The Fund conducts monthly meetings to review actual cash disbursements and projections to assess progress against targets.

Project Health Reports which monitor the project's schedule, funding, budget and other operational issues may now be accessed on demand through the Fund's Resource Center. The use of ShareFile software provides the ability to securely share files, such as Project Health Reports, and request others to share files with you.

5. Monitoring

The Fund's internal controls are monitored to assess the quality of their performance over time. Internal control deficiencies detected through these monitoring activities are reported to the proper



levels of the Fund's management and corrective actions are taken to ensure continuous improvement of the system.

A schedule of independent external quality reviews of important functions and activities is reviewed each year by management. Upon the completion of these reviews, written recommendations and observations are presented to the Fund's management and appropriate actions are taken to address improvements to the Fund's policies and procedures.

III. Internal Control Officer and Advisory Committee

Suzette Baker was appointed by the Board as the Fund's Internal Control Officer in November 2017. The Internal Control Officer monitors and coordinates the Fund's Internal Control Program activities including the annual risk assessments and testing completed by the department managers.

The Fund's Internal Control Advisory Committee (the Committee) consists of all Fund department managers. This Committee is responsible for implementing the Fund's Internal Control Program. This venue also provides the opportunity to discuss and address risks that may impact one or more departments.

IV. Education and Training

The Fund places a high priority on the training of its management and staff. Within budgetary limits established by the Fund's management, the departments are encouraged to identify, prioritize and authorize education and training to increase personal and professional growth.

The following list represents a few of the education and training attended or conducted during the past two fiscal years:

- The Internal Control Officer and/or support staff attended various trainings and conferences sponsored by the New York State Internal Control Association (NYSICA).
- Construction and Design staff received Code Continuing Education required for certification.
- Training sessions were provided to all Fund staff by the Fund's Office of Administrative Services, enforcing the reporting requirements and process and procedures under Project Sunlight and on the Freedom of Information Law (FOIL),



- Various staff across all departments attended SUNY Physical Plant Administrators Association (PPAA) Conferences which offers the opportunity for training and networking.
- All staff completed a web-based Security Awareness Training program.
- The Fund's IT department periodically holds a "Tech Showcase" to bring awareness and training in the use of available software and hardware technology at the Fund.
- The Fund IT department periodically sends out email communication to all staff to bring awareness of actual security attacks or advice how to reduce the probability and impact of security risks.

