



City of Olean Housing Authority

Board Oversight

Report of Examination

Period Covered:

July 1, 2013 — January 5, 2016

2016M-93



Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	3
Scope and Methodology	3
Comments of Authority Officials and Corrective Action	3
BOARD OVERSIGHT	5
Capital Fund Program	5
Investments	7
Recommendations	9
APPENDIX A Response From Authority Officials	10
APPENDIX B OSC Comments on the Authority's Response	15
APPENDIX C Audit Methodology and Standards	16
APPENDIX D How to Obtain Additional Copies of the Report	17
APPENDIX E Local Regional Office Listing	18

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 2016

Dear Authority Officials:

A top priority of the Office of the State Comptroller is to help authority officials manage their authorities efficiently and effectively and, by so doing, provide accountability for dollars spent to support authority operations. The Comptroller oversees the fiscal affairs of authorities statewide, as well as authorities' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving authority operations and Board governance. Audits also can identify strategies to reduce authority costs and to strengthen controls intended to safeguard authority assets.

Following is a report of our audit of the City of Olean Housing Authority, entitled Board Oversight. This audit was conducted pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution.

This audit's results and recommendations are resources for authority officials to use in effectively managing operations and in meeting the expectations of taxpayers. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The City of Olean Housing Authority (Authority) is located in the City of Olean (City) in Cattaraugus County. The Authority was established pursuant to New York State Public Housing Law (PHL)¹ to provide low-rent housing for qualified individuals in accordance with relevant provisions of PHL, rules and regulations promulgated by New York State Homes and Community Renewal and the rules and regulations prescribed by the United States Department of Housing and Urban Development (HUD). The Authority's operating budget for the 2015-16 fiscal year (ending June 30, 2016) totaled approximately \$2.2 million, funded primarily by HUD grants and tenant rental income. The Authority maintains 306 housing units.

The Authority's Board of Commissioners (Board) is composed of seven commissioners: five appointed by the City Mayor and two elected by the tenants. The Authority generally operates independently of the City, managing its own operational and financial affairs. The Board is responsible for establishing and monitoring compliance with policies governing the Authority's operations and financial affairs. The Authority's day-to-day operations are generally the responsibility of its Executive Director (Director), who is appointed by the Board, while the day-to-day financial activity and reporting is managed by an accountant. The Authority contracts with a Consultant who reports to the Director and manages² the Authority's Capital Fund Program (CFP).³ The Board has overall responsibility for safeguarding the Authority's resources, including any CFP funding received, and for ensuring that any idle funds are properly invested and secured.

HUD oversees the Authority's administration of its public housing program and through the CFP provides financial assistance to the Authority for improvements to existing public housing units.⁴ These improvements are agreed upon and approved by both the Board and HUD and documented in the Authority's Five Year Action Plan (Plan). The Board and HUD annually amend the Plan by establishing and agreeing upon the Annual Contributions Contract (Contract). Both the Plan and the Contract identify and approve

¹ PHL Section 523

² It was not within the scope of our audit to determine whether it was legally permissible for the Consultant to perform this function.

³ The Consultant is the Authority's former Executive Director, who retired from the Authority on December 31, 2011. The current Executive Director was appointed by the Board on January 1, 2012.

⁴ The amount of CFP financial assistance (grants) that HUD provides to the Authority is determined by a formula prescribed by federal regulations, along with data provided by the Authority.

the eligible activities for which the Authority can disburse funds. Eligible activities are defined by HUD as items described in the Plan, which are approved by the Board and HUD. Such activities include improvements to the development, financing, reconfiguration and redesign of public housing units. The Authority obtains the funds from HUD by requesting draw-downs for eligible costs described in the Contract. The Authority can only request draw-downs from HUD and subsequently disburse funds for payments of eligible activities or for activities approved on the Plan or Contract. The Authority can disburse funds for eligible activities on the Contract for up to four years after the date of approval.

The Authority engages a brokerage firm (Firm) to assist the Director in managing the Authority's investment activities. As of June 30, 2015, the Authority reported investments of more than \$1 million through the Firm.

Objective

The objective of our audit was to evaluate Board oversight over certain financial activities. Our audit addressed the following related question:

- Does the Board properly oversee the administration of the Capital Fund Program and the security of investments?

Scope and Methodology

We examined the administration of the Capital Fund Program and the Authority's investments for the period July 1, 2013 through January 5, 2016. We extended our testing back to August 3, 2011 to identify original CFP approvals for subsequent expenditures in our audit samples.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix C of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Comments of Authority Officials and Corrective Action

The results of our audit and recommendations have been discussed with Authority officials and their comments, which appear in Appendix A, have been considered in preparing this report. Authority officials disagreed with certain findings and recommendations, agreed with others and indicated they planned to initiate some corrective action. Appendix B includes our comments on issues raised in the Authority's response.

Good management practices dictate that the Board has the responsibility to initiate corrective action. As such, the Board should prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days.

Board Oversight

The Board is responsible for safeguarding the Authority's resources, including any CFP funding received, and for ensuring any idle funds are properly invested and secured. To fulfill this responsibility, the Board must ensure all HUD requirements are met, funding is used only for eligible activities, resources are properly secured and goals are achieved. Overall responsibility for completion of CFP activities, compliance with federal requirements and regulations and proper financial management rests with the Board.

The Board did not provide proper oversight over the administration of its CFP or investments. As a result, CFP funds were not always properly used. We identified payments totaling over \$44,000 for activities that were not on the Plan or Contracts, were not properly supported or were modifications to the original Plan that did not evidence written Board approval. Further, the Authority reported investments totaling more than \$1 million that may not be properly secured and are not sufficiently monitored by the Board. There was no written agreement for services between the Authority and the Firm administering these investments. Additionally, the Authority could not identify the original source of the more than \$1 million invested.

Capital Fund Program

The Board is responsible for properly overseeing the administration of its CFP and ensuring that funds are used only for eligible activities. The Plan and Contract serve as the basis for managing the CFP, ensuring compliance with federal requirements and monitoring progress toward achieving Authority goals. Generally, ineligible activities would include any costs not associated with a public housing project or development, activities not included in the Plan or Contract, or improvements or purchases that are not modest in design and cost.

The Board has not adopted written policies or procedures to monitor the Consultant's performance in administering the CFP, the use of CFP grant funds or financial reporting of CFP activity to the Board. The Director stated that the Board does not receive monthly reports or financial updates regarding the CFP and does not monitor capital fund activity, which was confirmed by the official record of the Board's monthly meeting minutes. Although the Board approves the Plan and annual Contracts that serve as the CFP budget, it does not see budget-to-actual results until the grant is closed out several years later. Periodic status and expense reports would allow the Board to identify and address any issues in a timely manner and keep the public informed on the progress of program activities.

The Consultant stated that the Board's involvement in the CFP is limited to approving the Plan and the annual Contracts and that the Board is not involved in reviewing spending or determining whether activities are eligible. The Consultant also stated that he was responsible for determining which activities were eligible or not.⁵ The Director confirmed that the Consultant was responsible for this determination but said that the Consultant usually discusses his decisions with her. However, this lack of Board oversight places grant funds at risk of mismanagement and compromises the transparency of the CFP.

We selected 89 CFP-related expenditures totaling approximately \$198,600 to determine if they were for eligible activities approved on the Plan or subsequent Contracts.⁶ We found exceptions with 22 payments totaling over \$44,000. Nineteen payments totaling \$31,020 were not approved on the original Plan or the Contracts or were modifications to the original Plan that did not evidence written Board approval and were therefore ineligible. For example, seven payments totaling \$7,865 (approved by the Consultant) were made for modifications to commercial rental units the Authority owns, such as installing new plywood for flooring in a dance studio renting space in the Authority's administrative building. The remaining three payments totaling \$12,993 did not have sufficient supporting documentation to show that they were for a properly approved eligible activity.

We also examined each of the related payments to determine whether the Authority adhered to the competitive process required by its own Board-adopted procurement policy. According to the policy, a reasonable number of quotes (preferably three) must be obtained for all purchases exceeding \$2,000 and one quote must be obtained for any purchases below \$2,000 but more than \$50. For large purchases exceeding \$50,000, a competitive bidding process is required.

Of these payments, quotes were required for 87 purchases totaling approximately \$138,000. However, officials could not demonstrate that any quotes were obtained. Competitive bidding was required for one purchase totaling approximately \$52,000, which had been properly bid.

The Consultant told us that he conducts all procurement activities for the CFP in accordance with the Authority's procurement policy and acts independently of the Board and Director in this regard. The Consultant also stated he is responsible for awarding CFP contracts,

⁵ We examined the Authority's contract with the Consultant and found no indication he was specifically responsible for determining which activities were eligible or ineligible for the CFP.

⁶ See Appendix B, Audit Methodology and Standards, for details on our sample selection.

and that the awarding of such contracts is not noted in the Board meeting minutes because the Board is not involved in awarding them.

Because the Board did not establish a formal monitoring process, did not request periodic reports from the Consultant and allowed the Consultant to manage the CFP without Board oversight, more than \$44,000 was expended for ineligible purchases and approximately \$138,000 was not properly procured in accordance with Board policy. As a result, the Board is not in a position to ensure that funds have been spent appropriately or that the Consultant has performed his duties as contracted.

Investments

The Board is responsible for establishing and monitoring an investment program, which includes developing a comprehensive written investment policy. This policy should establish a prudent set of procedures for management to follow when investing idle funds, monitoring investment activities and reporting investments to the Board, including having written agreements, as appropriate, pursuant to which investments are made. Additionally, the policy should identify the types of investments deemed permissible and requirements for safeguarding them. Investing involves both opportunities and risks, and officials must ensure the safety and liquidity of funds while also obtaining a reasonable rate of return on any investments. To keep these funds safe, officials need to fully understand the risks involved and the necessary safeguards required for the types of investments they choose.

The Authority has invested over \$1 million in instruments identified as negotiable certificates of deposit (CDs) through the Firm. These are often referred to as “brokered CDs.”⁷ However, the Board has not adopted a comprehensive investment policy and Authority officials were not aware of the risks associated with this type of investment.⁸ Unlike conventional CDs issued directly to the investor by a bank, brokered CDs are bought and sold by an intermediary. Although brokered CDs may be redeemed prior to maturity, there may be a loss of principal and additional penalty. If the CD is not held until maturity, it must be sold in a secondary market, where prices are driven by market forces, which means the investor could end up selling at a loss. Additionally, brokered CDs are not always issued in the name of the investor but instead are often issued in the name of a brokerage firm and sometimes split between two or more investors.

⁷ These types of CDs are issued by banks and are purchased by brokers in the secondary market, possibly at a negotiated higher rate of interest than a CD purchased directly from a bank.

⁸ The United States Securities and Exchange Commission (SEC) has noted that brokered CDs “typically are more complex and may carry more risks than CDs offered directly by banks.” (<https://www.sec.gov/investor/pubs/certific.htm>, “High-Yield CDs: Protect Your Money by Checking the Fine Print”)

Housing authorities can deposit and invest federal funds with various financial institutions in accordance with HUD's Cash Management and Investment Policies and Procedures. Housing authorities are not prohibited from investing in brokered CDs; however, to help ensure Federal Deposit Insurance Corporation (FDIC) coverage, among other reasons, such CDs should be held in the name of the Authority with the Firm acting merely as custodian. The SEC has recommended that, because brokered CDs are sold through an intermediary (i.e., broker), additional steps should be taken to avoid fraud. These steps include checking the broker's background, identifying the issuing bank, confirming with the broker how the brokered CD is to be held (i.e., the brokerage account records should reflect that the CD is held in the name of the investor with the broker acting as agent/custodian for the investor) and asking for a copy of the exact title of the CD.⁹ The Authority also should ensure that its investment in the brokered CD qualifies for full FDIC coverage. In fact, HUD's Cash Management and Investment Policies and Procedures state that "brokered deposits should be avoided" because of the risk that the CD may not be fully insured by the FDIC.¹⁰

The Director was unable to identify the original source of the funds invested and was not sure if the funds were federal money the Authority had previously received through HUD grants. Furthermore, we found no evidence that the brokered CDs were in the Authority's name. A broker from the Firm told us that the CDs were FDIC-insured.¹¹ However, Authority officials could not provide documentation, such as evidence that the account records reflect that the Firm was acting as custodian,¹² to ensure that the CDs qualified for full FDIC coverage. Without adequate assurance that the CDs are FDIC-insured or otherwise properly secured, the Authority is at risk of not being fully protected from losses in the event of a default.

The Director stated that there was no written agreement between the Firm and the Authority, and provided the original paperwork filed by the former Executive Director to open the brokerage account. The former Executive Director authorized the opening of the brokerage account in June 2004. Although Board members told us they were aware of the brokerage account and were provided with the annual statement from the Firm, the meeting minutes did not document the Board's authorization for opening the account.

⁹ Ibid.

¹⁰ Attachment A, HUD Approved Investment Instrument Section 8(c)

¹¹ This was also noted on the monthly investment account statement the Firm provides to the Authority.

¹² See <https://www.sec.gov/investor/pubs/certific.htm>, "High-Yield CDs: Protect Your Money by Checking the Fine Print"

Authority officials should be familiar with the nature of investment authorizations and with the type of safeguards that should be taken to prevent the loss of principal and interest. Without such knowledge, officials could potentially place these funds at risk of loss and misuse.

Recommendations

The Board should:

1. Establish formal written procedures to monitor the performance of the Consultant and administration of the CFP, including a review of periodic status reports on capital fund activity.
2. Require documentation sufficient to support all claims against the CFP funds to demonstrate how money is being used to meet the program's objectives and that purchases were made in compliance with the procurement policy.
3. Develop a written comprehensive investment policy that, at a minimum, identifies the types of investments it deems permissible and requirements for safeguarding investments.
4. If the Authority determines that it is prudent to continue investing in brokered CDs, notwithstanding HUD's recommendation that brokered deposits should be avoided, it should ensure that the Firm is merely acting as custodian for the Authority, and that the Authority's investments are held in the name of the Authority and fully covered by FDIC or otherwise fully secured.
5. Enter into a written agreement with the Firm specifying, among other things, the services to be provided by the Firm and the consideration to be paid by the Authority.

APPENDIX A

RESPONSE FROM AUTHORITY OFFICIALS

The Authority officials' response to this audit can be found on the following pages.

Anne Kivari, Executive Director

July 5, 2106

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Mr. Jeffery Mazula
Chief Examiner of Local Government and
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Buffalo, New York 14203-2510

Dear Mr. Mazula,

The City of Olean Housing Authority, hereinafter OHA, has received and reviewed the preliminary draft report (2016M-93) recently completed by the Office of the State Comptroller (OSC). We recently met with your staff and our Board of Commissioners Chairperson to review the report and recommendations and to report on corrections already completed and those in progress and provided documentation to refute many of the assertions made in the preliminary report.

The OHA asserts that several of the contentions made by the OSC are incorrect because the auditors failed to correctly apply regulations of the US Housing and Urban Development Authority (HUD) under which the OHA is governed. During conversations and meetings, the auditors repeatedly referred to policies and procedures appropriate to Municipal Housing Authorities which are governed under New York State regulations and are not applicable to the City of Olean Housing Authority.

See
Note 1
Page 15

In response to the recommendations found in your Report of Examination, the City of Olean Housing Authority's Board of Commissioners offers the following corrections, responses and comments:

RECOMMENDATION #1: Establish formal written procedures to monitor the performance of the Consultant and administration of the CFP, including a review of periodic status reports on capital fund activity.

The recommendation refers to the Capital Fund Director who is employed in a consulting capacity by the OHA. The current CFD has been employed by the OHA for over seventeen years and has served as Executive Director and Capital Fund Director. He is intimately familiar with the requirements of Capital Fund programs and has been found to be in compliance with regulations without exception throughout his tenure with the OHA.

The Board disagrees with the Auditors position that the Consultant managed the CFP without Board oversight. Activities of the CFD are regularly reviewed at monthly board meetings as part of the Executive Director's report. In addition, the Board approves the annual Capital Fund budget and all expenditures of Capital Funds. The Board agrees that it will codify a "formal written procedure to

See
Note 2
Page 15

monitor the performance of the Consultant” that will include a separate agenda item at monthly board meetings to review Capital Fund activities.

RECOMMENDATION #2: Require documentation sufficient to support all claims against the CFP funds to demonstrate how money is being used to meet the program’s objectives and that purchases were made in compliance with the procurement policy.

The Board disagrees with the Auditors assessment that \$44,000 was expended for ineligible purchases and \$138,000 was not properly procured in accordance with Board policy. We specifically question the 22 payments totaling over \$44,000, nineteen of which were not on the approved plan or the Contract and were therefore ineligible.

The OHA provided back-up documentation regarding the purchases in question during the fourteen month audit process and, following the exit meeting with OSC staff, the auditors were provided with a detailed breakdown of the expenditures with the corresponding Capital Fund Grant Numbers, the development numbers where the work was performed and where each one could be located on the Approved Annual Statement (HUD form 50075.1) or the Five Year Action Plan (HUD form 50075.2). CFP funds cannot be dispersed from HUD until the aforementioned forms are submitted and approved. The auditors reviewed the documentation provided and refused to make corrections to their findings.

See
Note 3
Page 15

The Board also requested that the auditors change the wording of the example they cited “... were made for modifications to commercial rental units the Authority owns, such as installing new plywood for flooring in a dance studio renting space in the Authority’s administrative building.” The Authority installed plywood SUB-flooring to repair damaged rental space so a new tenant could take possession, and make additional improvements at their own expense. Such repairs are made regularly within the course of business to maintain retail rental space that generates income that is used for the benefit of OHA residential tenants. Capital Fund expenditures for these projects have been approved by HUD since the rental property was acquired.

See
Note 4
Page 15

(The auditor refused to make that distinction in their finding and the authority feels the wording is intended to imply improper use of funds rather than the factual description found on the invoices and journal entries.)

The Board agrees that more detailed documentation to support claims against the CFP funds may eliminate questions of eligibility by outside organizations.

The OHA acknowledges that it failed to follow procurement policy for 86 of the 87 purchases being cited for failure to follow proper procurement procedure. Of the transactions sited, 86 were for purchases under \$2,000 but above \$50. The Board agrees that the current Procurement Policy is long overdue for an update and should be amended to increase the Small Purchase Threshold requiring multiple bids and raising the dollar requirement for quotes for any purchase above \$50.

The OSC report faulted the OHA for the lack of board involvement in the awarding of contracts under Capital Fund and the lack of reference to contract awards in Board Minutes. This again shows a lack of

familiarity with HUD regulations. THE OHA Board of Commissioners does not operate in the same way as a municipality or school board. The OHA Board meets monthly to review financial reports, approve expenditures and monitor the ongoing work of the organization. Specifically, HUD policy states that other than approval of a Procurement Policy, approval by the Board of Commissioners is not required for any procurement action as permitted under state and local law. Rather it is the responsibility of the Executive Director to make sure that all procurement actions are conducted in accordance with policy. While the Executive Director is responsible for ensuring that the housing authorities' procurements comply with the policy, the Executive Director may delegate all procurement authority as is necessary and appropriate to conduct the business of the Agency.

See
Note 5
Page 15

Overall the OHA has questioned the auditors understanding of Federal HUD Capital Fund procedures. OHA staff repeatedly attempted to explain The Federal CFP procedures to the auditors who, by their own admission had not previously audited a Federal Capital Fund program but had maintained that their experience with Municipal Housing Authority's, CBDG grants, schools and local government was equivalent to an authority governed by HUD. The Authority is thoroughly audited yearly by well qualified outside independent CPA firms selected through a competitive RFP process as required by HUD. Additionally the CFP program is monitored very carefully by HUD both at the local level in Buffalo and in Washington. The Authority is scored annually to determine future funding. A component of that scoring is proper and timely disbursement of the Capital Fund money. The City of Olean Housing Authority has consistently managed to be designated a HIGH Performer.

See
Note 1
Page 15

RECOMMENDATION #3: Develop a written comprehensive investment policy that, at a minimum, identifies the types of investments it deems permissible and requirements for safeguarding investments.

The OHA currently follows the HUD investment policy that identifies permissible investments and requirements for safeguarding those investments. The OHA agrees that it will incorporate HUD policies into an OHA specific policy.

See
Note 6
Page 15

RECOMMENDATION # 4: If the Authority determines that it is prudent to continue investing in brokered CD's notwithstanding HUD's recommendation that brokered deposits should be avoided, it should ensure that the FIRM is merely acting as custodian for the Authority, and that the Authority's investments are held in the name of the Authority and fully covered by FDIC and otherwise fully secured.

The OSC report contends that the OHA has not adopted a comprehensive investment policy and that Authority officials were not aware of the risks associated with this type of investment. The OHA contends that they do have an investment policy, as provided by HUD and that it's investments fully comply with HUD recommendations and are fully protected under FDIC. OHA investments are part of the annual audit and are reported as such to HUD.

See
Note 6
Page 15

RECOMMENDATION #5: Enter into a written agreement with the Firm specifying, among other things, the services to be provided by the Firm and the consideration to be paid by the Authority.

A written agreement exists with the investment firm that was entered into by the prior Executive Director. The OHA agrees that it will update the agreement to include greater specificity regarding the services to be provided by the investment firm and consideration to be paid by the OHA.

See
Note 7
Page 15

The OHA Board is responsible for safeguarding the Authority's resources including any Capital Fund Program funding received and for ensuring that any idle funds are properly invested and secured. The Board contends that, the OHA is subjected to thorough oversight by HUD and by an independent auditor which is reflected in our High Performer status and will adopt the recommendations noted above that the OHA agrees will benefit oversight of the organization.

Respectfully,

Linda Schnell

Board Chairperson

APPENDIX B

OSC COMMENTS ON THE AUTHORITY'S RESPONSE

Note 1

During the course of our audit, we met with both Authority officials and HUD representatives to discuss and obtain agreement regarding criteria for our audit work. Both Authority and HUD officials agreed with the criteria we used for the audit.

Note 2

As noted in our report, the Board's monthly meeting minutes did not evidence this oversight.

Note 3

As noted in our report, these expenditures did not evidence Board approval.

Note 4

The invoice did not indicate the purpose for the expenditure. During audit fieldwork, Authority officials stated the plywood was used as "flooring." We contacted the vendor to inquire as to how this specific type of plywood could be used. The vendor stated the plywood had many uses, one of which was dance flooring. Additionally, Authority officials improperly recorded and reported this expenditure under dwelling structures, when in fact it was instead for a commercial rental unit the Authority owns.

Note 5

The Board is responsible for overseeing and monitoring all Authority operations, including procurement. Furthermore, delegating all purchasing authority as is necessary and appropriate to one individual (i.e., the Consultant) without appropriate oversight is a significant control weakness.

Note 6

As noted in our report, HUD recommends avoiding brokered CDs and that any investments should be held in the name of the Authority. However, Authority officials did not abide by HUD's recommendations and instead retained brokered CDs that are not held in the Authority's name.

Note 7

The Authority provided documentation from 2004 that evidenced the opening of the account with the Firm but not the specific services to be provided by the Firm or the consideration to be paid by the Authority.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed Authority officials to gain an understanding of the Authority's administration of its CFP and how it ensures that funds are used only for eligible activities and in accordance with the approved Plan.
- We interviewed Authority officials and the Firm to obtain an understanding of the Authority's investment program.
- We reviewed pertinent laws, regulations and policies relating to the Authority's roles and responsibilities for managing its CFP and to determine the process for approving and subsequently disbursing funds for eligible activities in accordance with HUD regulations.
- We interviewed HUD officials to confirm our understanding of HUD regulations pertaining to the Authority's CFP and investments.
- We judgmentally selected a test sample of 89 CFP disbursements by scanning Authority bank statements and check images for large disbursements or transfers of funds made to individuals or private businesses, either in single or multiple disbursements or transfers, totaling more than \$5,000. As a result, we selected 61 payments totaling \$200,327, which contained 89 CFP disbursements totaling \$198,600. Our audit testing focused on the 89 CFP disbursements.
- We compared vendors in a conflict-of-interest analysis to the vendor history detail reports for any possible matching transactions.
- We reviewed the canceled check images for our sample to determine whether vendor names, amounts and dates matched accounting records.
- We determined whether CFP funds were disbursed for eligible activities by comparing our disbursement sample to the Plan and subsequent Contracts.
- We requested documentation from Authority officials on how the brokered CDs were funded and secured/collateralized.
- We reviewed Board meeting minutes and interviewed Board members and the Director to determine the Board's role in overseeing the CFP and investments.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX D

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