New York State Comptroller
THOMAS P. DiNAPOLI

# Central New York Regional Market Authority

## Financial Condition

**2024M-18 | May 2024**

**Division of Local Government and School Accountability**

# Contents

# Report Highlights

## Central New York Regional Market Authority

## Audit Objective

Determine whether the Central New York Regional Market Authority Board of Directors (Board) and officials effectively managed the Authority's financial condition and planned for future capital and operational needs.

## Key Findings

The Board and officials did not effectively manage the Authority's financial condition and plan for future capital and operational needs. The Authority's revenues have not kept pace with expenses, resulting in annual losses and the unrestricted net position declining to a deficit of $97,470 at the end of the 2022-23 fiscal year (FY). The Board and officials did not develop and adopt realistic budgets. During the three FYs reviewed, payroll expenses were about $369,144 (20 percent) more than budgeted and the 2022-23 FY commercial lease revenue was $316,500 (36 percent) under budget. If officials do not increase lease revenues, the Authority could realize a $410,000 revenue shortfall in FY 2023-24.

Officials did not adequately monitor and control payroll expenses. For example, they did not budget enough for base pay, overtime and new staff. The Board also approved and paid the former Executive Director (Director), the current Director's father, $212,154 from January 2020 until January 4, 2023 to handle special projects and other duties such as snowplowing. The Board did not establish a clear job description, work hours or require the former Director to maintain or submit time records, logs or reports showing when he worked or what he completed.

The Board did not ensure a thorough analysis was performed prior to buying a $2.3 million warehouse that is currently vacant and not generating any income. Officials were aware the warehouse needed repairs when they purchased it but did not obtain repair estimates and did not secure long-term lease commitments. Officials estimate repairs will cost $3.2 million and lack the finances to complete the repairs. Without tenants, the warehouse will continue to deplete the Authority's resources.

## Key Recommendations

- Take immediate measures to reduce spending and/or increase revenues.
- Adopt realistic budgets that provide recurring revenues to finance recurring expenses, and closely monitor the budget and cash flow.
- Work to prioritize and address critical infrastructure needs and fill vacant rental space.

Authority officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate, corrective action.

## Audit Period

April 1, 2019 – October 26, 2023. We extended our audit period to December 31, 2023 to review 2023-24 FY third-quarter financial reports.

## Background

The Central New York Regional Market Authority (Authority) is located in the City of Syracuse (City) in Onondaga County and was established as a centrally-located food distribution center to provide facilities, programs and services to promote opportunities for agriculture and commerce.

### Quick Facts

| 2022-23 | |
|---|---|
| **Budget** | $2.3 million |
| **Lease and License Revenues** | $1.6 million |
| **Payroll Expenses** | $911,800 |

# Financial Condition

The Authority is governed by a 13-member Board, consisting of the commissioner of agriculture and markets or the commissioner's representative (serving as a member ex-officio[1]), along with 12 appointees of the governing boards of the following counties: Onondaga (three members), Oswego (two members), Cayuga (two members), Madison (two members), Cortland (one member), Oneida (one member), and Wayne (one member). The Board is responsible for the general management and control of the Authority's financial operations.

The Director is the chief executive officer and is responsible for the day-to-day management and developing the budget. The Board retained the former Director to serve as an advisor and work on special projects when the current Director took the position in January 2020.

The Authority's mission is to provide facilities, programs and services to promote opportunities for agriculture and commerce in Central New York. It occupies 50 acres in the City of Syracuse and features a farmers market and flea market where vendors can sell their products to the public. The Authority also leases buildings, land and office space to commercial vendors such as wholesalers, restaurants and a bank. The Authority is funded primarily with fees collected from its market vendors and commercial tenants.

A key component of an authority's financial condition is its net position, which represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. Over time, increases or decreases in an authority's net position are indicators of whether its financial health is improving or deteriorating. Cash flow is another important indicator of an authority's financial stability and sustainability.

### How Should an Authority Board Effectively Manage the Authority's Financial Condition?

Under New York State Public Authorities Law Section 2824, board members of a public authority are responsible for, among other things, the direct oversight of the authority's chief executive and other management in the effective and ethical management of the authority. Board members must understand, review and monitor the implementation of fundamental financial and management controls and operational decisions of the authority. They also must establish policies regarding the payment of compensation to, and establish time and attendance rules for, the chief executive and management. Board members have a fiduciary duty to perform each of their duties as board members in good faith and with that degree of diligence, care and skill which an ordinarily prudent person in like

1 The Authority's bylaws state that the member ex-officio has the same voting power as any other Board member.

position would use under similar circumstances, applying independent judgment in the best interest of the authority, its mission and the public.

To effectively manage an authority's financial condition, an authority board must adopt realistic budgets that are based on well-supported assumptions, such as historical data, known trends and contractual agreements. The budgets should provide sufficient recurring revenues to finance recurring expenses and include reasonable contingencies for unforeseen circumstances.

An authority board should receive regular financial reports to fulfill its oversight responsibilities and monitor financial condition. Examples of useful reports include budget-to-actual comparisons, revenue and expense reports (income statements), balance sheets and cash flow analysis. A cash flow analysis is a record of actual and projected cash inflows and outflows over a given period. Monitoring cash flow can help authority officials identify any cash deficits in advance, so they can work to take corrective measures.

Monitoring cash flow can help authority officials identify any cash deficits in advance, so they can work to take corrective measures.

Multiyear financial planning is a vital tool for authorities, especially those struggling with difficult financial conditions. It enables authority officials to identify revenue and expense trends, establish long-term priorities and goals, and consider the impact that short-term budgeting decisions or new initiatives may have on future years.

Effective multiyear capital planning helps to identify and prioritize capital needs, identify financing methods, and establish time schedules to address the capital needs over time so assets can be repaired or replaced before an emergency occurs. When considering significant building acquisitions, authority officials should evaluate the affordability of the capital investment and financial risks by considering the dependability of revenue sources and the cost of debt service; new operating and maintenance expenses; and necessary capital improvements.

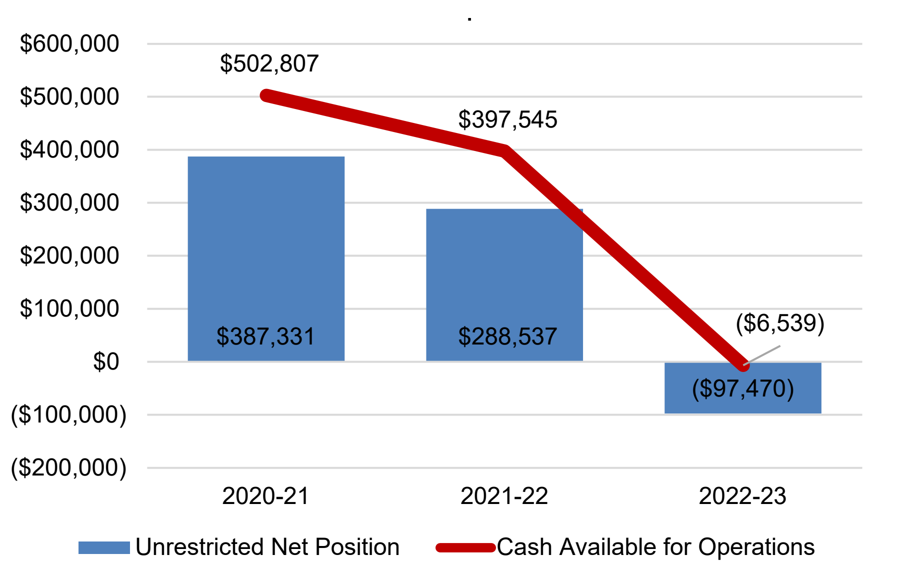
### The Authority's Net Position and Available Cash Have Declined

The Board and Authority officials did not effectively manage the Authority's financial condition. Over the past three years, the Authority's total net position declined 18 percent, from $6 million at the start of the 2020-21 fiscal year to $4.9 million at the end of the 2022-23 fiscal year. A large portion of the Authority's net position is the net investment in capital assets, which are the amounts the Authority has expended for the acquisition of capital assets, less accumulated depreciation and related debt. The remaining component is reported as the unrestricted net position. The Authority's unrestricted net position declined from $387,331 at the end of 2020-21 to a deficit of $97,470[2] at the end of 2022-23 (Figure 1).

2 The Authority underreported its unrestricted net position and overreported its net investment in capital assets by $33,108 in its 2022-23 financial statements. Likewise, it underreported cash held for construction and overreported other cash by the same amount. We adjusted for this to reflect the correct amounts in our analysis.

FIGURE 1

Unrestricted Net Position and Cash Available for Operations



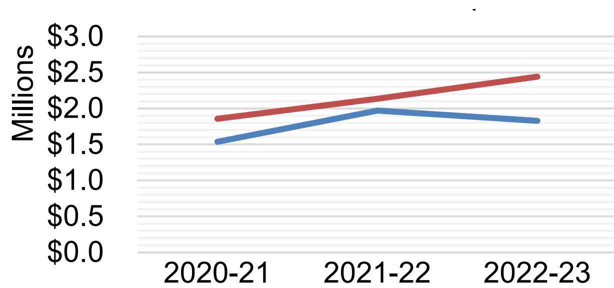

Additionally, the amount of cash available at fiscal year-end to pay operating costs has declined significantly over the past few years. Although the Authority reported total cash of $1.5 million at the end of the 2022-23 fiscal year, $1.4 million of this amount was the unspent proceeds from notes payable that were to be used on projects to improve the Authority's infrastructure. Another $47,500 was held for security deposits and token liability,[3] leaving no available cash on hand to pay for regular operations. During 2022-23, officials had to use approximately $6,500 of cash intended for capital projects to cover the Authority's operating costs. The trends of declining net position and available cash are indicators that the Authority's financial health is deteriorating and, if not addressed, could affect the level of service it can provide.

The net position and cash decline occurred because revenues have not kept pace with expenses. The Authority's recurring revenues are not sufficient to cover recurring expenses. There has been a consistent gap (net loss) each year that has widened significantly in the most recently completed fiscal year (Figure 2).

3 The Authority sells tokens, which customers can use at the market to make purchases from participating vendors who do not accept debit or credit cards. The Authority holds funds in the amount of the outstanding tokens, so it has cash available to pay the vendors when they redeem the tokens.

## FIGURE 2

### Revenues Versus Expenses




| | 2020-21 | 2021-22 | 2022-23 |
|---|---|---|---|
| Revenues | $1,536,728 | $1,971,027 | $1,827,175 |
| Expenses | $1,857,444 | $2,135,331 | $2,441,396 |
| Change in Net Position | ($320,716) | ($164,304) | ($614,221) |

Furthermore, some of the Authority's buildings and facilities have fallen into disrepair. The Director worked with the Authority's engineers to prepare a $90 million infrastructure revitalization project proposal which will require outside funding to be able to complete. The Director told us that the Authority has requested State funding for this project. While over half of the project cost relates to potential future improvements such as creating new uses for existing spaces and adding new buildings, it also includes necessary repairs to existing facilities. For example, some of the repairs include restoring brickwork, repairing pavement, and replacing roofs, windows and doors. The Director identified several high-priority items, totaling $11.2 million, that should be completed first (referred to as the phase one project).[4]

The infrastructure has deteriorated because Authority officials did not make sufficient repairs over the years. The Director and a Board member told us that the last significant renovations were made over 20 years ago and that they did not address all the needs at that time because they did not have enough funding to do so.

To pay for some of the necessary repairs, the Authority borrowed $2.2 million during the 2022-23 fiscal year by refinancing mortgages and obtaining a line of

4 The original phase one project proposal included $6.5 million for warehouse repairs and improvements. Subsequent to our audit fieldwork, the Director provided us with architect and engineer cost estimates for the warehouse portion that now total $3.2 million.

credit. In addition to these loans, the Authority was awarded a $2 million New York State Capital Assistance Program grant. However, the Authority has not claimed this grant funding as of the end of fieldwork in October 2023. The Director told us they are working on submitting the necessary documentation to claim the grant. Even if the grant funds are secured, the $4.2 million in borrowing and grants will not be enough to cover the capital needs identified for the phase one project. Consequently, Authority officials will need to identify other financing sources and/or reduce the scope of the phase one project to address the highest priority needs within the limits of available funding.

After our audit fieldwork, we extended our audit period to review the Authority's financial reports for the third quarter of the 2023-24 fiscal year (as of December 31, 2023). At the end of the third quarter, the Director reported that 2023-24 revenues were $1,447,822 and expenses were $1,960,230 – a year-to-date net loss of $512,408. While the Authority has one quarter left in the fiscal year and various fiscal year-end adjustments are still needed in the records (e.g., recording depreciation expense), the reports show the Authority is facing another significant decline in its net assets for 2023-24 because expenses continue to exceed revenues.

To reverse this financial decline, officials need to immediately begin reducing costs and/or increasing revenues so the Authority can have enough funds to continue its operations and generate sufficient funds to address its capital needs on an ongoing basis.

### The Authority Purchased a Warehouse That Needs Significant Repairs and Is Currently Vacant

In September 2020, the Authority obtained a $2.3 million mortgage to purchase a 50,000 square foot warehouse, in part, to partner with a school district that would use a portion of it for a central kitchen with food storage. The Authority did not perform a thorough analysis prior to making this purchase. The former Director and an engineer did a walkthrough of the warehouse in July 2020. The engineer's assessment determined that parts of the roof had a three-year life remaining. The former Director reported to the Board that the roof can be maintained or replaced one section at a time. Although officials were aware of the roof concerns, they did not obtain roof replacement estimates at that time to determine the cost of the project. In addition, officials did not develop a plan for financing the needed improvements or a schedule for replacing the roof, and they have not set aside money for this purpose.

Seven Board members and the Director told us this purchase would benefit the Authority by providing rental income that would result in a positive monthly cash flow. The Director also told us that they expected tenants to make investments in the warehouse which would help to maintain it. However, the Board and officials did not secure long-term lease commitments with tenants or develop a contingency plan to cover costs when it was not rented (e.g., mortgage, maintenance and utilities).

The warehouse purchase has not provided a net financial gain to the Authority. Initial costs included $95,000 in professional fees and prepaid interest. Other significant costs included over $60,000 in real property taxes and late fees before the property was designated tax-exempt. The Authority can recover at least $31,000 of these real property taxes for the period in which it should have been granted tax-exempt status by filing an application for a refund with the City Assessor.[5]

The Authority began making mortgage payments in April 2021, and started receiving commercial lease revenue from one tenant (the former building owner) in April 2021 and another tenant (the school district) in July 2021.[6] During much of the 2021-22 fiscal year, this provided a monthly cash flow surplus of about $9,500. However, the first tenant moved out in March 2022 and the school district moved out in May 2023. The Director told us that the building is currently unrentable due to the roof and other issues, including damage resulting from a break-in incident and vandalism that occurred in July 2023.

Because the building has been vacant since June 2023, the Authority has not been generating any revenue to offset the $12,900 in monthly mortgage principal and interest costs it pays for the property. The warehouse was still vacant at the end of our audit period, and the cumulative net cost amounted to over $175,000 as of October 2023.

Furthermore, the Director indicated that this warehouse is now in need of $6.5 million in repairs and renovation work as part of the high-priority items identified for the phase one project. This includes:

- Repair roof and gutter,
- Upgrade the building exterior,
- Install dock doors and levelers, and
- Repair building interior including flooring, drywall, windows, doors, ceiling tiles and repairs to damages from the July 2023 break-in.

When we discussed the draft audit report with the Director during our exit conference, she told us that the Authority has obtained an updated cost estimate from the Authority's engineers. She provided us with a January 2024 building

---

5 Officials can pursue a refund of real property taxes by filing an *Application for Refund or Credit of Real Property Taxes* (Form RP-556) within three years of the annexation of the warrant for the collection of such tax.

6 The first school district payment was recorded in September 2021, and it covered July, August and September 2021.

condition assessment for the warehouse with projected costs of $3.2 million. This report was made after our audit was complete and involved a more thorough site inspection including, for example, soil samples and roofing materials analysis. The cost estimate includes the same major items as the $6.5 million estimate (perimeter insulation, remove and replace roof, overhead doors, exterior painting, dock levelers). It also included additional items, such as foundation repairs, paving work, electrical work; but did not include finishings such as carpet, ceiling tiles and drywall.

If the January 2024 building condition assessment work is completed, that would mean a total warehouse investment of nearly $5.5 million. As mentioned previously, the Authority does not currently have sufficient funding to pay all the estimated costs of the phase one project, which includes these warehouse improvements. If officials are unable to secure additional funding for the project, they will need to prioritize what upgrades are critical to get the space into a rentable condition. They also need to find tenants so the Authority can resume earning lease income on the building. Otherwise, the warehouse will continue to be a drain on the Authority's limited resources. If the Authority is not able to afford the needed upgrades and/or find tenants to lease the building, officials may need to consider selling the property to avoid greater losses.

…[T]he Authority does not currently have sufficient funding to pay all the estimated costs of the phase one project. …

The Director and two Board members explained that the Authority has experienced rising operating costs resulting from operating its farmers market and flea market. They said that if they increase prices too much for the vendors that rent space for these markets, some will leave the market, which will negatively affect the Authority's revenues and further exacerbate its financial issues. The Director and Board intended to leverage this commercial warehouse space to provide additional resources to help subsidize the Authority's market operations. However, thus far, the warehouse purchase has not provided the desired outcome.

### Officials Did Not Develop Realistic Budgets and the Board Did Not Adequately Monitor Payroll Expenses

The Board adopted annual and multiyear budgets that generally showed recurring revenues equaling recurring expenses each year. The annual budgets totaled about $2 million, on average for the 2020-21 through 2022-23 fiscal years. During this period, the Authority experienced net losses each year that averaged about 18 percent of the total budget and totaled more than $1 million over the three years combined. Having expenses that exceed revenues year after year is not sustainable because eventually that will deplete the Authority's resources.

The Director provided the Board with quarterly financial reports to monitor financial activities. The reports included balance sheets and income and expense reports that show the budgeted and actual amounts. However, the reports were not timely. On average, these reports were provided to the Board about three months after the quarter ended, and two reports were provided more than six months after the quarter ended.

Although the Board received budget-to-actual comparisons, it did not typically make budget adjustments during the year when certain expenses were over budget or certain revenues were not likely to be realized. For example, the Board only made one budget adjustment during the 2022-23 fiscal year to increase the budgeted amount by $50,000 for payroll expenses, which had been underestimated.

Annual payroll expenses increased by $404,124, or 80 percent over the 2020-21 through 2022-23 fiscal years.

Additionally, although the Board received quarterly balance sheets that show cash balances, it did not receive cash flow analysis reports. Developing cash flow projections and closely monitoring cash flow could help officials to identify any cash shortages in advance that could impact the Authority's ability to pay its bills so officials can take corrective measures to address the situation. When analyzing cash flow, officials should separate any loan or future grant proceeds held for capital projects from the cash available for operations to help ensure the cash earmarked for improving the facilities is not spent for routine operations.

We reviewed revenue and expense trends and compared budgeted amounts to actual results. Several revenues were lower than estimated and several expenses were higher than estimated. Among the largest of these differences were payroll expenses and commercial lease revenue.

Payroll – Payroll represents the Authority's largest operating expense. Annual payroll expenses increased by $404,124, or 80 percent over the 2020-21 through 2022-23 fiscal years. Although the Board increased payroll estimates in each budget, the actual payroll expense was still about 20 percent ($369,144) more than budgeted over the three-year period.

Payroll costs were higher than estimates because the budgeted amounts did not include all proposed pay increases, overtime and new staff. The Director told us that when preparing annual budget estimates, she factored in anticipated pay increases. She did not retain her calculations but provided us with the proposed pay rates that she used when preparing the budgets. We analyzed payroll costs and budget estimates and determined:

- The base pay we calculated for staff was more than what was budgeted by $28,697 for 2020-21, $126,544 for 2021-22 and $7,615 for 2022-23.
- No additional amounts were budgeted for overtime which, based on payroll reports for 2021-22 and 2022-23, averaged about 5.4 percent of the total payroll (about $45,000 a year). While some overtime may be unplanned and unexpected, it is prudent to budget for it based on historical trends. Furthermore, three employees' schedules were designed to have one day of built-in overtime each biweekly pay period to provide an incentive to full-time

staff who work weekends. Given the Authority's declining financial condition, officials should review the work schedules and consider making adjustments to reduce overtime costs.

- No additional amounts were budgeted for new staff for the first year they were hired. Overall, staff levels have increased by four employees over the last three years. From March 2020 through March 2023, staffing went from eight to 13 full-time employees and from eight to seven part-time employees.

We reviewed the 2023-24 budgeted payroll expense and supporting documentation for the current fiscal year and determined the base pay calculations were reasonable. However, there was no additional amount budgeted for overtime. If the past overtime trends continue, actual payroll amounts will be about 5 percent higher ($45,000) than budgeted.

The Director told us that they needed to increase pay because of minimum wage increases and to be able to attract and retain staff. She also said that they have had an increase in token sales, which requires more staff time to administer the sales. While staffing levels and pay raises may be justified for a number of reasons, the Authority must weigh those needs with its ability to generate sufficient revenues to pay for these recurring expenses.

In addition, the Authority paid $212,154 from January 2020 through January 2023 to the former Director, who is also the father of the current Director. The current Director took the position on January 1, 2020 after previously serving as the Authority's Administrator. In December 2019, the Board passed a resolution to authorize the former Director to work on a part-time, or as needed basis, as an advisor for the first four months of the transition to the new Director (through April 2020). The resolution indicated the former Director would continue to head up special projects he was working on and assist with other duties as needed, such as snow plowing, and would earn an annual salary of $70,000 (about $2,692 biweekly).

While his salary was included in budgeted payroll expenses, there was limited accountability established for the position. For example, there was no clear job description or written expectation for the position beyond the December 2019 Board resolution. Officials did not establish work hours for the position, and the former Director was not required to maintain or submit any time records, logs or reports showing when he worked or what work he completed.

The Director and two Board members told us the Board agreed to keep the former Director on as an advisor, in part, because he was helping the Authority with a special project – the purchase of the warehouse building, which was completed in September 2020. In addition, the Director told us that the Authority continued to employ the former Director for various reasons, such as to fill in for maintenance when they were short staffed, meet with the warehouse tenants regarding their

…[T]he former Director was not required to maintain or submit any time records, logs or reports showing when he worked or what work he completed.

leases, help with lobbying efforts to secure project funding, and plow snow. While the initial resolution shows the Board planned to retain the former Director for four months, the Authority ultimately employed him in this position for three years.

Furthermore, the Board meeting minutes did not clearly show Board authorization for his continued employment throughout this entire period. For example, the July 2020 Board meeting minutes indicate the Board approved employee pay increases “as presented;” however, the minutes did not reflect the salaries and pay rates authorized by the Board. The Director provided us with an employee salary and wage list the Board purportedly approved, which included the former Director’s salary as $70,000 “through September.”

The Board did not take formal action to extend the former Director’s employment as an advisor beyond September 2020. The next Board approval of the former Director’s compensation and continued employment was not documented in the minutes until July 2022, when the Board approved a list of proposed employee salary and wage rates that included the former Director. It showed he would earn an annual salary of $70,000 and was “To retire in October of [sic] November.” The former Director did not retire until January 4, 2023.

The Director said that the personnel committee met before Board meetings and that she had provided proposed salaries and pay rates to the committee in writing each year and shared the same documentation with Board members at their meeting, but the salary and wage schedules approved by the Board were not always included in the minutes. A Board member confirmed that the Board received the written proposed salary and wage schedules for review. However, it is important that the Board be transparent in its action and have an official record of salaries and pay rates it approved in the minutes.

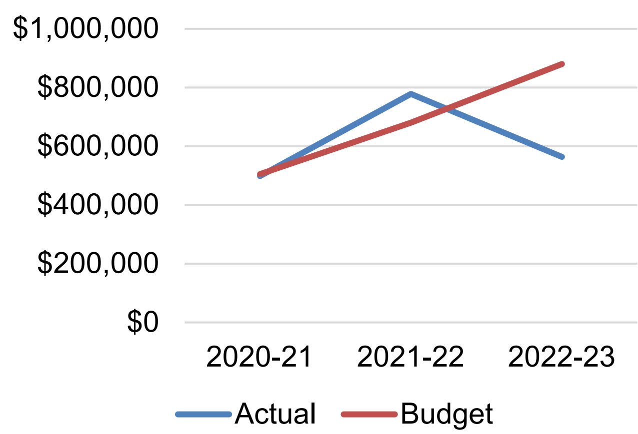
Also, the Board did not receive any payroll reports showing the compensation paid to employees. Although the Authority’s accounts manager prepared a payroll report that tracked annual earnings, overtime and total earnings for annual reporting purposes, this report was not provided to the Board. Given the significant rise in payroll costs in recent years, such reports would be useful for the Board to help monitor and control payroll expenses.

Commercial Leases – Commercial lease revenue did not meet expectations. While actual revenues were positive or close to budget estimates for 2020-21 and 2021-22, the Board budgeted for $880,000 in 2022-23 but received only $563,500[7] – a shortfall of $316,500, or 36 percent (Figure 3).

7 Commercial leases and lease interest income

FIGURE 3

Commercial Lease Revenue




The decline is due to increased vacancies in the Authority's commercial rental space. The Authority lost multiple commercial tenants during our audit period. For example:

- January 2022 – A retail tenant moved out that was paying an annual rent of about $73,000. The Authority and this long-term tenant were not able to agree to lease terms after the prior lease expired.
- March 2022 – One of the two warehouse tenants moved out. It was paying an annual rent of about $142,500. This tenant had indicated its intention to lease the space on a short-term basis, as it was looking for a new building.
- May 2023 – The second warehouse tenant moved out in the first quarter of the 2023-24 fiscal year (after the period reflected in Figure 3). Its annual rent was about $128,000. This tenant indicated as early as July 2022 that it was unwilling to continue leasing the space unless the roof was replaced.

The Director told us that although she anticipated a short-term lease with the first warehouse tenant, she did not consider what-if scenarios for vacancies and instead budgeted for full occupancy of the warehouse because she was optimistic that the warehouse space would be fully rented by the end of the 2022-23 fiscal year.

Furthermore, in January 2023, the Director proposed, and the Board approved, a 2023-24 budget with estimated commercial lease revenue of $960,000. The Director told us she again budgeted with optimism and expected that they would see some investment that would result in increased occupancy. However, as of October 2023, the Authority had not renovated the warehouse or signed new leases for these vacant spaces.

Current results show that the Authority is not on pace to meet the budgeted commercial lease revenue estimates for 2023-24. The first quarter (April-June) income report was provided in October 2023, and it showed commercial lease revenue of $136,324, about 14 percent of the annual budget. If a similar amount is received in the next three quarters, it will have commercial lease revenue of about $550,000 – a shortfall of $410,000 for the 2023-24 fiscal year.

Because the Board and Director did not develop and adopt budgets that have realistic recurring revenues sufficient to cover recurring expenses, the Authority's financial condition has declined substantially. If Authority officials do not take measures to increase revenues and/or reduce expenses, the Authority will continue to experience annual net losses and will not have sufficient funds to pay for its operations.

## What Do We Recommend?

The Board and Director should:

1. Take appropriate steps to restore and maintain the Authority's financial stability. This includes taking immediate measures to reduce spending and/or increase revenues; reviewing financial projections; and developing formal plans to address how to deal with the effects of potential shortfalls.

2. Develop and adopt budgets that include realistic estimates for revenues and expenses based on historical trends and known factors. This includes ensuring that recurring revenues are sufficient to cover recurring expenses. The budgets should not be overly optimistic and should include contingencies for unforeseen circumstances.

3. Take steps to claim the $2 million New York State Capital Assistance Grant that was awarded to the Authority and use it to make allowable capital improvements that will bring facilities into rentable condition, in accordance with grant requirements.

4. Prioritize the Authority's most critical capital needs and develop a manageable plan to make necessary repairs and improvements based on available funding. This plan should be reviewed and updated periodically and should identify timelines and methods of financing for each capital improvement.

5. Carefully plan for significant future decisions such as building acquisitions by performing a thorough analysis of the potential income and anticipated costs, including mortgage payments, necessary capital improvements and routine maintenance. Ensure the plans are not overly optimistic and they include contingencies for unforeseen circumstances.

6. Evaluate options regarding the warehouse and take steps to reduce the negative cash flow related to it.
7. Ensure periodic cash flow analysis reports are prepared and presented to the Board to monitor and project cash available for operations and capital improvements. Ensure cash earmarked for capital improvements is not used to pay routine operating expenses.
8. Monitor actual revenues and expenses against the budget throughout the year and make timely corrections as appropriate to address cost overruns or revenue shortfalls.
9. Establish accountability for each staff position by developing a written job description or written expectations for the position, establishing expected work hours, and requiring time records be maintained to document the hours worked.
10. Review employee work schedules and consider making adjustments to reduce overtime costs.
11. Ensure salaries and wages approved by the Board are clearly documented in the Board meeting minutes.
12. Monitor payroll costs by reviewing detailed payroll reports.
13. Focus on filling the vacancies in the commercial rental spaces to generate additional revenues.

The Director should:

14. File an *Application for Refund or Credit of Real Property Taxes* with the City Assessor to pursue a refund of real property taxes paid when the Authority should have been granted tax-exempt status.

# Appendix A: Response From Authority Officials

CENTRAL NEW YORK REGIONAL MARKET AUTHORITY

315-422-8647
cnyrma@gmail.com
www.cnyregionalmarket.com
2100 Park Street, Syracuse, NY 13208

April 3, 2024

Rebecca Wilcox, Chief of Municipal Audits
Office of the New York State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428

Dear Ms. Wilcox,

I am submitting this response on behalf of the Central New York Regional Market Authority (Authority). We appreciate the opportunity to respond to your audit, and for the insight provided to help us safeguard our revenues, which are all generated through non-governmental sources. While we have always strived to operate with the most efficient business model possible, we hope that the tools provided will help us to better utilize our limited resources to better our facility investment into the future. We would also like to thank the team of auditors for their courtesy and professionalism.

This letter is to serve as notice that we agree with the factual financial findings contained within the audit report. The Authority's Board of Directors (Board) and Management team have already begun the process of performing several of the corrective actions that align with recommendations contained within the report, and the Board has scheduled a meeting for later this month to outline and resolve a full corrective action plan based on the recommendations and resources provided by this audit.

On behalf of the Authority, I would like to thank you once again for this opportunity to respond, and for the recommendations and resources which have been provided to help us improve our financial and foundational safeguarding into the future.

Sincerely,

Anthony Emmi
Board President
CNY Regional Market Authority

# Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed the Director, accounts manager and Board members and reviewed the Authority's bylaws, Board meeting minutes and policies to gain an understanding of how officials manage the Authority's financial condition.
- We reviewed the multiyear financial and capital plans and determined whether the Board adopted adequate plans and planned for future capital and operational needs.
- We reviewed budget documents and interviewed the Director about budget development.
- We reviewed Board meeting minutes and discussed budget monitoring with officials to determine how the Board monitored financial activities.
- We reviewed the financial records (balance sheets, bank statements, income and expense reports), annual financial reports and audited financial statements to determine the Authority's financial position and reviewed trends for the 2019-20 through 2022-23 fiscal years.
- We reviewed income and expense reports from 2019-20 through 2022-23 and compared budgeted revenues and expenses to actual results to identify significant and material budget variances. We interviewed the Director and reviewed historical trends and other available information to determine whether the budget estimates were realistic.
- We reviewed the 2023-24 budget to determine whether it was structurally balanced and reasonable based on historical trends.
- We interviewed officials and reviewed documentation (i.e., closing documents, engineer assessments, general ledger, Board meeting minutes, lease agreements) regarding the warehouse purchase and occupancy to determine whether officials conducted an adequate analysis of anticipated revenues and costs (including mortgage payments, necessary capital improvements and maintenance) and developed appropriate financial plans prior to purchasing the building. We also analyzed cash inflows and cash outflows related to the warehouse through October 2023.
- We obtained an understanding of the funds borrowed for capital-related expenses and assessed whether the borrowed funds were used to finance operations.

- We reviewed salary increases and determined the impact the increases had on the budgets by assessing whether the increases were considered during budget development for the 2020-21 through 2023-24 fiscal years. We also reviewed Board meeting minutes to determine whether employee salary and wages were authorized by the Board. We reviewed available records and Board resolutions related to the former Director's position as advisor and special projects coordinator.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

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.

Good management practices dictate that the Board has the responsibility to initiate corrective action. As such, the Board should prepare a written corrective action plan (CAP) that addresses the recommendations in this report and forward it to our office within 90 days. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review.

# Appendix C: Resources and Services

**Regional Office Directory**
www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

**Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas
www.osc.ny.gov/local-government/publications

**Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems
www.osc.ny.gov/local-government/fiscal-monitoring

**Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management
www.osc.ny.gov/local-government/publications

**Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans
www.osc.ny.gov/local-government/resources/planning-resources

**Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders
www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf

**Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller
www.osc.ny.gov/local-government/required-reporting

**Research Reports/Publications** – Reports on major policy issues facing local governments and State policy-makers
www.osc.ny.gov/local-government/publications

**Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics
www.osc.ny.gov/local-government/academy

## Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

https://www.osc.ny.gov/local-government

Local Government and School Accountability Help Line: (866) 321-8503

**SYRACUSE REGIONAL OFFICE** – Rebecca Wilcox, Chief of Municipal Audits

State Office Building, Room 409 • 333 E. Washington Street • Syracuse, New York 13202-1428

Tel (315) 428-4192 • Fax (315) 426-2119 • Email: Muni-Syracuse@osc.ny.gov

Serving: Herkimer, Jefferson, Lewis, Madison, Oneida, Onondaga, Oswego, St. Lawrence counties