New York State Comptroller
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Chemung County Capital Resource Corporation

Procurement and Claims Processing

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Prepared by the Division of Local Government and School Accountability

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Audit Results

Chemung County Capital Resource Corporation

Audit Objective

Did Chemung County Capital Resource Corporation (CCCRC) Board of Directors (Board) and officials competitively procure goods and services and ensure claims were adequately supported, for legitimate CCCRC purposes and properly approved?

Audit Period

January 1, 2024 – September 30, 2025

Understanding the Audit Area

Implementing competitive procurement practices and ensuring that claims are adequately supported, legitimate and properly approved helps safeguard public resources while promoting accountability and transparency. Seeking competition helps ensure goods and services are obtained at the best available price and on the most favorable terms. Ensuring claims are adequately supported, for legitimate purposes and properly approved helps prevent unauthorized, improper or inaccurate payments and provides assurance that public funds are used appropriately.

During the audit period, CCCRC made approximately $2.4 million in disbursements: approximately $2.2 million of the disbursements were subject to the CCCRC's procurement policy (Policy).

Audit Summary

The Board and CCCRC officials did not always competitively procure goods and services or ensure claims were adequately supported, for legitimate CCCRC purposes and properly approved. Officials did not consistently comply with the Policy or maintain sufficient documentation to demonstrate that purchases were made in accordance with established requirements. In addition, weaknesses in the claims processing procedures resulted in payments that lacked adequate supporting documentation, exceeded approved contract amounts or included unnecessary sales tax, interest and late fees. As a result, officials could not ensure goods and services were obtained at favorable costs, free from favoritism or for appropriate purposes. These deficiencies increased the risk of improper payments and diminished accountability over CCCRC funds.

The report includes seven recommendations that, if implemented, will improve the CCCRC's procurement and claims processing practices, improve accountability over CCCRC funds, help ensure goods and services are obtained at favorable costs and make only appropriate and authorized payments. CCCRC officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

Procurement and Claims Processing: Findings and Recommendations

CCCRC is a form of a local development corporation (LDC) and therefore required to adopt written policies and procedures for the procurement of goods and services.[1] The Policy establishes competitive thresholds and requirements for officials to follow when procuring goods or services exceeding $5,000 per transaction (Figure 1). The Policy also requires documentation of either the actions taken for each procurement, or when applicable, an explanation if required actions were not taken.

Figure 1: Policy Requirements

Requirements	Threshold (Per Transaction)
Written Request for Proposals (RFP) or written quotes from at least three vendors	Over $20,000
Documented verbal quotes or written/fax/email quotes from at least two vendors	Over $5,000 up to $20,000
Discretion of the Board Chair, Chief Executive Officer or authorized designee	$5,000 or under

As a best practice, claims should be audited to ensure that each claim against an LDC is supported, complies with the LDC's procurement policy, aligns with applicable contract terms and represents a proper LDC expense.

More details on the criteria used in this report, as well as resources that the Office of the New York State Comptroller (OSC) makes available to local officials that can help them improve operations, are included in Appendix A.

Finding 1 – Officials did not always seek competition before procuring goods and services.

The Policy requires the use of an RFP process when procuring goods and services, and it requires written or verbal quotations for purchases based upon the estimated amount of the purchase. The Policy requires each action in connection with a procurement to be documented. Certain purchases, such as professional services, insurance services, or transactions under $5,000, are exempt from the RFP process under the Policy. As such, the Policy did not require a competitive process for most of CCCRCs purchases. Specifically, of approximately $2.2 million in purchases made during the audit period that were subject to the Policy, approximately $2 million of those purchases did not require any form of competition in accordance with the Policy.

We reviewed all 14 purchases (totaling approximately $139,000) that exceeded the $5,000 threshold and therefore required the use of quotes or an RFP process as established by the Policy, and determined that 13 purchases lacked the supporting documentation required by the Policy. Specifically:

- Quotes: The Policy requires at least two verbal quotes for purchases between $5,000 and $20,000, three written quotes for purchases exceeding $20,000, and that a purchaser must document attempts made at obtaining proposals. We determined that 12 purchases (totaling approximately $127,000) did not include documentation demonstrating that officials obtained the required minimum number of verbal or written quotes. Nor was documentation provided demonstrating attempts made at obtaining the

1 See Public Authorities Law Section 2824-1(e).

minimum number of quotes. The 12 purchases included expenses for renting stage equipment, stage technician labor, ticket broker services and equipment maintenance related to operating the local event facility.

- Supporting documentation: The Policy requires documentation and an explanation whenever a contract is awarded to other than the lowest responsible offeror, including an explanation of how the award will achieve cost savings. Although officials solicited the minimum number of quotes for a hot water heater purchased for $6,557, they awarded the contract to a vendor whose quote was $310 higher than the lowest quote. The CCCRC's Chief Executive Officer (CEO) told us the lowest quote may not have included shipping charges. However, this explanation was not documented as required by the Policy.

The CEO further told us that when the CCCRC assumed operations of the local event facility, the scale and nature of the work differed significantly from the CCCRC's normal operations and officials did not consistently comply with the Policy. Nonetheless, officials are responsible for complying with the Policy. As such, as operations of the LDC change, the Board should either update the Policy or establish additional policies and procedures to monitor management controls.

When officials do not use a competitive process to acquire goods and services or document the methods used in compliance with the Policy, there is a greater risk that goods and services are not obtained in the most cost-effective way. By not seeking competition in accordance with the Policy, the Board cannot ensure that the CCCRC obtained the desired quality of goods and/or services at the best price for the benefit of its community.

Recommendations

The Board should:

1. Oversee the procurement process to ensure that officials and staff comply with the Policy when procuring goods and services, including obtaining the requisite number of quotes and maintaining the required supporting documentation.
2. Review and update the Policy, as necessary, to include detailed guidance for the procurement of goods and services particularly when operations of the LDC change.

CCCRC officials should:

3. Obtain verbal and written quotes for purchases and ensure documentation is maintained as required by the Policy.

Finding 2 – Officials did not adequately process claims.

We reviewed 457 claims totaling approximately $921,000 to determine whether they were adequately supported, for legitimate CCCRC purposes and properly approved. While we determined the 457 claims were either for valid CCCRC purposes or appeared consistent with typical CCCRC expenses where sufficient supporting documentation was not available, officials did not always ensure that claims were adequately supported or properly approved. We also determined that certain payments included unnecessary charges, such as sales tax, late fees and interest. Specifically:

- 86 claims totaling $300,956 did not include adequate supporting documentation, such as invoices, receipts, itemized statements or other records necessary to substantiate the purchases.
- 116 claims totaling $86,240 included $4,784 in sales tax payments. Officials told us that they did not apply for tax-exempt status, despite a prior recommendation from their internal control auditor.
- 11 payments included either interest charges totaling $631 or late fees totaling $72 due to partial or untimely credit card payments. The CEO and Board Chairman did not have an explanation for why invoices were not paid in full or on time.

We also compared 208 payments to independent contractors, totaling approximately $424,000, to the corresponding Board-approved contracts, and determined that the CCCRC paid five contractors more than the contract amounts, for a total overpayment of $8,170. The CEO and Board Chairman were unable to explain why these overpayments occurred.

These deficiencies likely occurred because the CCCRC did not establish detailed procedures for processing claims. Although the bylaws adopted by the Board (bylaws) require the Treasurer to pay claims at the Board's direction, the bylaws do not establish an audit process or designate an individual with the responsibility for auditing claims. Additionally, Board members were unclear about who approved claims, indicating it may have been the Finance Director or CEO. In many instances, we could not determine whether claims were reviewed before payment or identify who performed the review because the review process was not documented. Where approvals were documented, they were performed by the Board Chairman, Finance Director or Operations Director.

When the Board does not ensure that all claims are adequately supported and does not conduct a thorough and effective audit of claims before approving claims, the Board's ability to effectively monitor financial operations is diminished, allowing for errors and irregularities to remain undetected and uncorrected.

Recommendations

The Board should:

4. Strengthen the controls over disbursements by amending the bylaws or developing and adopting separate written policies and procedures to clarify the disbursement process and identify the individual responsible for auditing and approving claims before payment.
5. Provide for an audit of all claims before approving them for payment. Such an audit should ensure that all claims:
    - Contain sufficient supporting documentation such as itemized invoices or receipts and proof of competitive procurement, if needed,
    - Are authorized or approved, and
    - Are for legitimate and necessary CCCRC purposes.
6. Ensure that any applications for available sales tax exemptions are filed, and consult with counsel, as necessary, to seek reimbursement from vendors and retail companies for any unnecessary payments of sales tax.
7. Ensure that the CCCRC does not incur unnecessary charges, such as sales tax, interest charges and late fees.

This audit was conducted pursuant to Article V, Section 1 of the State Constitution and OSC's authority as set forth in Article X, Section 5 of the State Constitution. The audit's methodology and standards are included in Appendix C.

The Board has the responsibility to initiate corrective action. The Board is encouraged to prepare a written corrective action plan (CAP) that addresses the recommendations in this report and forward it to OSC within 90 days. For more information on preparing and filing the CAP, please refer to the OSC brochure, *Responding to an OSC Audit Report*, which was provided with the draft audit report. The Board is encouraged to make the CAP available for public review.

Appendix A: Profile, Criteria and Resources

Profile

The CCCRC is an LDC created by Chemung County (County), and is governed by a seven-member Board appointed by the governing body of the County. The Board is responsible for the general management and control of the LDCs financial affairs and includes the Chairman, Vice-Chairman and Treasurer. The CEO has general supervision over the administration of the business of the CCCRC including the management of all projects, subject to the direction of the Board.

The CEO hired a Finance Director to manage the day-to-day financial activities of the local event facility and an Operations Director to manage the day-to-day operations of the local event facility.

Criteria

An LDC is a not-for-profit corporation established by, and for the benefit of, a local government for economic development or other public purposes.[2] As a local authority,[3] an LDC is required to create audit, governance, and finance committees to provide recommendations to the LDC board to ensure that operational decisions are aligned with the LDC's mission. The board executes direct oversight of the management of the LDC through internal controls, including adopting a code of ethics and establishing a policy regarding the procurement of goods and services.

Soliciting competition is an effective way to obtain the desired quality of goods and/or services at the best price. As such, an LDC board should develop and adopt a comprehensive written procurement policy and ensure compliance with the policy.

The Board adopted the Policy, which requires the use of an RFP process when procuring goods and services, and requires written or verbal quotations for purchases over $5,000. The Policy also requires documentation of actions taken in connection with each procurement and an explanation whenever a contract is awarded to other than the lowest responsible bidder.

Finally, it is the Board's duty to safeguard LDC funds against improper use. To fulfill this duty, the Board should provide for the audit and approval of claims before payment. An effective claims audit process helps to ensure that every claim against an LDC is subject to an independent, thorough and deliberate review, and that each claim contains adequate supporting documentation to determine whether it complies with LDC policies and represents actual and necessary expenses. Furthermore, the Board should ensure compliance with disbursement procedures outlined in the bylaws, and when adequate procedures are lacking in bylaws, the Board should establish additional policies or procedures to supplement the bylaws.

The bylaws authorize the Treasurer to pay out and disburse funds at the direction of the Board, and to provide an account of the financial transactions and the current financial condition of the CCCRC at each regular meeting. As a best practice, an individual should audit every claim against the LDC before payment to determine whether the claim should be paid (i.e., that the claim contains adequate supporting documentation, is for a valid and legal purpose, is mathematically accurate, complies with LDC policies, and includes evidence that the good and/or service was received). The board of an LDC may fulfill this need by appointing an officer or employee to serve as claims auditor to review claims and indicate their approval to the officer responsible for preparing and signing checks.

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2 See Not-For-Profit Corporation Law Section 1411.

3 A local authority is defined as a not-for-profit corporation affiliated with, sponsored by, or created by a county, city, town or village government, which is commonly created as an LDC.

Additional Resources

OSC's *Local Government Management Guides,* and other informational resources that are available on OSC's website to help officials understand and perform their responsibilities, include:

- *Improving the Effectiveness of Your Claims Auditing Process:* https://www.osc.ny.gov/files/local-government/publications/pdf/improving-the-effectiveness-of-claims-auditing-process.pdf
- *Seeking Competition in Procurement:* https://www.osc.ny.gov/files/local-government/publications/pdf/seeking-competition-in-procurement.pdf
- *Management's Responsibility for Internal Controls:* https://www.osc.ny.gov/files/local-government/publications/pdf/managements-responsibility-for-internal-controls.pdf

In addition, local officials can use OSC's website to search for audits, resources, publications and training for officials at: https://www.osc.ny.gov/local-government

Appendix B: Response From CCCRC Officials

The content below is a reproduced copy of the original response letter issued by CCCRC officials, is reformatted to meet the Americans with Disabilities Act *Web Content Accessibility Guidelines (WCAG)*,[4] and may have included changes to spelling and grammar. The substance of the content was not changed.

Chemung County Capital Resource Corporation
400 East Church Street
Elmira, NY 14901

Re: Response Letter to Draft Audit Report for the Chemung County Capital Resource Corporation

Dear Mr. DiNapoli,

The Chemung County Capital Resource Corporation is a local development corporation formed in 2012 under New York State's Not-for-Profit Corporation Law, primarily to support projects involving tax-exempt and taxable bonds. Its mission is to create and retain employment opportunities for Chemung County residents while generating local tax revenue. From August 2023 to October 2025, a span of roughly 26 months, the Corporation took on a major economic development project by managing and operating First Arena. It became clear to the Corporation that ongoing challenges under previous lease and operator management structures were not going to go away and that securing reliable management for the declining facility was exceedingly difficult. Decisive action was required to save the building, a prominent community asset, from becoming a blighted property with some even suggesting demolition. The arena is no small endeavor, a 3,784-seat multipurpose venue features two ice surfaces, a full-service restaurant and bar, a recreational rink food service center, a video game arcade, 31 luxury suites, and various community and meeting rooms.

Because the CCCRC had no prior experience operating a venue of this scale, and due to the negative history of the facility, several operational challenges naturally arose as noted in the OSC report. However, the systems and processes in question steadily improved over the course of the Corporation's leadership. As for responses to the seven corrective measures as outlined in the report, taken in order (1) The Board will oversee the procurement process to ensure compliance with policy; (2) The Board will continue annually to review and update this policy; (3) Staff will obtain the requisite number of quotes and maintain proper documentation per the policy; (4) New policies will be considered pertaining to controls over disbursements; (5) An audit process will be evaluated for all claims; (6) Applications will be monitored for sales tax exemptions to make sure filed and reimbursement will be sought through legal counsel for unauthorized payments of sales tax; (7) Safeguard, through increased examination, that there are no unnecessary financial burdens placed upon the Corporation such as unpaid sales tax.

Most importantly as a corrective measure and as originally planned, the building was sold, and for the first time in its history is in private sector's hands and is represented by a qualified operator with strong financial resources and significant business management expertise. The operator has had some time now, and as anticipated, since taking over has achieved tremendous success introducing an array of new shows/events alongside the Aviators Hockey Team. Also recently announced is the addition of the full Elmira College Hockey Program to the venue, a milestone local residents know was nearly 25 years in the making. With the operator's success and with no future plans to own or manage facilities, the Corporation will return to its standard, significantly quieter level of activity with only a few, if any, transactions a year. In the end, although it was not perfect, the Corporation left its comfort zone and rose to the occasion taking on a substantial risk for this

4 https://www.ada.gov/resources/2024-03-08-web-rule/#highlights-of-the-requirements-in-the-rule

development project. The result is that the Corporation fulfilled its mission and preserved a significant community asset for the benefit of countless current and future generations of Chemung County residents.

Sincerely,

Mark Margeson
Chair, Chemung County Capital Resource Corporation

Appendix C: Audit Methodology and Standards

OSC auditors obtained an understanding of internal controls that were deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of the work on internal controls, as well as the work performed in the audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed CCCRC officials and reviewed Board meeting minutes and adopted policies to gain an understanding of the procurement, claims audit and approval processes.
- We used our professional judgment to select all purchases that exceeded the $5,000 threshold established in the Policy, excluding purchases not subject to competition under the Policy (e.g., insurance, professional services and aggregate purchases), to determine whether CCCRC officials complied with the Policy's requirements. Our sample included 14 purchases totaling approximately $139,000.
- We used our professional judgment to select a sample of 457 claims totaling approximately $921,000 out of 2,097 disbursements during the audit period totaling approximately $2.4 million to determine whether they were properly approved, adequately supported, for legitimate CCCRC purposes and included sales tax, interest or late fees. We identified and selected claims for testing using the CCCRC's bank statements, credit card statements and canceled check images, as follows:
    - Three months from the 21-month audit period, including the beginning (January 2024), middle (December 2024) and last full month (June 2025) of activity at the event facility, to perform detailed claims testing, without any expectation that they would have more or less discrepancies than other months.
    - All canceled check images issued to the Finance Director, key employees (including Board members) and employees for non-payroll payments. These individuals were selected because of their role in the CCCRC's financial operations.
    - Payments that appeared unusual or personal in nature, such as those related to utilities and local stores or vendors, without any expectation that they would have more or less discrepancies than other payments that appeared unusual or personal in nature.
    - Manual checks, withdrawals, transfers, payments made to cash, petty cash transactions and event-related cash transactions without any expectation that they would have more or less discrepancies than other similar transactions.
    - All payments made to independent contractors and compared them to the amounts authorized in their respective contracts to determine whether any exceeded approved limits.
- We used our professional judgment to select one month of credit card transactions to determine whether transactions were properly approved, adequately supported, for legitimate CCCRC purposes and whether they included sales tax. We selected the December 2024 statement because it included the holiday season. Additionally, we reviewed all 14 months of credit card statements to determine whether the account was paid in full and on time each month and whether any interest charges or late fees were incurred.

OSC auditors conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that auditors plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. Auditors believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the 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 relevant population size and the sample selected for examination.

Questions?

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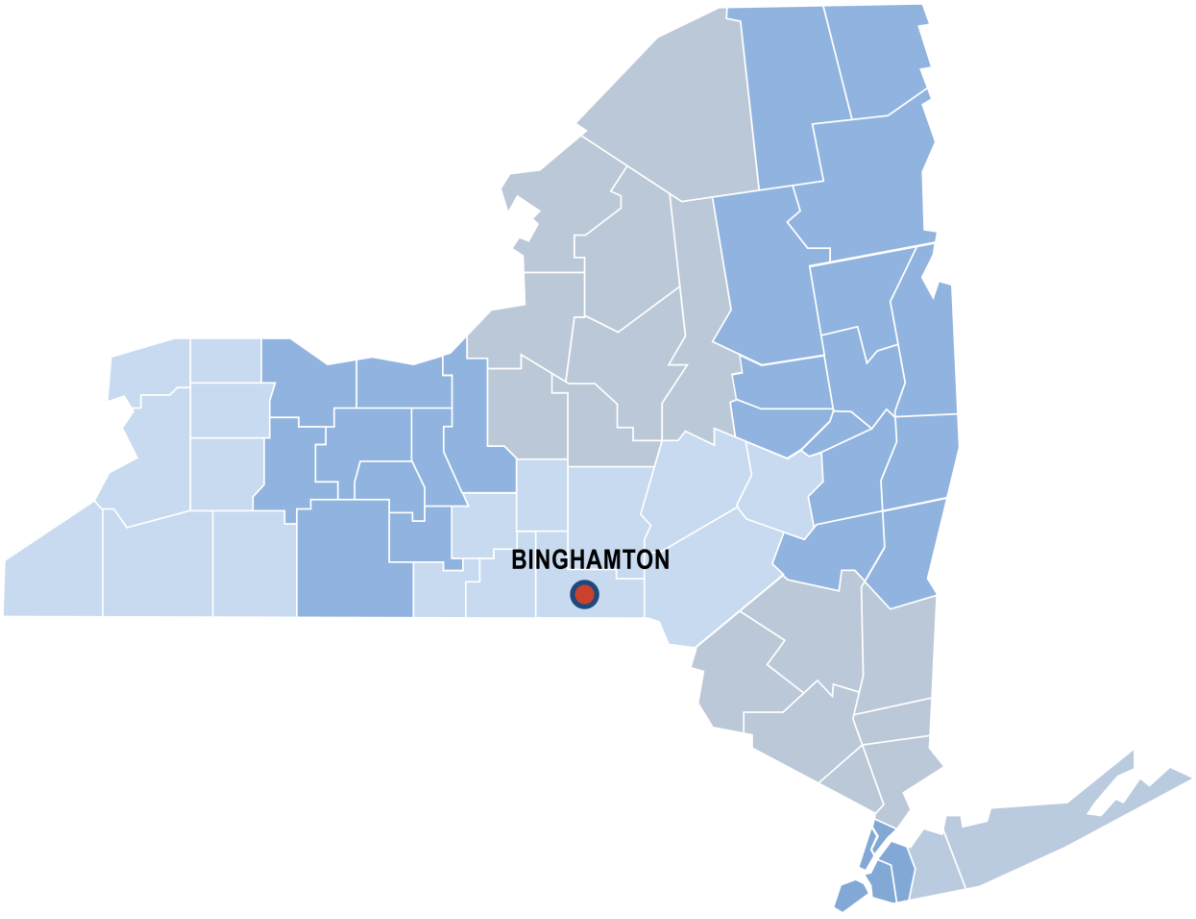

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