- *Accountability*
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Governance Review

Olympic Regional Development Authority

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Executive Summary

Purpose and Authority: The Authority Budget Office (ABO) is authorized by Section 27 of the Public Authorities Accountability Act (Act) to review and analyze the operations, practices and reports of public authorities and to assess compliance with various provisions of Public Authorities Law and other relevant State statutes. This includes rendering conclusions and opinions regarding the performance of public authorities and to assist these authorities improve management practices and the procedures by which their activities and financial practices are disclosed to the public. Our governance review of the Olympic Regional Development Authority was performed in March and April 2008 and was conducted in accordance with our statutory authority and compliance review protocols which are based on generally accepted professional standards. The purpose of our review was to provide an objective determination of the extent of the Authority's statutory compliance, and make necessary recommendations to improve their business practices.

Background Information: The Olympic Regional Development Authority (Authority) was established in 1981 as a public benefit corporation under Sections 2605 to 2629 of Public Authorities Law to operate, maintain, construct and promote State and municipally-owned sports facilities in and around Lake Placid. The Authority has ten Board members, consisting of three ex-officio directors and seven members appointed by the Governor. The Authority is managed by a President/CEO, who serves at the pleasure of the Board. Primary sources of revenue for the Authority are fees from the use of their facilities, particularly the Gore and Whiteface Mountain ski centers, and State appropriations. For the fiscal year ending March 31, 2008, the Authority received $33.5 million in revenue, of which 27 percent ($9 million) was from State and local appropriations. Operating expenses totaled $31.2 million.

Results: Our review found that while the Board of Directors does oversee Authority operations at a summary level, a more thorough review of supporting financial operations, including additional long-term capital and financial planning, is needed. The Board operates openly and transparently, and has established policies and guidelines that comply with the requirements of Public Authorities Law. The Board could improve the operations and transparency of its audit and governance committees, including better oversight of the independent auditor. Our review also found that improvements can be made to the Authority's financial management reporting, such as improving inventory controls over personal property and in-kind contributions, along with improved reporting of contracts and internal control processes. These improvements would help the Authority effectively fulfill its mission, while maximizing revenue and reducing the burden on State and local government.

Introduction and Background of the Authority

The Olympic Regional Development Authority (Authority) was established in 1981 under Sections 2605 to 2629 of Public Authorities Law to operate, maintain and promote the sports facilities in and around Lake Placid. These facilities consist of the Olympic Ice Center and Olympic Speed Skating Oval; the Whiteface Mountain Ski Center; the Mt. Van Hoevenberg Recreation Area and Sports Complex; the Olympic Jumping Complex; and the Gore Mountain Ski Center in Warren County. In addition, the Authority is mandated to coordinate activities that use the Olympic facilities and improve the recreational education in the area, as well as maximize revenue opportunities and minimize the financial burden on State and local governments.

The Authority is also to develop, construct, operate, manage and maintain facilities for the training and housing of amateur athletes in connection with the United States Olympic Committee's (the Olympic Committee) training center program. The Olympic Committee pays the Authority $425,000 annually for use of the Authority's facilities.

The Authority is comprised of a ten-member Board of Directors. Three of the Directors are ex-officio members; the Commissioner of Environmental Conservation, the Chair of the Empire State Development Corporation; and the Commissioner of Parks, Recreation and Historic Preservation. The remaining seven directors are appointed by the Governor; three upon the recommendation of the North Elba Town Board and one member who must be a resident of Warren County. The Directors of the Board serve for a term of five years, or until replaced. The Authority is managed by a President/Chief Executive Officer (CEO), and has 941 employees; 862 of which are hourly paid employees and 79 are management employees.

The Authority's fiscal year begins on April 1 and as of March 31, 2008 the Authority had $77.3 million in assets with $4.1 million in outstanding long-term debt. The Authority earned over $24.4 million in revenue for fiscal year 2007-2008, while its operating costs totaled $31.2 million. To meet its financial obligations the Authority routinely relies on State and local appropriations, which totaled $9.1 million in 2007-08 (27 percent of total revenue.)

During 2007-08 the Authority hosted 34 events, such as the NCAA Division III Men's Hockey Championship; World Cup Luge, Bobsled/Skeleton competitions, and Snowboard championships; and Smucker's Stars on Ice. These events brought in total revenue of about $1.4 million, while total expenses approximated $1.15 million -- generating a profit of approximately $250,000.

Compliance Review Objectives

The Authority Budget Office (ABO) is authorized by Section 27 of the Public Authorities Accountability Act (Act) to conduct reviews and analyses of the operations, practices, and reports of public authorities to assess compliance with provisions of the Act, Public Authorities Law, and other statutes. Our governance review was conducted to provide an objective determination of the Authority's compliance with applicable provisions of the Act, Public Authorities Law and other applicable statutes.

Compliance Review Scope and Methodology

Our compliance review was conducted in March and April of 2008, and covered selected Authority operations for the period April 1, 2006 through April 30, 2008. Our review focused on the effectiveness of the governing Board and Authority management. Specifically, we reviewed:

- Board duties, committee involvement, and independence
- Board member participation in State-approved training
- Policies and procedures required under the Act, Public Authorities Law, Public Officers Law, and State Finance Law
- Policies and procedures indicative of good governance practices
- Internal control structure of the Authority
- Procurement, contracting, cash and investments, and asset management practices
- Independent financial audits and other reporting
- Adherence with reporting requirements
- Transparency of Authority operations

In addition to reviewing financial and organizational documents and records, we interviewed management staff; attended a Board meeting; and performed other testing we considered necessary to achieve our objectives. Our report contains recommendations to ensure the Authority's compliance with the Public Authorities Law and other applicable laws. In addition, we have included recommendations for improving corporate governance practices. The results and recommendations of our compliance review were discussed with Authority management and their comments have been considered and are reflected in this report where appropriate.

Compliance Review Results

Governance and Oversight

Board Duties

Section 2824 of Public Authorities Law stipulates that public authority board members should execute direct oversight of senior management in the administration of the authority and understand, review, and monitor the implementation of fundamental financial and management controls and operational decisions of the authority. Good governance principles also dictate that public authority board members act in good faith and in the authority's best interest, and perform their oversight function consistent with the mission of the public authority and the public's interests. In addition, authorities should conduct business in an environment that fosters transparency and enhanced public disclosure, focuses on accountability, and supports external oversight.

The Authority's enabling legislation requires the Board to meet at least quarterly. We reviewed Board meeting minutes for the period April 2006 through March 2008 and attended the March 2008 Board meeting, and found that the Board meets more often than the minimum requirements. During this two year period, the Board held ten regular meetings, a quorum was present at each meeting, and these meetings were publicized in advance and open to the public.

Authority management generally provides Board members with an agenda and supplementary meeting materials one week in advance of the meetings to allow members to make informed decisions and develop questions regarding Authority operations. The Authority's President/CEO, and department and venue managers, give verbal presentations and status updates on relevant issues such as capital construction projects, venue operations, visitor attendance, marketing and advertising efforts, and upcoming local, national, and international sporting events. Based on the Board meeting minutes, the Board appears to actively discuss large capital projects and the Authority's overall financial position.

However, it is unclear if the Board routinely receives all the information that should be provided by management. For example, we noted instances where upcoming events were discussed at Board meetings and recently held events that were well attended and profitable were mentioned. However, there were no indications that information on less successful events was presented to or discussed with the Board, although in 2007-08, about one-third of the events that were held lost money. We saw no indication that the Board requested financial information on the events held at Authority facilities or requested an explanation as to why these events were not profitable (or if they were expected to be profitable.) The Board also did not discuss the viability of these events, whether it was fiscally prudent for the Authority to hold these events in the future, or how the events could be made more profitable.

Authority management indicated that the Authority is statutorily charged with using its venues to the economic and social benefit of the region and that every event contributes to this benefit regardless of the profitability to the Authority. The Authority cited a 2006 study that determined that the Authority is responsible for bringing 800,000 visitors with an annual economic impact of $356 million to the region. While we understand that these events result in an economic benefit, we believe the Board should be presented with information on how these events impact the Authority's revenues and expenses.

Board members are provided with financial information on the Authority operations, such as periodic comparisons of budgeted to actual revenues and expenses for each Authority administrative department and venue. However, supplemental financial information regarding events and activities should also be provided that enables the Board to provide adequate oversight of the Authority's operations.

Good governance practices suggest that public authority board member duties and responsibilities should be clearly defined, so that board members understand their roles and are better able to effectively perform their governance responsibilities consistent with the mission of the public authority. We found that the Authority has adopted by-laws that identify the purpose and powers of the Authority, define the composition and voting policies of the Board, and address the responsibilities of the President/CEO, Board members, and committees. These by-laws create an organizational framework that provides for adequate oversight of executive management by the Board.

However, we found that the Board has not always adhered to its by-laws. The by-laws indicate that the Authority will have an Executive Committee consisting of at least three members, and that the Executive Committee is responsible for providing oversight of the Authority's financial operations. According to the by-laws, the Executive Committee is to review monthly financial statements and budget reports, and present an analysis of this financial information to the full Board. The Executive Committee is also responsible for preparing the annual budget with the President/CEO and presenting it to the full Board, as well as providing a written report of all of its actions. We found that the Authority has established an Executive Committee, but that the Executive Committee only met once during our review period to discuss a potential increase in the Authority's line of credit, and did not perform a monthly review of the financial statements. There was no indication that the Executive Committee met routinely to exercise oversight of the Authority's financial operations or that the Executive Committee was involved in preparing the Authority's budget. Authority management agreed that the Executive Committee has not been formally involved, and indicated that the Board will discuss the future role of the Executive Committee.

Section 2931(2) of Public Authorities Law requires the governing board of public authorities to establish guidelines for a system of internal control, and make available to members and employees a clear and concise statement of their responsibilities and applicable managerial policies and standards with which they are expected to comply. We found that the Board has not established guidelines for a system of internal controls for the Authority that defines the responsibilities of management and employees and outlines the internal control review process that the Authority is to take to evaluate the effectiveness of its internal control system and procedures. We did find that Authority management and staff meet to discuss operations and internal control issues; however the Board is not briefed in these discussions and has not requested or been provided with any information from these meetings, other than updates from the President/CEO on potential internal control procedures. However, this approach does not comply with the requirements of Section 2931, which places the responsibility for reviewing and approving the internal control guidelines with the Board.

<u>Policies of the Board</u>

Section 2824(1) of Public Authorities Law requires Board members to establish policies regarding the salary and compensation of senior management, adopt a code of ethics, establish a whistleblower protection policy, and adopt a defense and indemnification policy. We found the Board has adopted certain required policies under the Act. These policies include a code of ethics, which includes provisions for financial disclosure and conflicts of interests for Board members and staff, a whistleblower policy, a vehicle use policy and a resolution prohibiting the extension of credit to Board members. Although the Authority maintains Director's and Officer's Liability insurance, it has not established a formal policy at the time of our review to define when the insurance policy would apply and the specific actions that would be covered under the policy, but adopted an Employee and Directors Liability Policy at their May 2008 Board meeting.

<u>Potential Conflicts</u>

Good governance practices suggest that any member or employee who has, or will have an interest in any actual or proposed contract with an outside entity of which he or she is an officer or employee should publicly disclose such interest in writing to the governing body, and that this written disclosure should be made part of the official record. Specifically, Board members should disclose any relationship prior to the authority considering doing business with a vendor, and the member should be recused from any board discussion or decision on such transactions.

Three of the Authority Board members are local business owners, who periodically conduct business with the Authority. Despite this known potential for conflict, the Board members do not provide a formal, public record indicating their business interests and the potential for conflict. While the Authority maintains Board members' acknowledgements of their responsibilities under Public Officer's Law, it is recommended that any Board member that may potentially do business with the Authority formally disclose the potential for conflict.

Committees

Section 2824(4) of Public Authorities Law requires authorities to establish an audit and governance committee, and these committees are to be comprised of independent members. The audit committee is responsible for recommending the independent auditing firm, establishing the independent auditor's compensation and providing direct oversight of the authority's independent audit. The governance committee is responsible for reviewing corporate governance trends, keeping the Board informed of best practices in governance and advising appointing authorities on the skills and experiences required of potential board members. The audit and governance committees help a public authority improve its oversight and accountability, and assist the Board of Directors in making more informed decisions.

The Board has established an Audit Committee and a Governance Committee. The Audit Committee has met to discuss the results of the 2006 independent audit and performance audits by the Office of the State Comptroller, the nature of the internal controls over Authority's financial management system, and the timeliness of financial reporting. The Governance Committee met to review and update some of the Authority's policies, it has informed the Board about upcoming State-approved Board member training dates, and it reviewed the Authority's list of employees and officers designated as policy-makers for purposes of fulfilling the annual financial disclosure requirement.

We also identified two members, one on each of the committees, who do not appear to be independent. Authority management believes that the independence requirements under the Act do not apply to those members appointed prior to January 13, 2006, based upon an exclusion within Section 2825(2) of Public Authorities Law. However, this provision - which states that the Board must be comprised of a majority of independent members, effective with Board appointments made on or after the effective date of the Act – does not exempt the Board from appointing only independent members to these committees. Authority management stated they will obtain a legal opinion to clarify this provision.

In addition, neither committee has adopted a committee charter to guide their operations. Further, these committees are comprised of two members each, although the Authority's by-laws state that the Audit Committee is to be comprised of at least three members. We believe that, as a recommended best corporate practice, the Governance Committee should also be comprised of at least three members. We brought this to the Authority's attention, and management indicated that it had difficulty recruiting members to serve on these committees, and the current members are effective because of their history with the Authority and familiarity with the organization. However, the Authority's by-laws allow for non-Board members to serve on these committees, yet there was no indication an attempt was made to recruit non-members to serve on these committees. Authority management indicated that the committees have been operating under the Model Governance Principles set forth by the New York State Commission on Public Authority Reform in February 2004, but will consider the need for committee charters to guide their operations, and will attempt to recruit additional Board members (or non-members) to serve on these committees.

Section 102(2) of Public Officers Law requires public bodies to provide advance public notice of meetings, allow for public access to meetings, and formally document and record meeting minutes. Further, the Committee on Open Government has interpreted that committees are public bodies and therefore subject to Open Meetings Law. Although the Audit and Governance committees appear to meet and discuss relevant issues, we found that these committees are not complying with Open Meetings Law. Our review found that agendas for the Audit and Governance committee meetings are maintained; however official minutes of these committee meetings are not kept. There was either no documentation or only brief notes of what was discussed at these meetings. Authority management stated that they did not believe that the committees of the Board were considered public bodies, as a quorum of the entire Board was not present. Therefore the Authority did not require the committees to comply with the requirements of Open Meetings Law. This interpretation is contrary to opinions rendered by the Committee on Open Government. The Authority indicated that all future committee meetings will comply with the requirements of Open Meetings Law.

<u>Independent Audit</u>

Section 2802(4) of Public Authorities Law states that the certified independent public accounting firm performing the Authority's audit shall be prohibited from providing audit services if the lead audit partner has been the lead auditor in each of the five previous years for the authority. We found that the Authority has been using the same independent audit firm for the last 14 years and has had the same lead auditor for the past nine years, in contradiction to Section 2802(4) of Public Authorities Law. The Authority does not competitively bid for these audit services and currently contracts with the same firm on a year to year basis. Authority management indicated that they will have a different lead partner for the 2007-08 audit and will competitively bid future audit services.

Section 2804(5) of Public Authorities Law states that the certified independent public accounting firm performing the authority's independent audit shall be prohibited from performing any non-auditing services, unless receiving previous written approval by the audit committee. We found that the lead partner for the auditing firm generally presents the financial data to the Board, and is relied upon to explain any variances in revenues and expenditures. According to Authority officials, Authority staff prepare the financial data and the independent auditor only presents and explains them. However, there was no indication that the Audit Committee authorized the audit firm to provide these non-audit services.

<u>Financial Disclosure</u>

Section 2825(3) of Public Authorities Law requires board members, officers and employees of State authorities to file annual financial disclosure statements as required by Public Officers Law. Board members, officers and employees in policy-making positions, or those earning an annual salary of $82,389 or more in 2008, are required to file financial disclosure forms. We found that the Board has identified and approved the individuals that meet these criteria, and the Authority provides the names of these individuals to the State Ethics Commission.

<u>Public Access</u>

Executive Order 3 requires State authorities to web cast all public meetings of the authority subject to Open Meetings Law, beginning in July 2007. We found that the Authority is web casting their Board meetings, and provides a link to the archived Board meetings on their web site. However, the Authority has not been web casting its committee meetings, since they were unaware that committees are defined as public bodies and subject to this requirement. The Authority indicated that all aspects of the Open Meetings Law will be followed for future meetings.

<u>Training</u>

Section 2824(2) of Public Authorities requires all individuals appointed to the board of a public authority to participate in State-approved training regarding their legal, fiduciary, financial and ethical responsibilities as directors of an authority within one year of appointment to the Board. At the time of our review all ten of the members had served on the Board for over a year, but only seven of the ten members had attended the required State-approved training. Two of the members who have not attended training are long standing members of the Authority's Board, while the other member is an ex-officio member who was appointed in January 2007. The Board and Authority management encourage compliance by regularly reminding members to attend training and providing upcoming training dates at Board meetings. Authority management indicated that all Board members have been encouraged to attend training and that the President/CEO will personally work with those who have not yet attended.

Management Practices

Internal Control Assessment

Section 2800(2) of Public Authorities Law requires authorities to assess and report on the effectiveness of their internal control structure and procedures. In addition, State authorities with a majority of the members appointed by the Governor must establish and maintain a system of internal control and a program of internal control review as provided in Title 8 of Public Authorities Law. The Authority has assessed its internal controls, and posted this assessment as part of its annual report on the Authority's website. The Authority has also identified an internal control officer, and taken actions to implement an internal control structure within its operations and trained its managers on the importance of internal controls.

However improvements could be implemented by the Authority to fully comply with the provisions of Public Authorities Law. The Authority is a revenue-generating entity with significant physical assets, operating in a decentralized environment. As such, effective controls are critical to provide assurance that the Authority is safeguarding its assets, accounting for all revenues, and has procedures in place to maximize revenue and minimize the financial burden on State and local governments. For example, the Authority has established centralized procedures that are to be implemented at each of the venues, but does not have a process in place to verify the effectiveness of those procedures as implemented at each of the decentralized locations. Although a standard internal control review form is distributed to all venue and department managers for this purpose, not all venue and department managers use this form, or return the completed form to the internal control officer. Further, although venue and department managers may indicate a need for improved controls and identify actions needed to correct any weaknesses, there is no formal follow up by management to ensure that corrective action was taken. Authority management indicate that they have historically submitted their internal control assessments to the State Division of the Budget, and that no deficiencies were brought to their attention, but stated that they are working to improve their internal control review and assessment process, and that they have sought additional assistance from the Division.

Financial Controls

Section 2824 of Public Authorities Law requires the Board to review and monitor the financial and management controls of the authority. Furthermore, good financial management practices require that financial data be properly accounted for and reported accurately. The Authority uses a financial management system to account for and report on its operations, including events held at Authority facilities. We reviewed the profit and loss statements for the 34 events held during 2007-08 and found that adequate supporting information was not always entered in the system, and as a result, management is unable to ensure expenses are accurately and appropriately charged. For example, certain entries clearly identify the items being purchased, while other entries use a coding system comprised of dates and initials that provides no information on the items being purchased. After bringing this to the attention of management, the Authority was able to provide additional detail of its expenses. However, this additional information is not part of the report that is reviewed by management to ensure that all revenues and expenses are accurate and properly recorded, and as such, does not provide effective accountability.

We also found that the information was not always reported accurately: one event was shown as losing $116,000, when, in fact, $123,500 in actual event revenue had been accounted for incorrectly. Authority officials indicated that the profit and loss statements are provided to all event managers, and the managers are responsible for reviewing the statements for accuracy and notifying the finance office of any discrepancies. However, the miscoded revenue was not discovered until we brought it to the attention of Authority officials during our review. Without better monitoring and review of the event statements, the Authority is at risk of not accurately recording revenue, or of paying for inappropriate expenses.

Authority management indicated that these errors would be detected during the normal course of business when the managers responsible for the events review the reports at the end of the Authority's fiscal year. However, we believe that waiting until the end of the fiscal year to review detailed revenue and expense reports for events that occur throughout the year is not appropriate, as it does not allow for timely review of revenue and expenses. The event we reviewed took place in early September 2007, and the profit and loss statement was provided to us in April 2008, after the end of the fiscal year. The error had not been identified by Authority management until we questioned the entry on the report. Authority management stated that the managers and staff are not always able to review this information timely given the workload demands caused by the scheduling of events during the year.

Revenue Management

The Authority is statutorily charged with utilizing the Olympic venues in order to ensure year-round use of the facilities, to the economic and social benefit of the Olympic Region, and to minimize the financial burden on State and local government by maximizing revenue opportunities. The Authority supplements its ticket revenue with advertising revenue and corporate sponsorships for events. This revenue is in the form of cash payments as well as in-kind products or services.

For the two years covered by our review, the Authority had over 45 sponsorships that produced revenue of over $1.6 million -- consisting of more than $540,000 in cash and over $1 million of in-kind products or services. As indicated in the table below, for this two year period, the value of in-kind services grew, while the amount of sponsorship cash received by the Authority declined. These non-revenue in-kind benefits now total 72 percent of the value of all sponsorships.

Year	Sponsorship Cash Revenue	In-Kind	Total
2006-07	$292,250	$442,232	$734,482
2007-08	$251,430	$644,284	$895,714
Total 2006-08	$543,680	$1,086,516	$1,630,196

Though there may be definite benefit to the Authority from receiving certain in-kind products, such as vehicles and construction material, it is less clear what tangible benefit the Authority receives from some of the other in-kind payments it receives, such as gift certificates. According to Authority management, these in-kind products that provide less tangible benefits are a small percentage of the total in-kind products that the Authority receives. The Board is aware of and has raised concerns with this trend, and has discussed plans for identifying additional revenues with management.

Authority management indicates that receiving in-kind products and services from businesses supplements the Authority's budget and is important in establishing relationships with area businesses. They argue that in-kind products, even of minimal value, assist in marketing strategies and improving the customer experience.

Property Disposition

Section 2896(1) of Public Authorities Law requires public authorities to adopt guidelines regarding the use, awarding, monitoring, and reporting of contracts for the disposal of property. Section 2896(3)(a) of Public Authorities Law requires public authorities to annually publish a report listing property disposed of during such period to include the price received and the name of the purchaser for all property sold. The Authority's property consists of one parcel of land, and equipment, vehicles and furniture. We found that the Authority has adopted property disposition guidelines for personal property. The guidelines require the Authority to dispose of personal property to its maximum financial benefit, designate the Surplus Property Manager as the contracting officer and require the Authority's finance office to approve written recommendations of the methods to be used to dispose of such property. The Authority generally makes effective use of personal property by utilizing items that may no longer be needed at one venue at other locations, and attempting to use surplus property from State agencies prior to purchasing needed equipment.

However, we found that the Authority could make additional improvements to its property controls by ensuring compliance with its property disposition guidelines.

We found venue managers do not notify the finance office of the proposed method of disposal in advance, and often dispose of property without prior approval from the finance office. When this occurs, the finance office is not able to identify revenue earned from property dispositions. As a result of our review, the finance office sent notices to venue managers reminding them to provide detailed information on why assets are being considered for disposal, the preferred method of disposition, and what revenue is generated from any dispositions.

We found that the Authority does prepare a property disposal report, consisting of a list of property that has been removed from the Fixed Asset System. However, this report does not include any information on the price received or who made the purchase, including amounts received for items sold for scrap. This information is required to be filed with the Authority Budget Office as part of the Authority's annual report.

Section 2896 of Public Authorities Law requires authorities to maintain adequate inventory controls and accountability systems for property under its control. We found that the Authority has not established an effective inventory control system. Venue managers are primarily responsible for safeguarding Authority property at the respective venues, and the central records are updated annually to reflect any changes that occur. However, we found instances where the central records were inaccurate. We reviewed transactions for four items that were removed from the inventory record during the past year. We found that two of these items were either still at the venue that reported it as disposed, or were located at another venue. Authority management indicated that these items were old ski lifts that were no longer being used but were being stored for spare parts, and were considered out of service. While we understand that these items were no longer being used, they are still owned and in the possession of the Authority and therefore should continue to be accounted for on inventory records.

We also found the Authority has limited inventory controls over in-kind products, and cannot accurately account for all the in-kind products it receives and distributes. According to Authority officials, some in-kind products are shipped and inventoried at the Authority's central warehouse, while others may be sent directly to the venues or the Authority's administrative offices. The Authority does not maintain a centralized inventory list that tracks all in-kind products and services. Authority management stated that there is an effective inventory control system in place at the warehouse and that the items at the warehouse are accounted for and inventoried, but that items received at other locations may not be accounted for properly. We reviewed the inventory records maintained by the warehouse. It appears that a significant amount of in-kind products are not inventoried or accounted for at the warehouse, but instead may be received directly by other Authority locations. Given the Authority's increasing reliance on these forms of sponsorship deals, the Authority should improve its accountability and inventory control procedures over in-kind products. Authority management indicate that they will begin to record all in-kind transactions.

Procurement Guidelines

Section 2879 of the Public Authorities Law requires public authorities to establish guidelines for procurement of goods and services over $5,000, and to annually prepare and approve a report on their procurement contracts. We found that the Authority has formally adopted procurement guidelines which outline the selection process for contractors and how contracts are to be reported. The guidelines describe controls in place to minimize risks and ensure effective purchasing practices and reporting, however, the guidelines do not require annual review and approval by the Board. Authority management stated the guidelines have not been changed since 2006 and as such have not required Board approval, but that the guidelines are currently being reviewed and revised by the Authority for future Board approval.

The Authority's procurement report is to identify the vendor, contract period, scope of services, selection process used, the number of competitive bids received and the status of the contracts. However, we found that the procurement report is incomplete and inaccurate, as it does not list all the contracts for the Authority and does not consistently provide information on payments to contract vendors. For example, our review found 12 contracts that were not listed in the procurement report, including the annual contract for the independent audit firm and a construction contract valued at $1.4 million. In addition, for some procurements, the report did not include the number of bids received even though the contract was competitively bid. For other procurements, the status of the contract was not reported. The lack of complete information within the report inhibits the ability of management and the Board from accurately monitoring total payments made against the total contract amount. Although procurement reports were annually provided to the Board, there was no indication from meeting minutes that the Board questioned the missing or inaccurate data. Authority management responded that they are aware of improvements that need to be made to their procurement reporting process and they have other information which could be presented to the Board to assist in monitoring its contracts.

Investment Guidelines

Section 2925 of Public Authorities Law requires all authorities to establish guidelines to govern investment practices. These guidelines should instruct officers regarding the investing, monitoring and reporting of funds, require that an independent audit of investments be done annually, and require the guidelines to be reviewed annually by the Board. We found the Authority has adopted investment guidelines that direct the Authority's investment activity. These guidelines identify permissible investments, require matching collateral and require an audit of investments. We found that the Authority's investment guidelines were approved by the Board in 2006 and 2007. Further, the Authority has an annual audit of its investments, and annually prepares a report on its investment practices. The investment report details the Authority's investment vehicles and returns earned in the fiscal year.

Transparency

Section 2800(1)(b) of Public Authorities Law requires State authorities to make information accessible to the public to the extent practicable through the use of the authority's Internet web site. This information is to include mission, current activities, and financial data, including the current year budget. Our review found that the Authority is providing certain information on its web site, including its mission, current activities, the Authority's independent annual audits, archived web casts of Board meetings, as well as other reports. At the time of our review, the website did not have current year budget posted, as required by Section 2800 of Public Authorities Law. The Authority has since posted its 2008-09 budget to its web site, in addition to other information on its operations.

Annual Report

Section 2800(2) of Public Authorities Law requires authorities to prepare annual reports disclosing information related to their operations, management, and finances, and to submit this report within 90 days of the end of the fiscal year. Although the Authority prepared an Annual Report for the 2006-07 fiscal year that included all the appropriate information, this Report was not submitted to the Authority Budget Office.

Budget and Capital Planning Process

Section 2801(1) of Public Authorities Law requires authorities to submit budget information on operations and capital construction at least 90 days prior to the start of the public authority's fiscal year. The Board did adopt the 2007-08 Budget in February 2007. However, this information was not reported to the Authority Budget Office at least 90 days prior to the start of the fiscal year. The Authority has also not provided this office with its 2008-09 Budget. Authority management indicated that they were not aware of the need to submit the annual report or the budget report to our office. However, our office has sent several communications to the Authority since 2006 regarding the need to submit these reports.

Furthermore, during our review the Authority was operating without an approved budget for 2008-09. While it appears that Authority management began to develop the 2008-09 Budget in October 2007, as of April 2008 the Board had not received any fiscal year 2008-09 budget information for review or approval.

Authority management stated that, because the Authority is dependent on State appropriations, they were waiting until after adoption of the State Budget to present the budget to the Board. However, this was not the practice in the prior year, when the 2007-08 Budget was adopted in February, prior to passage of the State Budget. The Executive Budget's recommended appropriation for the Authority is available in January and could be discussed with the Board at that time.

More importantly, this approach inhibits the Authority from developing a multi-year budget and capital financial planning process. The Authority is charged with preserving and improving important physical assets of the State. The lack of a long term multi-year budget makes it difficult for the Authority to plan for its capital requirements. Although the Authority cannot issue debt for such purposes, it should still develop a multi-year budget and capital program for Board approval and present that plan to the State for consideration as part of the State's Financial and Capital Plan. Absent this vision, the Board will not be in the best position to exercise oversight of the long term program needs and capital requirements of the Authority.

Authority management responded that concerns regarding mandated State budget reductions caused the delay in presenting the 2008-09 budget to the Board for approval. However, as indicated, the Executive Budget recommended appropriation for the Authority was available in January 2008, and could have been used for discussions with the Board. Further, good fiscal management practices call for an approved budget to be in place prior to the start of the fiscal year. The Board has since adopted the Authority's 2008-09 budget at their May 2008 Board meeting.

Compliance Issues Summary

Internal Controls
The Board has not established guidelines for a system of internal controls for the Authority, and has not identified generally applicable managerial policies and standards for officers and employees to follow to ensure all controls are implemented, as required by Section 2931(2) of Public Authorities Law.

Committees
The Audit Committee established by the Board is not comprised of three members, as stipulated in the Authority's by-laws.

The Authority has members on both the Audit and Governance Committee that are not independent, contrary to Section 2824 of Public Authorities Law.

Open Meetings
The Audit and Governance Committees of the Board are not providing notices for meetings or recording a summary of the meeting, as required by Sections 104 and 106 of Public Officers Law.

Public Access
The committees of the Authority are not web casting their meetings, as required by the Governor's Executive Order 3.

Independent Audit Firm
The Authority has retained the same lead partner for its independent audit for more than five years, although prohibited by Section 2802(4) of Public Authorities Law.

Non-Audit Services
The Authority's audit firm performs non-audit related services without prior approval from the Audit Committee, although prohibited by Section 2802(5) of Public Authorities Law.

Training
Three Board members of the Authority did not participate in State-approved training within one year of appointment, as required by Section 2824(2) of Public Authorities Law.

Disposition of Property
The Authority does not comply with its property disposition guidelines, since the finance office is not notified of proposed dispositions or provided with supporting documentation detailing these transactions.

Inventory Controls
The Authority has not established adequate inventory controls over their personal property, as required by Section 2896 of Public Authorities Law, including controls over in-kind goods and services received by the Authority.

Procurement Contracts
The Authority is not accurately reporting all of its procurement contracts, as required by Section 2879 of Public Authorities Law.

Annual Report
The Authority did not submit its Annual Report for fiscal year 2006-2007 to the Authority Budget Office, as required by Section 2800 of Public Authorities Law.

Budget Report
The Authority did not submit its budget for fiscal year 2007-2008 or its adopted 2008-2009 to the Authority Budget Office, as required by Section 2801 of Public Authorities Law. In fact, the Authority was operating without an approved budget at the time of this review, which concluded 30 days after the start of the fiscal year.

Good Governance Recommendations

1. The Board should be more proactive in its oversight and request complete information from management information on the Authority's business and financial activities, including but not limited to the annual budget and long range financial capital needs. This could also include detailed financial information, such as summary information on the events run by the Authority.

2. The Board should ensure that the Executive Committee meets as necessary to provide the Board with detailed analysis of the Authority's fiscal operations and involved in the preparation of the Authority's annual budget.

3. The Board should establish and maintain internal control guidelines for the Authority, so members, officers, and staff have a description of their responsibilities and is aware of all applicable managerial policies and procedures that they are required to follow, as well as the review process for assessing the effectiveness of those controls.

4. The Board should adopt a policy for the written public disclosure by Board members of all actual or potential conflicts of interest and ensure all interests are documented.

5. The Board should ensure that all committees of the Board are comprised of at least three independent members, and as necessary utilize the expertise of non-Board members to fill this obligation.

6. The Audit and Governance Committees should adopt charters that outline their responsibilities and guide their operations.

7. The Audit and Governance Committees should provide at least 72 hour notice of their meetings to the public and the press, as well as maintain official records of the proceedings, and web cast committee meetings.

8. The Authority should subject the selection of the independent audit firm to competitive bid.

9. The Audit Committee should review the non-audit services of the independent audit firm to determine if these services are necessary and appropriate, and submit essential non-audit services to the Board for its approval.

10. The Board should ensure that all members of the Board participate in State-approved training.

11. The Authority should continue to ensure that a formalized internal control structure is developed that provides centralized assurance of its

effectiveness. This should include, but not be limited to, continued training for managers and staff, executive management directive of the importance of internal controls and implementation, and formalized procedures for corrective action plans and follow up reviews.

12. The Authority should ensure that the profit and loss statements for individual events are thoroughly reviewed and verified by department managers and staff in a timely manner, so that all revenue is accounted for and properly recorded, that only appropriate expenses are paid, and that management has accurate information to make informed decisions regarding these events.

13. The Authority should review the sponsorship agreements for in-kind goods and services to determine their necessity and to ensure that the Authority is obtaining the maximum revenue benefit.

14. The Board should revise its Property Disposition Guidelines to incorporate the reporting of property transactions to the Board and the State, including purchaser information. The Authority should also ensure that all managers are following the policy by timely notifying the finance office of disposals and details of the disposals, including revenue recognition.

15. The Authority should create a formal inventory and property tracking system to provide management with a centralized control system to monitor property and inventory of the Authority's control, either by venue or by department.

16. The Authority should develop a policy governing how in-kind goods and services received through corporate sponsorships are received, inventoried and disbursed.

17. The Authority should ensure all procurement contracts are accurately reported annually.

18. To improve accountability and transparency, the Authority's web site should include the Authority's annual budget, as well as additional information such as public meeting schedules and minutes of public meetings.

19. The Authority should ensure their Annual Report is submitted to the Authority Budget Office within ninety days of the end of the Authority's fiscal year.

20. The Authority should provide the Board with a proposed budget and long-term capital plan, that includes recommended Executive Budget appropriations, in advance of the filing date stipulated in Section 2801 of Public Authorities Law so that the Board can make informed decisions on the budget and adopt a budget at least 90 days in advance of the new fiscal year, and submit this to the Authority Budget Office.