

ALAN G. HEVESI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

January 27, 2005

Mr. Charles A. Gargano
Chairman
NYS Olympic Regional Development Authority
218 Main Street
Olympic Center
Lake Placid, NY 12946

Re: Internal Controls Over Financial
Operations for the Olympic
Regional Development Authority
Report 2004-S-78

Dear Mr. Gargano:

According to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution and Section 2803 of the Public Authorities Law, we audited the Olympic Regional Development Authority's (Authority) system of internal controls over its financial operations for the period April 1, 2002 through March 31, 2004.

A. Background

The Authority was created by statute in 1981 to operate and maintain certain sports facilities in and near Lake Placid, as well as North Creek, New York. The Authority is governed by a ten-member Board of Directors including several ex officio State agency heads, all of whom serve without compensation. The Authority employs approximately 180 full-time workers and up to 800 seasonal employees. In 2003-04, State tax dollars from the General Fund financed 30 percent, or \$7.4 million, of the Authority's \$25 million operating budget. An economic impact assessment was done by an independent contractor for the Authority and concluded the Authority is a major economic engine in the Adirondack Region. In 2002, the Authority's activities helped create 2,556 full-time jobs and provided \$141.7 million in statewide economic activity. The Authority still requires a significant appropriation from New York State and the Town of North Elba. New York provided \$5,596,405 in 2003 and \$5,524,104 in 2002. The Town of North Elba contributed \$690,630 in 2003 and \$645,904 for 2002.

B. Audit Scope, Objectives, and Methodology

According to the New York State Governmental Accountability, Audit and Internal Control Act of 1987 (Act), as revised in 1999, the Authority's management is responsible for establishing

and maintaining an effective system of internal controls and a program of internal control review. In addition, in accordance with the New York State Division of the Budget's Policy and Reporting Manual Item B-350, State agencies and public authorities must annually certify their compliance with important provisions of the Internal Control Act, and submit this certification of compliance to the Division of the Budget. We audited the Authority's system of internal controls over its financial operations for the period April 1, 2002 through March 31, 2004. The objectives of our performance audit were to assess the adequacy of the Authority's system of internal controls over its financial operations and to express an opinion on this system based upon our audit.

To accomplish our objectives, we interviewed appropriate Authority officials and reviewed applicable policies and procedures governing the following significant financial operations: revenue and collections, cash and investments, payroll, procurement and contracting, equipment and asset management, budgeting and expenditure control, accounting and information systems and corporate governance. We interviewed Authority staff responsible for these financial operations and did limited compliance testing to provide assurance Authority employees follow established policies and procedures.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards. Such standards require that we plan and do our audit to adequately assess those procedures and operations included within the audit scope. Further, these standards require that we understand the Authority's internal control systems and compliance with those laws, rules and regulations that are relevant to the Authority's procedures and operations that are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe our audit provides a reasonable basis for our findings, conclusions and recommendations.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Division of State Services. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under Generally Accepted Government Auditing Standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

C. Results of Audit

The Chief Executive Officer (CEO) and his staff have made positive changes at the Authority that have occurred since our last major audit in 1995. At that time, we examined the Authority's internal controls and identified significant weaknesses. These weaknesses permitted favoritism in the hiring of employees and less-than-arm's length relationships between the Authority and some of its contractors. However, we noted the following instances in which the Authority could either improve its system of internal controls or strengthen the adherence to existing policies and procedures. Authority officials indicated that they are currently reviewing their operations and will

take the necessary actions to address our concerns. (A summary table addressing specific questions related to each of the entity's basic financial operations is attached as Table I.)

The Board of Directors (Board) is not carrying out its oversight responsibilities in an effective manner. These problems continue despite the fact we alerted the Board in 1995 to problems with the Board's governance. The Authority is overseen by a ten-member Board of Directors that is appointed by the Governor and approved by the State Senate. In September 1993, the Authority's CEO and several top managers resigned amid published allegations of mismanagement. At that time, we examined the oversight provided by the Board and found that it was not adequate. For example, the duties of Board members were not clearly defined, Board meetings were not as frequent as required, attendance at these meetings was inconsistent, vacancies on the Board were not filled in a timely manner, Authority contracts were not approved by the Board as required, important financial data about Authority operations was not provided to the Board, and corrective actions were not taken by the Board in response to prior audit recommendations. We also identified possible conflicts of interest and inadequate financial disclosure on the part of certain Board members. These matters were referred to the State Ethics Commission and Attorney General's Office for further investigation.

Problems continue with Board oversight. Meetings are not held as required, meetings are too short to properly address issues confronting the Authority and the Board is not adequately addressing financial deficits confronting the Authority.

The primary responsibility of the Board of Directors is to oversee the Authority's chief executive and other senior management in the effective and ethical management of the Authority. The Board should monitor the activities of the Authority to ensure it is operating in a manner beneficial to the Town of North Elba, as well as the State of New York, especially since the Authority requires support from the local and State governments. We found the following issues related to the operation of the Authority's Board of Directors:

- We found the Board met only twice for the years 2000, 2001, and 2003 and not the four times a calendar year as required by its by-laws. The Board met four times in 2002. More frequent meetings than required by its by-laws may be necessary to help the Authority confront the significant deficit it faces each year.
- In order to thoroughly review financial and performance data, a reasonable amount of time should be scheduled for each meeting. We reviewed 10 consecutive Board meetings from April 2000 through December 2003 which varied in length from 15 minutes to almost two hours with the average being about one hour. Moreover, in reviewing these minutes, we found no evidence Board members were raising issues or asking questions about the financial and performance data presented. As the Authority is relying on State and Town appropriations each year, the Board needs to consider alternative funding mechanisms to assure the financial viability of the Authority.
- According to the Governor's Model Governance Principles for Authorities, board members are required to receive appropriate training regarding their legal, fiduciary, and ethical responsibilities as directors of a public authority. We found Authority's Board members do not receive any training regarding these functions.

- The Authority's initial operations budget forecast is prepared in August and presented to the Board of Directors for the fiscal year beginning the next April 1. The Authority's budgets are being approved by the CEO in a timely manner; however the budgets are not being presented to the Board until the annual meeting, which occurs in either May or June. Therefore, the Authority is operating without a Board-approved budget for two to three months during the year.
- We reviewed the Authority's investment policy and found it was in compliance with the State Comptroller's Investment Guidelines. However, we found the policy had not been updated and had not been annually reviewed and approved by the Board of Directors. The last approval was in 1998.
- According to the Governor's Model Governance Principles for Authorities, the Board should create three sub committees: Finance, Audit, and Governance. Currently the Authority has only created the Finance committee. In addition, the Authority's Executive Committee (consisting of three members) does not record minutes consistently, therefore the Board does not know exactly what is discussed in these closed sessions and must rely on what information is told to them by the executive members.

The Chief Executive Officer of the Authority is responsible for the daily operations of the Authority and to assure an appropriate system of internal control is in place and operating as intended. We reviewed and tested the Authority's controls and made the following observations:

- Good internal controls require separation of duties among employees. Our review found that Authority's billing and collection procedures are not adequately separated.
- The Authority has good policies and procedures for collecting revenues, particularly for accounts that are past due. However, we identified several instances in which the Authority did not follow its policies and procedures.
- We tested compliance with the Authority's cash and ticketing policies and procedures at Gore Mountain, one of the venues the Authority operates. We identified control weaknesses at Gore over cash and ticketing controls that limit accountability and increase the risk of theft or abuse.
- We found the Authority does not require pre-numbered purchase orders or receiving documentation. With pre-numbered documents, the Authority would be better able to ensure that all purchases are authorized and properly received.
- The Authority has established policies and procedures identifying thresholds for both approvals and acquisition of competitive bids. We identified instances in which competitive bids were not obtained as required and justification was not provided.
- During our review of fixed assets, we determined Authority officials were writing off a number of fixed assets before their economic lives had expired. This resulted in unnecessary material losses.

- We compared forecasted budgets to actual amounts to determine whether budget accuracy improved from fiscal year 2001-2002 to fiscal year 2002-2003. Budget variances occur when there is a significant difference between the budgeted and actual amount of expenditures. The Authority's policy for budget variances is for venue managers to incorporate previous year's variances into budget calculations in order to reduce or eliminate variances. However, we identified 54 expenditure categories with variances in 2002-2003 that also occurred in the prior year's final budget results.
- We found the Authority's policies and procedures for the security of accounting and information systems need improvement. Employees with access to accounting systems are not required to periodically change passwords or to use passwords with combinations of characters and letters.
- We found that the Authority's controls over computer equipment are weak. Equipment is tracked through two separate means; a spreadsheet application and inventory log. However, neither device is complete leaving open the possibility equipment is missing or unaccounted for.
- To ensure the availability of its computerized systems it is essential to have a formal back-up and disaster recovery plan. We found the Authority did not have formal disaster recovery plans for their computerized systems, nor are there formal data back-up plans in place.
- As required by the Public Authorities Law, Article 8 Title 28, the Authority is to annually submit a complete and detailed report setting forth its operations and accomplishments and receipts and expenditures, 90 days after the end of the fiscal year or before June 1 to the Town of North Elba. We found the annual reports from 1999-2000 and 2001-2002 were submitted late to the Town of North Elba. In addition, the 2002-2003 report was not submitted.

Recommendation

The Authority and its Board of Directors should take steps to address the issues presented in the report.

We provided a draft copy of this report to Authority officials for their review and comment. Authority officials indicated that they would work to implement our suggestions. We considered their comments in preparing this report, and they are included in Appendix A. Our rejoinders to the response provided by Authority officials are included in Appendix B, State Comptroller's Notes.

Within 90 days after the final release of this report, as required by Section 170 of the Executive Law, the Chairman of the Board of the Olympic Regional Development Authority shall report to the Governor, the State Comptroller and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Major contributors to this review were Walter Irving, Dennis Graves, Timothy Marten and David Bell.

We wish to express our appreciation to the management and staff of the Olympic Regional Development Authority for the courtesies and cooperation extended to our auditors during this review.

Yours truly,

David R. Hancox
Audit Director

cc: Robert Barnes, Division of Budget

TABLE I

**OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
REVIEW OF INTERNAL CONTROLS OVER FINANCIAL OPERATIONS**

A colored “traffic light” legend is included in the table below to assist management in focusing an appropriate level of attention on the issues identified in the Authority Activities and Comptroller’s Comments sections of the Review Findings.

Legend:

	Activities/Comments contain matters that should be of immediate concern to management.		Activities/Comments do not contain issues that require management’s immediate consideration.
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Review Findings: As part of our review, we asked Authority officials a series of questions and reviewed selected Authority records. Our review questions, a summary of the Authority’s activities in each area, and our comments are all summarized below.

	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER’S COMMENTS
	Board Oversight & Governance:		
	Does the Authority’s Board of Directors function in a manner that promotes an ethical business climate within the organization and encourages and supports full compliance with all applicable laws, rules and regulations?	<p>The Authority is overseen by a ten-member Board of Directors that is appointed by the Governor and approved by the State Senate. The Board of Directors is required by its By-Laws to meet at least four times throughout a calendar year.</p> <p>To thoroughly review financial, performance, and other miscellaneous data a reasonable amount of time should be scheduled for each meeting. According to the Model Governance Principles for Authorities (Principles), board members are required to receive appropriate training regarding their legal, fiduciary, and ethical responsibilities as directors of a public authority.</p>	<p>We reviewed 10 consecutive Board meetings from April 2000 through December 2003 and found for the years 2000, 2001, and 2003 the Board did not meet four times as required.</p> <p>We reviewed 10 consecutive board meetings from April 2000 through December 2003 which varied in length from 15 minutes to almost two hours with the average being about one hour.</p> <p>Board members do not receive training regarding their legal, fiduciary and ethical responsibilities as directors of an authority.</p>
	Has the Board of Directors promoted the economic, efficient and effective operation of the Authority consistent with its	The Authority’s executive committee (consisting of three members) does not record minutes consistently, therefore the board does not know exactly what is discussed in these closed sessions and must rely on what information is told to them by the executive members.	Board members need to take a more active role to fulfill their responsibilities. The Board could be discussing more comprehensively the fiscal issues confronting the Authority.

TABLE I (Cont'd)

	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER'S COMMENTS
	<p>statutory public benefit mission and that provides for transparency and accountability in pursuing its strategic business objectives?</p>	<p>In reviewing the minutes of the Board meetings, we found no evidence board members were raising issues or asking questions about the financial and performance data presented.</p> <p>The Authority's initial operations budget forecast is prepared in August and presented to the Board of Directors for the fiscal year beginning the next April 1. The Authority's budgets are being approved by the CEO in a timely manner; however the Board does not approve the budget until two to three months into the fiscal year.</p> <p>Currently the Authority has only created the Finance committee. It is required by the Principles to have an audit committee and a governance committee, but this has not been done.</p>	
	Revenue & Collections:		
	<p>Do the Authority's policies and procedures provide assurance that revenues are billed timely and accurately and are recorded properly in the accounting records?</p>	<p>The majority of Authority revenue is not billed. Rather, it is collected at sales points located at venues or it is received via appropriation from New York State. For its billed revenue, the Authority typically sends out bills once a year for the entire amount due, with a few exceptions.</p> <p>The majority of the Authority's billed revenue is from venue ticket sales (lift tickets, season passes, concert tickets, etc.) made to various businesses, such as hotels and corporate sponsors, and costs associated with renting/using Authority facilities (hockey rink rentals, banquets, etc.). These billings are based on fixed and/or negotiated ticket prices and are prepared by the Authority's Finance Office. Many of these billings are governed by a written agreement or contract.</p>	<p>Our review found the Authority is following its policies and procedures for billing revenue. We found the Authority is accurately and timely billing debtors and properly recording such billings in their accounting system. However, our review found the Authority's billing and collection procedures are not adequately separated.</p>
	<p>Do the Authority's policies and procedures provide assurance that revenues are being collected timely?</p>	<p>The Authority has written policies and procedures for collecting payment on accounts and for past due accounts. Authority policies include mailing periodic reminder letters for past due accounts, charging interest for past due accounts, mailing monthly statements to customers that identify balances and interest due, denying credit to previously delinquent customers, and forwarding accounts more than six months past due to the Attorney General's Office for collection.</p> <p>Proportionate to its accounts receivable</p>	<p>The Authority has adequate policies and procedures for collecting revenues, particularly for accounts that are past due. However, we identified instances in which the Authority did not follow its policies and procedures, including not sending late letters to customers with overdue receivables and allowing receivables to become overdue by significant periods of time.</p>

TABLE I (Cont'd)

	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER'S COMMENTS
		balance, the Authority has a very small amount of past due accounts, the vast majority of which stems from a small number of delinquent customers.	
	Cash & Investments:		
	<p>Do the Authority's policies and procedures provide assurance that cash and investments are properly safeguarded, accounted for, and deposited into the appropriate accounts?</p>	<p>The Authority's cash receipts primarily consist of ticket and concession sales at venues. Each day, venues physically deposit their cash receipts into their own bank account. These deposits are then transferred to the Authority's main bank account used for disbursements. Each night, venues are required to fax a sales report to the Finance Office that identifies the venue's cash receipts for that day. The Finance Office performs monthly bank reconciliations of venue accounts, along with its own central accounts, during which it traces bank balances back to deposit slips and accounting entries for each venue.</p> <p>When the Finance Office receives a direct payment, one employee logs the receipt on a hardcopy report, while a second employee electronically posts the payment to the accounting system.</p>	<p>The Authority has written policies and procedures for investments, cash receipts, and ticketing.</p> <p>We reviewed the Authority's investment policy and found it was complete and in compliance with the Office of the State Comptroller's Investment Guidelines. However, we found the policy had not been updated and had not been annually reviewed and approved by the Board of Directors since 1998.</p> <p>We reviewed the Authority's most recent bank reconciliation and found the process to be thorough, accurate, and timely, despite the large volume of transactions that must be reviewed.</p> <p>We tested compliance with the Authority's cash and ticketing policies and procedures at Gore Mountain, one of the venues the Authority operates. We reviewed Gore's source documentation for a one-week period and found its cash receipts for each day reconciled to the amount it deposited and reported to the Authority. In addition, all receipts were deposited into the appropriate bank account and were properly transferred to the Authority's main disbursement account.</p> <p>However, we identified internal control weaknesses at Gore over cash and ticketing that limit accountability, and thus limit the venue's ability to protect against theft or abuse.</p> <p>(See the Revenue and Collection section for a discussion of the lack of separation of duties in place for billing and collections, including processes related to cash receipts.)</p>

TABLE I (Cont'd)

	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER'S COMMENTS
	<p>Do the Authority's policies and procedures provide assurance that cash disbursements are properly authorized and recorded?</p>	<p>All disbursements must be supported by receipts, invoices, and other supporting documentation prior to being paid.</p> <p>The Authority's policies and procedures for disbursements provide adequate assurance that disbursements are properly authorized and recorded.</p>	<p>The disbursements we reviewed were all properly authorized and recorded. The Authority issues payments timely and adheres to its policies and procedures for disbursements.</p>
Payroll:			
	<p>Do the Authority's policies and procedures provide assurance that employee time and attendance records are accurate and that leave time is accounted for and recorded properly?</p>	<p>Employees' Time and Attendance (T&A) records are maintained through a computerized system called Kronos. Supervisors are responsible for approving employee time reports. Payroll records are first reviewed and approved by each of the payroll clerks at the Authority's five venues. These records are then reviewed by the Payroll Manager in the Finance Department who is responsible for collecting the data from each of the venues and then entering this data into Kronos. This information is checked for accuracy by another individual. The Payroll Manager then emails reports to the venues notifying them of mistakes, omissions, etc. When responses are received the data is recompiled and entered into the Ceridian payroll system.</p>	<p>The T & A policies and procedures used by the Finance Department and its venues are adequate to ensure that T & A records and payroll processing activities are properly maintained and independently verified.</p>
	<p>Do the Authority's policies and procedures provide assurance that payroll changes (e.g., additions, deletions, and overtime) are processed accurately and timely?</p>	<p>When a venue hires a new employee, it is responsible for collecting all necessary data including, social security numbers, W-4's, etc. This information is submitted to the Finance Department Payroll Manager who enters the employee's name and information into the various systems. Another individual is responsible for checking the accuracy of the entered data. The applicable venue also has access to this information via printed payroll reports sent to them at the end of each pay period.</p> <p>When an employee is terminated, notice is sent to the Finance Department from the applicable venue. In the same period, the terminated employee is removed from the payroll system by the Payroll Manager. This activity is checked by another individual for accuracy. The applicable venue also has access to this information via printed payroll reports sent to them at the end of each pay period.</p>	<p>After reviewing the addition/deletion processes, we concluded that they are adequate to assure that new and terminated employees are being paid only for the time they actually work and that employee overtime is paid accurately. There are several independent means of verification to ensure that employees are being properly paid.</p>

TABLE I (Cont'd)

	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER'S COMMENTS
Procurement & Contracting:			
	<p>Do the Authority's policies and procedures provide assurance that purchases are authorized, received, and recorded properly?</p>	<p>The Authority has a competitive bid process that assures that the Authority obtains the most economically efficient products or services.</p> <p>The Authority's credit card policy specifies that, statements will be submitted to the Finance Office for payment in a timely manner, so as to not incur finance charges. If finance charges are incurred, the employee will be responsible for their payment.</p>	<p>We found that purchase orders are only used if requested by the vendor and are not pre-numbered (during our review we identified no instances where purchase orders were used). Also, the Finance Office does not always review or maintain receiving documentation.</p> <p>We performed an analysis concluding that those purchases less than \$5,000 accounted for 69 percent of total purchases in 2002 and 51 percent of total purchases in 2003.</p> <p>Implementation of a procurement card may reduce the cost of carrying-out those transactions less than \$5,000.</p> <p>During our review we identified instances where late fees were incurred by high ranking Authority officials and were paid by the Authority. The Authority should take the necessary steps to enforce the credit card policy.</p>
	<p>Do the Authority's policies and procedures provide assurance that purchases are reasonable and necessary and made in an economical and efficient manner?</p>	<p>The Authority's competitive bid processes provide assurance that the Authority obtains the most economically efficient products or services. This is especially true for capital projects such as the construction of new buildings, etc. The Authority has policies and procedures in place identifying thresholds for which to obtain competitive bids, the specific number of bidders, approval processes and what documentation/approvals are necessary for the awarding of single source contracts.</p> <p>Authority officials stated that each of the five venues is budgeted certain amounts of funding for each capital project account. Officials stated that although these individual account amounts may vary, the total of the actual amount spent will never exceed the total of the budgeted amount.</p>	<p>During our review of three capital projects we identified two contracts where only two competitive bids were obtained.</p> <p>During our review of the capital project account labeled Health and Safety we determined that the total amount spent exceeded the total budgeted amount by approximately \$300,000. Officials should take steps to ensure more accurate budgeted amounts for Capital Project expenses.</p>
Equipment & Asset Management:			
	<p>Do the Authority's policies and procedures provide assurance that equipment</p>	<p>The competitive bid process provides assurance that the most economically efficient product or service is obtained.</p> <p>The determination of annual depreciation expense involves two rather arbitrary decisions</p>	<p>Although the Authority has established policies and procedures identifying thresholds for both approvals and the acquisition of competitive bids, we identified instances in which competitive bids were not obtained and justification for</p>

TABLE I (Cont'd)

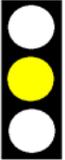
	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER'S COMMENTS
	acquisitions and dispositions are authorized and recorded properly, and that a comprehensive inventory of equipment is maintained?	by an Authority: first, an estimate of the useful economic lives of various groups of assets, and second, a choice among several depreciation methods. As depreciation expense has a material effect on the income statement, the decisions above should be as accurate as possible.	such omissions were not provided, specifically for the purchase of equipment. During our review we also determined that the last Memorandum of Understanding with the NYS Office of General Services for disposal of retired equipment expired in 1994.
	Do the Authority's policies and procedures provide assurance that equipment is secured properly and used as intended?	According to the Authority's Motor Vehicle Pool Policy all vehicles in the motor vehicle pool must display the Authority's logo, permanently affixed, on both front doors. In addition, the policy states usage logs are to be maintained.	During our review we found that one of two vehicles examined did not have the Authority's logo affixed and no usage logs were maintained. These and other controls already implemented by the Authority will deter employees from using equipment for personal use. During our review of equipment at the Gore Mountain Venue we found no equipment displayed the Authority's logo and no equipment logs were maintained.
<p><u>Budgeting & Expenditure Control</u></p>			
	Do the Authority's policies and procedures provide assurance that the Authority's annual budget is prepared accurately and timely?	<p>The Authority's initial operations budget forecast is prepared in August and presented to the Board of Directors for the fiscal year beginning the next April 1. Increases from the previous year are based on Division of Budget recommended percentages adjusted for anticipated program changes. After receiving board approval, the budget is submitted to the Division of the Budget.</p> <p>Monthly operations budgets are prepared by the end of the previous fiscal year for the next year by department heads and by venue managers. The budgets include line item revenues and expenses, totaled by major category. The initial figures are based on a percentage change from the prior year.</p> <p>The budgets are reviewed by the Chief Financial Officer who discusses them with department heads and venue managers as well as with the Chief Executive Officer. If significant variations develop between budgeted and actual results the Chief Executive Officer will conduct meetings with managers.</p>	<p>Authority budgets are being approved by the Chief Executive Officer in a timely manner. However, the budgets are not being presented to the Board until the annual meeting, which occurs in either May or June. Therefore, the Authority is operating without a Board approved budget for two to three months during the year.</p> <p>The Authority should ensure that the Board is presented with budgets for review and approval before the start of the new fiscal year covered by the budget.</p>

TABLE I (Cont'd)

	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER'S COMMENTS
	<p>Do the Authority's policies and procedures provide assurance that actual operating results are monitored against budgeted estimates and that appropriate revisions to current and future budgets are made as warranted by these operating results?</p>	<p>The Authority tracks its results against its budget on a monthly basis. Each month the Finance Department Director creates profit and loss statements that compare each type of revenue and expenditure against its budgeted amount. The statements are then reviewed by the CEO. When significant variances are discovered, the responsible venue manager is called to discuss the discrepancies.</p>	<p>We compared forecasted budgets to actual amounts to determine whether budget accuracy increased from 2001-2002 to 2002-2003. The Authority's policy for budget variances, according to the Finance Manager, is for venue managers to incorporate previous year's variances into budget calculations in order to reduce or eliminate variances. From a total of 79 expenditure categories reviewed, we identified 54 categories from 2002-03 with variances that also occurred in the prior year's budget. From a total of 17 revenue categories, we identified eight categories from 2002-03 with variances that also occurred in the prior year's budget.</p>
<p><u>Accounting and Information Systems:</u></p>			
	<p>Do the Authority's accounting and information systems provide assurance that management has access to timely, accurate and relevant information?</p>	<p>The Finance Department uses four accounting systems that contain vital financial information: Ceridian (Payroll), Kronos (T&A), FAS (Fixed Assets), and Great Plains (Accounts Receivable, Accounts Payable).</p>	<p>After reviewing transactions from each of the Finance Department's accounting systems, we conclude that employees are accurately entering data onto the systems from source documentation and doing so in a timely manner.</p> <p>Two transactions from Kronos, FAS, and Ceridian and four from Great Plains were reviewed. The judgmentally selected transactions were traced from the computer entry to source documentation to verify the accuracy and timeliness of the data. It was found for all 10 transactions reviewed that the data was accurate and was entered in a timely manner.</p>
	<p>Do the Authority's policies and procedures provide assurance that the accounting and information systems are secure</p>	<p>Currently the Information Technology Department tracks the Authority's computer equipment in an inventory book, however according to the Department head, the book is not complete.</p> <p>The Authority has not constructed formal disaster recovery plans for their computerized systems. There are no formal data back-up plans that have been documented in policies</p>	<p>Unlike passwords for logging onto the Novell network, Finance Department employees do not change their passwords to the accounting systems on a regular basis. Also, the employees have not been instructed to use combinations of characters and numbers in their passwords. Employees use nicknames and other assorted devices in developing passwords.</p>

TABLE I (Cont'd)

	QUESTION	AUTHORITY ACTIVITIES	COMPTROLLER'S COMMENTS
	and that the information is recoverable in case of system failure?	and procedures. Back-up activities are done voluntarily by the Finance Director and Information Technology Department head on an informal basis.	The Information Technology Department in conjunction with the Finance Department should create formal, written plans for disaster recovery of their computerized accounting and information systems. Formal, written data back-up policies and procedures are also necessary.



November 12, 2004

David R Hancox, Director
State Audit Bureau
NYS Office of the State Comptroller
110 State Street
Albany, NY 12236

Re: Response to Draft Audit Report 2004-S-78

Dear Mr. Hancox:

On behalf of Chairman Gargano I am responding to the Comptrollers audit report dated October 14, 2004.

ORDA desires to conduct its' operations in the most efficient and responsible manner possible. Accordingly, we appreciate your observations and will work to implement your suggestions.

After reviewing your report dated October 14, 2004 with members of the ORDA staff I offer the following comments regarding ORDA's Financial Controls as well as ORDA's Board Oversight and Governance for your review.

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Board Oversight and Governance

Comptroller's Comments:

Concern was raised by the audit team over the number of meetings, length of meetings, and training received by the Board members

ORDA's Response:

While in the past there had been some difficulty with obtaining the necessary quorum in order to hold the required four board meetings per year, efforts have been renewed to schedule each board meeting several months in advance so that Board members can block the necessary time on the personal calendars well in advance of the quarterly meeting. This has worked well in 2004 and our plan is to continue the practice and schedule additional meetings when necessary to address the business of the Authority.

I have discussed the importance of attending each Board meeting with each Board member. All members have assured me that they are committed to fully executing their duties as ORDA Board members.

We believe that all business confronting ORDA was fully and properly covered at each Board meeting.

Regarding the issue of training for board members, in response to the Governor's Model Governance Principles for Authorities, ORDA has previously undertaken an effort to incorporate training sessions into the next Board meeting(s). As part of the training for board members, ORDA will invite a member of the Comptrollers office to address the board on their fiduciary responsibilities, a member from the NYS Ethics Commission to address the ethical issues of the board and ORDA's own General Counsel to instruct the Board members on the legal responsibilities to ORDA as Board members.

Comptroller's Comments:

The audit team also raised concerns over the manner in which executive committee meetings are conducted as well as the need for Board members to be more active.

ORDA's Response:

Given the need to address ORDA business between meetings, at various times the executive committee has been utilized. We believe that by undertaking the steps previously described the Authority's executive committee will need to meet less. Additionally, we have instructed the executive committee to consistently record the minutes of any meeting they do have so that all Board members will be fully aware of any issues discussed by the executive committee.

Revenue & Collections

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Comptroller's Comments:

Our review found the Authority is following its policies and procedures for billing revenue. We found the Authority is accurately and timely billing debtors and properly recording such billings in their accounting system. However, our review found the Authority's billing and collection procedures are not adequately separated.

ORDA's Response:

As explained to the auditors, this lapse of not separating the billing and collection was for a short period of time while a new employee was being trained. The correct procedures keeping billing and collection adequately separated are now being followed.

Comptroller's Comments:

The Authority has adequate policies and procedures for collecting revenues, particularly for accounts that are past due. However, we identified instances in which the Authority did not follow its policies and procedures, including not sending late letters to customers with overdue receivables and allowing receivables to become overdue by significant periods of time.

ORDA's Response:

This was added after the closing conference. If we had had an opportunity to respond, we would have explained that the customers in question are corporate sponsors of ORDA. Given their unique relationship they must be handled in a different manner than other customers, so as to not risk losing the sponsorship. The Corporate Development Director handles late payments from sponsors, and some latitude for payment (although closely monitored) is given to these important revenue sources.

*
Note
1

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Comptroller's Comments:

However, we identified internal control weaknesses at Gore over cash and ticketing that limit accountability, and thus limit the venue's ability to protect against theft or abuse.

*
Note
1

ORDA's Response:

We disagree with this finding. Gore had internal control measures in place prior to audit to protect against abuse or theft. Neither the CEO nor the Finance Manager at ORDA can recall discussing this issue at the closing conference. We look forward to a more detailed example of the alleged weaknesses identified.

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Comptroller's Comments:

Although the Authority has established policies and procedures identifying thresholds for both approvals and the acquisition of competitive bids we identified instances in which competitive bids were not obtained and justification for such omissions were not provided.

* See State Comptroller's Notes, Appendix B, p. 22

ORDA's Response:

We disagree with this finding. The fact is that we are aware of only a singular instance that exceeded the threshold limit of \$500, and that was for a purchase totaling \$505. This issue was discussed at the closing conference and the auditors agreed that this was not worth mentioning at the time of the conference. The implication is that this is a common occurrence, if there are other instances, please provide documentation.

*
Note
2

Comptroller's Comments:

Also, the Finance Office does not review or maintain receiving documentation.

ORDA's Response:

We disagree with this finding. The Finance Office does in fact review and maintain all receiving documentation, as well as the venue offices. The venue/department receives the goods, signs off on the receipt, keeps a copy and forwards the original receiving documentation, along with all other necessary paperwork to the Finance Office, where it is checked for compliance with policy and processed for payment.

*
Note
3

Comptroller's Comments:

The Authority should take the necessary steps to enforce the credit card policy regarding late fees.

ORDA's Response:

The Finance Office has reissued the credit policy to all authority employees with credit cards emphasizing that any late fees incurred due to an employee's failure to correctly follow the existing credit card policy will be paid by such employee and not the Authority.

Comptroller's Comments:

During our review of three capital projects we identified an instance where the project was not listed in the Contract Reporter and two contracts where only two competitive bids were obtained.

ORDA's Response:

We disagree with this finding. The one instance mentioned was previously identified and documented by ORDA officials prior to the commencement of this audit. This was a clerical oversight for which documentation was previously provided to the auditor.

We are unaware of the instance in which only two bids were obtained. Please provide documentation or further information.

*
Note
4

Comptroller's Comments:

During our review of the capital project account labeled Health and Safety we determined that the total amount spent exceeded the total budgeted amount by approximately \$300,000. Officials should take steps to ensure more accurate budgeted amounts for Capital Project expenses.

ORDA's Response:

ORDA operates within parameters of an established budget plan. ORDA officials take steps to ensure that amounts budgeted for Capital Project expenses are accurate. However, with the age of ORDA's venues, unforeseen obstacles often arise when capital projects begin. Health and Safety issues are taken very seriously and must be addressed, while keeping in mind both the public safety of those in attendance and the ceiling of our yearly capital budgets. Nevertheless, ORDA will continue to keep a watchful eye over the capital budget and implementation process.

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Comptroller's Comments:

Although the Authority has established policies and procedures identifying thresholds for both approvals and the acquisition of competitive bids, we identified instances in which competitive bids were not obtained and justification for such omissions were not provided, specifically for the purchase of equipment.

ORDA's Response:

As previously stated, ORDA is aware of only the one instance, which was addressed earlier in our response. Please provide documentation or additional information for the instances into which you are referring.

Comptroller's Comments:

During our review we also determined that the last Memorandum of Understanding with the NYS Office of General Services for disposal of retired equipment expired in 1994.

ORDA's Response:

ORDA uses OGS to dispose of equipment obtained prior to 1982. It was an oversight that the Memorandum of Understanding (MOU) expired. Despite that fact, ORDA has complied with the terms of the MOU when disposing of any equipment obtained prior to 1982. ORDA will enter into a new MOU with the NYS Office of General Services for disposal of retired equipment.

Comptroller's Comments:

During our review we found that one of two vehicles examined did not have the ORDA logo affixed and no usage logs were maintained. These and other controls already implemented by the Authority will deter employees from using equipment for personal use.

ORDA's Response:

The vehicle in question is an older car purchased from Federal or State Surplus, and is not used very often. However, ORDA will make sure that all vehicles, regardless of age and usage, have logos affixed and that usage logs are included in all vehicles.

Comptroller's Comments:

The Authority should ensure that the Board is presented with budgets for review and approval before the start of the new fiscal year covered by the budget.

ORDA's response:

As was discussed earlier in this response, with revised plans to schedule Board meetings well in advance and renewed efforts to have a more active Board membership the proposed budget will be reviewed (and approved) by the Board well in advance of the start of ORDA's fiscal year.

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Comptroller's Comments:

We compared forecasted budgets to actual amounts to determine whether budget accuracy increased from 2001-2002 to 2002-2003. The Authority's policy for budget variances, according to the Finance Manager, is for venue managers to incorporate previous year's variances into budget calculations in order to reduce or eliminate variances. From a total of 79 expenditure categories reviewed, we identified 54 categories from 2002-03 with variances that also occurred in the prior year's budget. From a total of 17 revenue categories, we identified 8 categories from 2002-03 with variances that also occurred in the prior year's budget.

ORDA's Response:

ORDA will continue to strive to produce budgets with the fewest variances possible. However, the reality of aging venues, seasonality of our tourist operations and the fact that all ticket sales are dependant upon the weather, makes our task of forecasting budgets that are variance free implausible .

Comptroller's Comments:

Unlike passwords for logging onto the Novell network, Finance Department employees do not change their passwords to the accounting systems on a regular basis. Also, the employees have not been instructed to use combinations of characters and numbers in their passwords. Employees use nicknames and other assorted devices in developing passwords.

ORDA's Response:

As discussed with the auditors while on-site, Finance Department employees are now required to change their passwords to the accounting systems, using passwords derived of both numbers and characters. Additionally, all passwords will be periodically changed.

Comptroller's Comments:

The IT Department in conjunction with the Finance Department should create formal, written plans for disaster recovery of their computerized accounting and information systems. Formal, written data back-up policies and procedures are also necessary.

ORDA's Response:

ORDA is currently in the process of developing such procedures, and anticipate having a system in place by the end of 2004.

I would like to thank you for your thorough review of ORDA's system of internal controls over financial operations for the period April 1, 2002 through March 31, 2004. I am hopeful that after your review of this response, certain modifications will be made to the final report. The staff at ORDA will work to implement all recommended changes and continue to administer ORDA's operations in a manner fitting of a State organization.

Should you have further questions of me, or require additional clarification, I would be most happy to comply.

Very truly yours,



Ted Blazer,
President and CEO
NYS Olympic Regional Development Authority

State Comptroller's Notes

1. Additional information supporting the finding was provided to the Authority.
2. This finding has been removed from the final report.
3. Additional information supporting this finding was provided to Authority officials. Also, we modified our report to reflect that procedures for reviewing and maintaining receiving documentation were not always followed.
4. We provided the Authority with the details of the two contracts that had two competitive bids. Also, the Authority documented the justification for not using the Contact Reporter. Therefore, we removed this issue from the report.