

BUFFALO FISCAL STABILITY AUTHORITY
Governance Committee
Meeting Minutes July 31, 2013

The following are the minutes from the meeting of the Governance Committee (the “Committee”) of the Buffalo Fiscal Stability Authority (the “BFSA” or the “Authority”) held on Wednesday, July 31, 2013, in the Buffalo Market Arcade Complex. The meeting was called to order at 12:35 PM.

Committee Members Present: Arthur, Doherty, and Olsen

Additional Directors Present: Floss and Mesiah

Staff Present: Link, N. Miller and Mongold-Robe

Opening Remarks

Secretary Arthur opened the meeting. He stated the agenda as follows:

- a review of various policies of the BFSA and to recommend their approval to the full Board;
- a review of the annual Procurement Report and the Prompt Payment Report and to recommend their approval by the full Board;
- to receive the annual Internal Controls report from BFSA’s Internal Controls Officer, Mr. Bryce Link.

Secretary Arthur called a roll of the Committee members. A quorum was present. The meeting commenced.

Secretary Arthur noted that Chair Olsen was enroute to the meeting and would arrive shortly.

Approval of Minutes

Secretary Arthur introduced Committee Resolution No. 13-01, “Approving Minutes and Resolution from December 5, 2012.”

Vice-Chair Doherty offered a motion to approve the resolution.

Secretary Arthur seconded the motion.

GOVERNANCE COMMITTEE RESOLUTION NO. 13-01
APPROVING MINUTES AND RESOLUTION FROM DECEMBER 5, 2013

BE IT RESOLVED that the Buffalo Fiscal Stability Authority’s Governance Committee approves the minutes of its meeting on December 5, 2012.

BE IT FURTHER RESOLVED that the Buffalo Fiscal Stability Authority’s Governance Committee ratifies and affirms Resolution No. 12-03 that was approved on said date.

The Committee voted 2-0 to approve the resolution.

Review of Policies & Guidelines

Secretary Arthur advanced the agenda to the next item for consideration: a review of various draft policies. He asked BFSA Executive Director, Ms. Jeanette Mongold-Robe, to provide a summary of the materials.

Ms. Mongold-Robe addressed the Board and began a review of proposed changes to the individual draft policies and reports as follows:

- **Bylaws** – Article III, Section 7 of the approved BFSA Bylaws, “Action Without a Meeting” has been removed, per advice received from Mr. James Magavern, Esq., Magavern, Magavern, & Grimm LLP;
- **Code of Ethics** – No substantive changes have been proposed. The Code of Ethics governs all BFSA staff and Directors with the exception of the Mayor of Buffalo and the Erie County Executive who are subject to a separate code of ethics governing elected officials. A Code of Ethics certification must be signed and submitted by all individuals governed by the policy;
- **Mission Statement** – No changes have been proposed to the Mission Statement. The Mission Statement was previously reviewed and approved by the New York State Authorities Budget Office;
- **Investment Guidelines** – No substantive changes have been proposed. The Investment Guidelines are up-to-date with all federal and state requirements. Minor changes have been proposed to clarify specific clauses;
- **Property Disposal Guidelines** -- No substantive changes have been proposed. New York State Public Authorities Law, §2895(1) defines the role of a Contracting Officer. The current BFSA Contracting Officer is Mr. Robert Miller, BFSA’s Comptroller;
- **Use of Discretionary Funds** – The proposed Use of Discretionary Funds policy is a new policy as recommended by the New York State Authorities Budget Office in a recent Recommended Practice statement issued. The proposed policy seeks to safeguard the assets and resources of the BFSA and protect against the use of funds for purposes that do not advance its core purpose. BFSA has approximately \$15,000 which qualifies as discretionary funds.

Secretary Arthur asked if BFSA utilized petty cash for small purchases. Ms. Mongold confirmed that BFSA utilized a \$100 petty cash box for minor purchases. Petty cash is not commonly utilized but has been used more frequently recently in the absence of an Administrative Assistant on staff.

Mr. Mongold-Robe continued her summary of the proposed policies and guidelines as follows:

- **Whistleblower Policy** – No changes have been proposed to the Whistleblower Policy. The policy provides guidance to staff to report impropriety if discovered;
- **Lobbying Policy** – No substantive changes have been proposed to the Lobbying Policy. The Comptroller currently serves as the Lobbying Contact Officer. No lobbying contact has needed to be recorded;
- **Procurement Guidelines** – A proposed change to Article IV 404 is recommended. The current guidelines state that contracts for legal services and financial advice shall not be

longer than five years, including the initial contract period and any contract extensions approved by the Board. No statutory requirement for this limitation exists. The language had been tailored specifically for the BFSA but is now considered out-of-date with the BFSA's current operations. The removal of the five year limitation has been proposed as it is advantageous for BFSA to maintain contracts with entities with considerable institutional knowledge (e.g., litigation) beyond a five year term.

Director Floss asked if Generally Accepted Accounting Principles had recommended a five year limitation on contracts for legal services or financial advice. Ms. Mongold-Robe confirmed that there are requirements that the engagement partner rotate after five years but that the individual firm could remain as the contracted independent auditing firm.

Mr. Mongold-Robe continued her summary of the proposed policies and guidelines as follows:

- **Procurement Report** – The fiscal year 2012-13 Procurement Report requires the reporting of all contracts in excess of \$5,000 to be reported annually. BFSA has two new contracts to report:
 - A contract with Magavern, Magavern, & Grimm, LLP, for professional services;
 - A contract with Copier Fax Business Technologies, Inc., for equipment.

All contracts were paid in compliance with BFSA's Prompt Payment Policy. The contract with Copier Fax Business Technologies, Inc. was for the purchase of a new office multi-function copier. A service maintenance agreement is in place that will continue while the machine is in use by the BFSA; it is not anticipated that the annual cost will meet the \$5,000 threshold to be included in future Procurement Reports.

Director Mesiah asked for clarification whether or not the operational cost as well as the initial purchase cost had been considered when reviewing potential multifunctional copiers. Ms. Mongold-Robe replied that the selected copier had met an extensive grading by BFSA staff. Both the initial purchase cost as well as the operational cost over the five year anticipated life cycle of the machine was considered in the final determination. The multifunction copier replaced by the new unit had been the initial machine purchased upon BFSA's inception had been maintained well past its anticipated life cycle.

Mr. Mongold-Robe continued her summary of the proposed policies and guidelines as follows:

- **Prompt Payment Policy** – No changes have been proposed to the Prompt Payment Policy. It requires payments to be made within 30 days after receipt of an accepted invoice;
- **Prompt Payment Report** – New York State Public Authorities Law requires public authorities to annually prepare a report on the scope and implementation of its prompt payment policy. BFSA entered into two contracts in fiscal year 2012-13. Payments were made to the contracted entities in compliance with the Prompt Payment Policy.

Secretary Arthur requested a motion to accept all of the proposed policies and reports by consensus and to send the items to the full Board with recommendations for approval.

Vice-Chair Doherty offered a motion to accept all of the proposed policies and reports by consensus and to send the items to the full Board with recommendations for approval.

Secretary Arthur seconded the motion.

The Committee voted 2-0 to accept all of the proposed policies and reports by consensus and to send the items to the full Board with recommendations for approval.

Internal Controls Reports

Secretary Arthur advanced the agenda to the final item for consideration: a review of internal controls testing and findings by BFSA's Internal Control Office, Principal Analyst Bryce Link.

Mr. Link addressed the Committee and provided a summary of the internal controls testing and findings. As part of BFSA's ongoing responsibilities, BFSA maintains a rigorous system of internal controls to safeguard the Authority's assets and assist the Authority in meeting its mission. Periodically the Board is provided with an update on internal control matters. Three areas were focused on in the latest testing:

- Asset procurement;
- Business expenditures, authorizations, and payments;
- Accounts payable, recording, and processing.

BFSA has a current staff compliment of four with an authorization of five; there is a large amount of oversight occurring for all transactions. The review of the segregation of duties revealed the controls that are in place for BFSA's general operations. A review of the controls followed included the process of issuing a purchase order, the receipt of invoices, entering the invoices into the accounting system, and final signing of the check for processing. Additional focus was made on areas where potential fraud could occur, identifying potential weaknesses and how the weaknesses could potentially be exploited. No material findings were discovered.

Asset Purchase, Inventory, and Control

The review focused on procurement and safeguarding of BFSA's assets as well as timely reporting and recording of all transactions. The testing focused on the procurement of the new multifunctional copier. Staff created grading criteria for potential copiers which included the machines initial cost and operational costs over the anticipated life cycle of the machine. Additional testing included the review of the Procurement Policy, BFSA's personal and real property transactions, and the Property Disposal Guidelines.

Testing did not reveal the need for concern over the established procurement processes. The procurement process was followed; adequate documentation was maintained throughout the process. The grading matrix established the technical criteria and pricing, the award letter notifying the winning bidder, and the final contract between all parties.

Internal controls testing also included a review of the asset depreciation schedule. No material findings were discovered. BFSA updates an asset log and is in the process of creating an asset inventory log. It is recommended that the asset inventory log be completed expeditiously along with the associated asset tagging.

Fraud

The risk of fraud is considered low. Fraud could include an asset being stolen or lost by an employee. An individual employee's workstation is an asset that has been identified as at risk to be lost or stolen. BFSA staff preforms all necessary actions required to safeguard assets from theft or loss.

Business Expenditures, Authorization, and Payment

No material findings were discovered over the course of the review. The testing focused on the segregation of various duties, proper approvals and authorizations, supporting documentation for submitted expenditure reports and purchase card transactions, and timely reporting and recording of transactions.

The policy guidelines used in the review were:

- Procurement Guidelines;
- Compensation and Reimbursement Policy;
- Travel Policy.

A review of a sample of the purchase card transactions and travel account transactions was conducted. No anomalies or areas of concern were identified during the course of the review.

The Administrative Assistant is the catalyst of the process by entering the invoices in the accounting system. The Comptroller, Executive Director, and Treasurer all review the transaction throughout the process and verify that adequate documentation is maintained. No concerns over the current process were identified; the process is well-documented and executed twice a month or earlier, as needed.

No material findings were discovered. One invoice requested for the sample set could not initially be located due to misfiling. As a result, the scope of testing was increased. Due to the recent departure of the Administrative Assistant, all payable records were maintained in a new folder for final filing rather than actual filing. This deficiency was identified and corrected.

At 12:56 PM, Chair Olsen entered the proceedings.

Accounts Payable, Recording, and Processing

No material findings were identified during the testing. The testing focused on the payments to vendors and was completed in an accurate and timely manner including an adequate segregation of duties, proper approvals and authorizations, supporting documentation, and timely reporting of transactions. The policy guidelines used in the review were:

- Procurement Guidelines;
- Prompt Payment Policy;
- BFSA purchase and travel procedures.

No material findings were identified. All items reviewed were completed in a timely manner and contained appropriate documentation with appropriate authorizations. All checks in excess of

\$25,000 were reviewed and identified to have the appropriate number of signatures required, per the BFSAs Payment Policy.

Fraud

The risk of fraud is remote due to the segregation of duties and multiple number of individuals involved in entering the items into the accounting system and approval of expenditures.

Mr. Link concluded his review of this internal controls testing.

Secretary Arthur offered a motion to accept the internal controls reports.

Chair Olsen seconded the motion.

The Committee voted 3-0 to accept the findings of the internal controls reports.

Adjournment

Secretary Arthur offered a motion to adjourn the Governance Committee meeting.

Committee Chair Olsen seconded the motion.

The Committee voted 3-0 to adjourn the Governance Committee meeting.

The Committee adjourned at 1:01 PM.