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NYS Authorities Budget Office Report on Development Chenango Corporation

The Authorities Budget Office (ABO) today released its report on its review of the operating practices of the Development Chenango Corporation (Corporation), a public authority responsible for administering several loan funds to stimulate the growth of private sector employment in Chenango County.

The review found that the board needs to improve its overall governance of the Corporation's operations and structure. The board does not comply with the guidance documents that have been established and has adopted policies that conflict with those guidance documents. None of the Corporation's board members had signed an acknowledgement of fiduciary duty as required by Public Authorities Law, and seven board members had failed to attend mandatory State approved board member training regarding their legal, fiduciary, financial and ethical responsibilities as board members of an authority. These failures are primary factors to many of the issues identified in the ABO's report.

One such example is that the Corporation's Certificate of Incorporation states that the board is comprised of 17 members, yet the by-laws adopted by the board state that the board is comprised of 17 to 21 members. Further, ex-officio board members established by the Certificate of Incorporation were not members of the board during the review.

The ABO also determined that an apparent conflict of interest exists with the Corporation contracting with Commerce Chenango (Commerce) to administer the Corporation. During the period of the review, there were five individuals who were board members for both the Corporation and Commerce, yet there was no disclosure of this apparent conflict and there were no actions taken by any board members to address the matter. In addition, the contract as written provides the Corporation with almost no ability to control costs or ensure that costs are appropriate, and the ABO determined the Corporation is paying for costs associated with services that do not apply to the Corporation. For example, one Commerce employee also processes payroll for Commerce. Since the Corporation does not have any employees, costs associated with payroll do not apply. Yet the Corporation pays for 100 percent of this person's salary and benefits.

The review also determined that Commerce bills the Corporation for costs that exceed the amounts specified in the agreement, and does not provide adequate support for the costs it charges the Corporation, in violation of the policies established by the Corporation. The review determined Commerce overcharged the Corporation \$20,063 in 2015 and \$15,251 in 2016.

A copy of the full report is available at www.abo.ny.gov.