
**Authority Budget Office
Review Report
Gloversville Community Development
Agency
September 10, 2009**



The Authority Budget Office (ABO) is authorized by Section 27 of Chapter 766 of the Laws of 2005 (The Public Authorities Accountability 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.

The Authority Budget Office (ABO) is conducting a series of compliance reviews of public authorities that have not filed required reports with the State for 2007 and 2008. The Gloversville Community Development Agency (CDA) was chosen for this review because it has not filed its Budget, Annual, Audit, Procurement, or Investment Reports.

The purpose of this review was to determine why the CDA is delinquent with its reports. We also reviewed its structure and operations to determine whether the CDA acts in other ways to promote accountability and transparency in the absence of filing its reports.

Background of Agency

The CDA was authorized pursuant to Title 20 of Article 15-B of General Municipal Law. The CDA Board is comprised of five members appointed by the mayor and approved by the City Council. At the time of our review the board had one vacant position. The day to day activities of the CDA are handled by an office manager and a consultant under contract with the CDA. The consultant is responsible for applying for, administering and monitoring grants on behalf of the CDA. The CDA manages two programs that are funded with \$1.64 million in grants to the CDA. The programs have an uncommitted balance of approximately \$737,000 as of June 2009. In addition, the CDA manages a revolving loan fund that has provided \$220,000 in loans to three organizations for economic development. The fund currently has \$114,000 available for future lending.

Although the CDA is a separate entity from the City, the CDA operates much like a department of the City. The office manager is a paid City employee, reported by the City as an employee to the New York State and Local Retirement System,

but whose salary and benefits are approved by the Board. The CDA also receives financial services and office space from the City. All of these costs are reimbursed monthly by the CDA to the City. However, there is no formal agreement between the City and the CDA concerning this arrangement or stipulating how the City is to be reimbursed for its costs. The CDA uses grant funds to pay its administrative costs, which include consultant fees.

Failure to Submit Reports

We met with CDA staff and board members to ascertain why the CDA had not submitted its required reports. Staff told us that they did not submit the reports because they felt it was a low priority. Although the Board is aware of its responsibilities under the Public Authorities Accountability Act, there is little evidence that it provides appropriate oversight to ensure that the CDA is in compliance with the law. As a result of our review, the CDA recognizes it is statutorily required to file information with the State and it has begun to enter this data into the Public Authorities Reporting Information System (PARIS).

Accountability and Transparency Actions

We found that there is a general lack of accountability and transparency at the CDA. While the Board appears well informed about the grants that are awarded and administered by the CDA, there is a general lack of involvement by the Board in CDA operations. For example, the Board does not establish a CDA budget and although disbursements of the CDA require two signatures from Board members, the Board as a whole does not review summary financial data that is maintained by CDA staff. The Board does not appear to review and question the CDA's books and accounts, which are maintained by the City's Finance Commissioner.

The CDA provides notice to the public of scheduled Board meetings through local newspapers, radio and television stations and are included on the City's calendar of public meetings. However, we noted that the Board meeting minutes need to better document what occurred during the meetings. We noted that the Board entered executive session in its February, May, June, and December 2008 Board meetings without recording the reason for the executive sessions in the meeting minutes. Instead, the meeting minutes only indicate that an executive session took place. We also noted that the Board meeting minutes give the impression that executive sessions were used to discuss issues that were not appropriate for executive session, as outlined in Public Officers Law. Public Officers Law specifically identifies those exceptions that are appropriate for discussion during executive session. However, the February 2008 meeting minutes state that "Resolution 08-01 was adopted following an executive session". This resolution revises a consultant contract, which is not one of the exceptions allowed by Public Officers Law. The CDA Board indicated to us, however, that it has never engaged in improper executive sessions and that

executive sessions have only been used to discuss the job performance and health issues of an individual employee.

We found that the Board has adopted a procurement policy for the solicitation of contractors. However, the Board has not adopted procedures to be followed by the CDA in compiling a list of contractors used by the CDA to solicit bids for its projects. Instead, the Board relies on the consultant to select contractors to include on this list although this is not part of the consultant's duties according to the consultant's written agreement. This is done without the Board's approval or the existence of criteria approved by the Board.

The Board is presented a report on the revolving loan program at each Board meeting. The report provided to the Board reflects the original amount of the loan provided to each organization, the amount paid each month, the number of months delinquent, and shows activity within the account. The report does not reflect the amount outstanding for each organization, or indicate interest rates charged on the loans. In addition, although one loan recipient does not make monthly payments, there is no recognition that this recipient is delinquent. Further, the reports for May and June 2009 show miscellaneous adjustments and payments from this account, without any explanation. Yet, there was no indication that the Board questioned these transactions. And, although the CDA indicated that the Board regularly discusses the content of the loan report, we attended the July 2009 Board meeting, where the May and June 2009 reports were presented, and there was no discussion on the reports. CDA Board members indicated that they are aware of reasons for the variances in the report and therefore do not discuss them in meetings, but agreed that the loan report should include more detail and clarification on the use of monies in the revolving loan fund.

Although the CDA does have a web site, it provides no information regarding Board meetings or CDA operations. The CDA had an independent audit conducted for the 2007 program year, but this audit report is not posted on the web site for public access.

We found that the CDA has policies and procedures as required by the Public Authorities Accountability Act, but it appears that the Board has not thoroughly reviewed these for applicability to its operations. For example, the CDA's Audit Committee Charter refers to the internal auditor, although the CDA does not have an internal auditor. In addition, the Charter states that the Committee is responsible for financial reporting; however as indicated the Board is not engaged in the financial activities of the CDA. Finally, the CDA states it has a policy regarding real property transactions. Section 2 of the policy states that, "The Agency shall produce a written report of such property in accordance with subsection B herewith." However, there is no subsection B in the CDA's policy regarding reporting of real property transactions.

Our conclusion is that the CDA and its Board has, up to now, made insufficient effort to comply with the reporting and disclosure requirements of Public Authorities Law, or to follow policies and practices that promote accountability and transparency. The CDA indicated that since they have adopted the policies and procedures indicated above, that its effort should be considered more than minimal.