

ONONDAGA COUNTY RESOURCE RECOVERY AGENCY

AUDIT REPORT

TO: Warren Simpson, Business Officer

FROM: Maria L. Cirino, Internal Auditor

AUDIT: Investments

AS OF DATE: December 31, 2010

DATE OF ISSUE: March 29, 2011

DATE OF MANAGEMENT'S
RESPONSE: March 29, 2011

PURPOSE

Onondaga County Resource Recover Agency (OCRRA) has established a system whereby current funds on hand, in excess of immediate needs, are invested or placed in appropriate interest-bearing accounts to produce maximum earnings on such funds. The investment nature of OCRRA is governed by and restricted by a number of requirements, including New York State laws. Included in the investments of OCRRA are the Bonds which have all its investments in US Treasury Bills, as determined by the bondholders. The verification of these assets was traced to bank statements, however, the review of authorized signers was not completed during this audit. Review of authorized signers for the bond investments will occur during an audit of the Bonds.

SCOPE

The audit of investments was confined to those investments as of December 31, 2010 and included compliance with Section 2045-k of Public Authorities Law, Section 74 of NY Jurisprudence, Section 2925 of Public Authorities Law and Section 98a of State Finance Law. The audit included review of OCRRA's investment guidelines, the annual investment report, and reporting of investments to the Board, County Executives and the State Comptroller, and the review of investments as of December 31, 2010.

Internal Audit (IA) also reviewed the collateral agreements and/or municipal resolutions to determine if appropriate personnel from OCRRA have authorization to approve wire transfers.

Verification of receipt of the annual investment report by Onondaga County Executives and the NYS Comptroller was not examined during this audit, as well as verification that OCRRA investment guidelines were followed during the purchase process.

AUDITOR'S OPINION ON CORRECTIVE ACTION

The results of the audit were discussed with Warren Simpson, Business Officer, on March 28, 2011. Management's written response is incorporated into this report in *italics*.

FINDINGS AND RECOMMENDATIONS

I. Authorized Signers

Internal Audit reviewed the collateral agreements and/or municipal resolutions to determine if appropriate personnel from the Agency have authorization to approve wire transfers. Internal Audit found that all collateral agreements contained the names of current Agency employees. No exceptions noted.

II. Compliance with Applicable Laws

IA reviewed Section 74 of NY Jurisprudence and the Public Authorities Law Section 2925 which addressed investments of Public Authorities. The law requires specific language in the OCRRA's investment guidelines, as well as OCRRA's annual investment report. IA reviewed both documents and the Board meeting minutes from January 2010 through January 2011 for the requirements set forth in this law.

IA could not find evidence of the requirements listed below:

- 1) The investment guidelines approved by the corporation shall include, but not be limited to the following:
 - i) Standards for the diversification of investments, including diversification with respect to types of investments and firms with which the corporation transacts business (Section 2925 of Public Authorities Law # 3.d)
 - ii) Standards for the qualification of investment bankers, brokers, agents, dealers and other investment advisers and agents which transact business with the corporation, such as criteria covering quality, reliability, experience, capitalization, size and any other factors that, in the judgment of the corporation, make a firm qualified to transact business with the corporation (Section 2925 of Public Authorities Law # 3.e)
- 2) Guidelines must include the form and contents of investment contracts (Section 74 of NY Jurisprudence)

Recommendation:

IA recommends the inclusion of required language, definitions, descriptions, explanations, qualifications, and audit results into their respective documents as per Public Authorities Law Section 2925 and NY Jurisprudence Section 74.

Management's Response:

Management agrees with the Internal Auditor and will make the recommended changes.

III. Compliance with Internal Policy

Internal Audit reviewed the Agency's investment guidelines and determined that procedures were followed for all investment decisions during 2010. No exceptions were noted.

IV. Review of Investments

Internal Audit reviewed the year-end bank statements and tied the amount of the investments to the Agency's 2010 investment report. No exceptions were noted.

Internal Audit would like to thank Tom Rhoads, Executive Director, Warren Simpson, Business Officer, Vince Latorre, Accountant, for their assistance and cooperation throughout the course of this audit.

CC: Tom Rhoads, Executive Director
Audit Committee