



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
H. CARL MCCALL
STATE COMPTROLLER

January 18, 1996

Mr. Theodore T. Blazer
President and CEO
Olympic Regional Development Authority
Olympic Center
Lake Placid, NY 12496

Re: Report 95-F-51

Dear Mr. Blazer:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution, we have reviewed the actions taken by officials of the Olympic Regional Development Authority, as of November 29, 1995, to implement the recommendations in our prior audit reports 94-S-49 and 95-S-41, issued March 14, 1995. These audit reports concerned selected financial management practices and the Board of Directors' governance, guidance and oversight of the Authority.

Background

Article 8, Title 28, Section 2608 of the New York State Public Authorities Law created the Olympic Regional Development Authority (Authority or ORDA) in 1982. A ten member Board of Directors (Board), of which seven members are appointed by the Governor and approved by the Senate, monitors and oversees the Authority's activities. The other three members, by virtue of their office, are the Commissioners of the Department of Economic Development, the Office of Parks, Recreation and Historic Preservation, and the Department of Environmental Conservation. The Authority's Chief Executive Officer (CEO) is responsible for the Authority's day-to-day operations.

The Authority operates, manages, and maintains several winter sports facilities in and near Lake Placid, New York. These include: the Olympic Center with its four ice skating rinks; the Sheffield Speed Skating Oval; the Olympic Jumping Complex at Intervale, which includes ski jumping and freestyle facilities; the Olympic Sports Complex at Mt. Van Hoevenberg, which features a bobsled run, luge run, and biathlon and cross-country ski areas; and Whiteface Mountain and Gore Mountain Ski Centers. All of the above facilities, with the exception of Gore Mountain, were built or updated for the 1980 Winter Olympics.

For the 1994-95 fiscal year, the Authority had revenues of about \$15.0 million, including \$11.0 million in revenues from admissions to the above facilities, admission to events and corporate sponsorships, and \$4.0 million in appropriations from the State and the town of North Elba. During the same period, expenses totaled almost \$18.2 million including \$2.1 million in depreciation expense, resulting in a net loss of about \$3.2 million for the fiscal year. The Authority employs about 1,000 people during its peak winter season and has a permanent full-time staff of about 200.

In September 1993, the Authority's CEO and several top managers resigned amid published allegations of mismanagement and favoritism at the Authority. At that time, an interim CEO was hired to manage the daily operations until the Board could find a new CEO. In November 1993, a new CEO was hired. On November 1, 1994, the CEO resigned and the Authority was being managed by an acting CEO while a search for a replacement was being held. The acting CEO submitted his resignation to the Authority's Board effective December 31, 1995. Recently, a new CEO has been appointed.

Summary Conclusions

Our two prior audit reports on the Authority concluded that internal controls were not adequate, and the Authority's Board did not adequately govern, guide and oversee Authority operations to ensure the Authority's goals and objectives were being met and to prevent the mismanagement and favoritism that occurred. We made a total of 26 recommendations in these reports.

In our follow-up review, we found that the Authority has made significant progress in implementing our prior audit recommendations, and should be commended for their efforts.

Internal controls have improved as evidenced by the Authority's preparation of an internal control plan, the holding of monthly operations and policy meetings, and the hiring of a CPA firm to conduct internal control reviews. Improvement in the Board's oversight of Authority operations has resulted from disseminating relevant financial and operational information to Board members and establishing and adhering to a clear statement of Board duties and responsibilities.

Summary of Status of Implementation

Overall, Authority officials have fully implemented 23, partially implemented 2, and have not implemented 1 of our audit recommendations.

Follow-Up Observations

REPORT 94-S-49

Recommendation 1

Continue efforts to comply with the Internal Control Act of 1987 and Executive Order 173, by establishing appropriate internal controls as well as proper oversight and monitoring of Authority operations.

Status - Fully Implemented

Agency Action - The Authority has made significant progress in improving its internal controls. Examples of the Authority's efforts to improve include the holding of monthly operations and policy meetings where internal control issues are discussed, and developing an internal control plan which was submitted and approved by the Internal Control Unit of the Division of Budget. Other examples of internal control improvements at the Authority are discussed later in this report.

Recommendation 2

Develop an internal control framework which provides for a proper control environment, risk assessment, effective control procedures, appropriate information and communication, and adequate monitoring.

Status - Fully Implemented

Agency Action - The Authority has made significant progress in improving its internal controls. Changes in Authority policies and procedures, improved communication with Authority Board members and staff, and the hiring of a CPA firm to conduct internal control reviews have helped improve internal controls and provide the proper control environment at the Authority.

Recommendation 3

Ensure that all Authority employees comply with the Public Officers Law and Ethics Law.

Status - Fully Implemented

Agency Action - All Authority employees are given a copy of the Authority's Ethics Policy which references the Public Officers Law. Employees are required to sign a statement testifying that they have read the policy and will abide by it.

Recommendation 4

Establish a system of internal controls over Box Office receipts which ensures:

- *accountability over cash receipts and deposits;*
- *proper separation and independent verification of staff activities; and*
- *proper identification and classification of receipts.*

Status - Fully Implemented

Agency Action - New cash and Box Office policies have been written and implemented. The new policies ensure accountability over cash receipts, proper separation and independent verification of staff activities, and proper identification and classification of receipts. In addition, the Authority recently installed a computerized ticketing system which will

further improve internal controls at the Box Office. A review of the new system is scheduled to be performed by a CPA firm in 1996.

Recommendation 5

Ensure that Box Office change funds are used only for their intended purpose.

Status - Fully Implemented

Agency Action - New cash and Box Office policies require that Box Office change funds are used only for their intended purpose.

Recommendation 6

Establish accounting procedures, with appropriate management oversight, to properly document and account for all event revenue and expenditures. Authority management should ensure all parties are properly compensated for these events.

Status - Fully Implemented

Agency Action - New written procedures have been established to ensure that all event expenditures and revenues are properly documented and that a full reconciliation is done for all events.

Recommendation 7

Authority management should develop procedures to enable it to:

- *ensure all revenues received and payments made for events conform with contractual agreements, and*
- *routinely evaluate event results to help plan future events that are profitable.*

Status - Fully Implemented

Agency Action - Accounts payable procedures now require that proper documentation be attached to all payment requests. Furthermore, a profit and loss statement is prepared for each event and distributed to Board members.

Recommendation 8

Minimize transactions requiring cash advances. Ensure that such transactions are properly controlled.

Status - Fully Implemented

Agency Action - The Authority's Financial Policies and Procedures state that no cash advances will be paid unless they are specifically required in the contract. If a cash advance is required in the contract, at least two Authority managers must be involved in the counting and disbursing of funds.

REPORT 95-S-41

Recommendation 1

Establish a proper framework and assume the responsibilities necessary to adequately govern, guide and oversee Authority activities to ensure effective Authority management and operations, to allow for public accountability of Authority operations, and to protect the public resources entrusted to the Authority.

Status - Fully Implemented

Agency Action - A number of resolutions have been passed strengthening Board oversight, improving Authority operations, and helping to ensure the protection of public resources entrusted to the Authority. In addition, preparing agendas and disseminating relevant financial and operational information to Board members prior to meetings have improved the Board's ability to guide and oversee Authority operations.

Recommendation 2

The Board Chairman should request periodic certifications from Board members indicating they comply with Board Resolutions 11 and 79 and the Public Officers Law.

Status - Partially Implemented

Agency Action - Authority Board members are requested to sign a form certifying that they comply with Board Resolutions 11 and 79 and the Public Officers Law. These certifications are due at the first quarterly meeting each year. As of November 29, 1995, certifications have not been received from three Board members.

Recommendation 3

Ensure that all business transactions are conducted at arms length and do not create the appearance of a conflict of interest. Either cease non-arms length arrangements or properly document and justify all necessary deviations from this policy.

Status - Fully Implemented

Agency Action - In addition to the certification forms noted under recommendation 2, the Board adopted Resolution 100 which further addresses conflicts of interest by Board members and staff.

Recommendation 4

Follow hiring procedures which ensure the most qualified individuals available are hired or promoted to fill vacant positions.

Status - Fully Implemented

Agency Action - Formal written hiring procedures have been established and implemented at the Authority. With the exception of short term seasonal positions, all vacant positions must be posted within ORDA and advertised.

Recommendation 5

File complete and accurate disclosure statements with the State Ethics Commission.

Status - Partially Implemented

Agency Action - The Authority agrees with the filing of complete and accurate disclosure statements by Board members with the State Ethics Commission, and believes they are in compliance. However, the Authority does not feel that this requires ex-officio Board members to list on their disclosure forms the public boards and commissions on which they may serve, because it is already public information. Board officials also indicate they have requested a formal advisory opinion from the State Ethics Commission to resolve the issue of disclosures by ex-officios.

Recommendation 6

Establish and adhere to a clear statement of Board duties and responsibilities.

Status - Fully Implemented

Agency Action - The Authority has amended its by-laws to include Resolution 100, which contains a listing of the general powers and responsibilities of the Board.

Recommendation 7

The Board Chairman and Board Members should conduct meetings in an efficient and effective manner by:

- *holding meetings as required,*
- *attending all scheduled meetings whenever possible,*
- *designating one permanent representative to attend meetings when an ex-officio member is absent,*
- *developing, coordinating and following agendas,*
- *obtaining relevant financial and operating information prior to Board meetings, and*
- *taking a more active role in reviewing information provided at Board meetings.*

Status - Fully Implemented

Agency Action -The Board adopted Resolution 100 which contains provisions for conducting meetings in an efficient and effective manner by:

- requiring that the Board meets quarterly,
- requiring ex-officio Board members to designate one permanent representative to attend Board meetings when they cannot, and
- requiring the President/CEO to provide Board members with copies of the agenda and all related documents, including financial reports, proposals and resolutions that will be discussed at the meeting no less than seven days prior to the meeting.

In addition, a review of Board minutes for the period June 1, 1994 through October 31, 1995 revealed that six meetings had been held as required and attendance improved; for those six meetings there was a total of only 11 absences by Board members.

Recommendation 8

The Board Chairman should ensure Board committees operate as intended, such as preparing periodic reports, analyzing key data, researching emerging issues and presenting recommendations to the Board.

Status - Fully Implemented

Agency Action - The revised by-laws include the formation of an Audit Committee. The Audit Committee is responsible for providing professional advice and consultation in the areas of finance, legal, and internal controls. A review of Audit Committee minutes and Board of Directors minutes indicated that the Audit Committee does meet periodically and reports/makes recommendations to the Board. In addition, the Authority utilizes a Policy/Operations Committee which meets monthly. The revised by-laws also allows for the creation of other committees to perform specific duties as needed.

Recommendation 9

Comply fully with the Internal Control Act of 1987.

Status - Fully Implemented

Agency Action - The Authority has made significant progress in improving its internal controls. Examples include the holding of monthly operations and policy meetings where internal controls are discussed, and developing an internal control plan which was submitted and approved by the Internal Control Unit of the Division of the Budget. Other examples include changes in Authority polices and procedures addressing internal control weaknesses, improved communications with Authority Board members and staff, and the hiring of a CPA firm to conduct internal control reviews.

Recommendation 10

Ensure Board members receive copies of all external audit reports and ensure

management takes corrective action to address operating deficiencies cited in CPA management letters and prior State Comptroller's audit reports.

Status - Fully Implemented

Agency Action - Copies of all audit reports, including CPA management letters and financial reports, are sent to Board members. As evidenced by this report, management has taken corrective action to address deficiencies cited in prior reports.

Recommendation 11

Brief Board members regarding financial results on interim and annual bases, including:

- *operating trends;*
- *budgeted versus actual results; and*
- *actual results for the current versus prior year.*

Status - Fully Implemented

Agency Action - A portion of every Board Meeting is devoted to the review of financial reports. These financial reports include a profit and loss statement showing budgeted versus actual figures for individual venues and in aggregate. In addition, a comparative statement of profit and loss and a statement of cash flows are also distributed to the Board.

Recommendation 12

Monitor compliance with Authority contracting and procurement policies and Board resolutions. Document all deviations from prescribed policy.

Status - Fully Implemented

Agency Action - Written procedures have been established regarding the acquisition of all goods and services. These procedures require Board approval for all contracts in excess of \$150,000, and informing the Board of all agreements in excess of \$25,000. A review of Board minutes revealed that these procedures are being followed.

Recommendation 13

Monitor compliance with Resolution 6 requiring Board approval for any newly created position with an annual salary exceeding \$30,000.

Status - Fully Implemented

Agency Action - Resolution 6 has been replaced by Resolution 97, which requires Board approval for the creation of any new position with an annual salary in excess of \$35,000, and the filling of any position in excess of \$50,000. A review of Board minutes revealed that the Authority is adhering to Resolution 97.

Recommendation 14

Either comply with Executive Order 173 by employing an internal auditor or document the appropriate reason for not complying with Executive Order 173, as required.

Status - Fully Implemented

Agency Action - Based on the recommendation of the Authority's Audit Committee and subsequent Board discussions, the Board has decided to utilize the services of a CPA firm for specific audit assignments, including internal control reviews.

Recommendation 15

Ensure that a qualified financial officer is employed to administer the Authority's fiscal operations.

Status - Not Implemented

Agency Action - The Authority has not hired a financial officer.

Agency Comments - Authority officials stated that they had interviewed several candidates for the financial officer's position. However, funding cuts had prohibited them from actually filling the position. The former acting CEO, who resigned effective December 31, 1995, believed the decision on hiring a financial officer should be deferred to his successor.

Auditors' Comments - We encourage Authority officials to refocus their efforts to employ a qualified financial officer.

Recommendation 16

Work, in conjunction with the Department of Environmental Conservation, Office of Parks, Recreation and Historical Preservation and the Department of Economic Development, or private counsel, to ensure that legal advice is obtained before executing Authority contracts.

Status - Fully Implemented

Agency Action - The Board established a policy whereby the services of different counsels are utilized on an as-needed basis. The CEO of the Authority reviews each contract to determine if legal advice is needed, and a quarterly report of legal expenditures is prepared for the Board. This enables the Board to continuously monitor the need for a full time counsel.

Recommendation 17

Prepare a new five-year capital plan, with periodic updates.

Status - Fully Implemented

Agency Action - A five-year capital plan was completed in 1994 for each of the venues. Also, each spring, ORDA's CEO, Engineer, Accounting Manager, and each venue manager meet to discuss and plan capital projects for the coming year. Ultimately, a yearly capital plan is drafted and presented to the Board for review and comment.

Recommendation 18

Continue to explore available alternatives, in conjunction with State officials, to secure needed funding to upgrade facilities. Seek possible funding from international entities, State, Federal and local agencies, and other private sponsors.

Status - Fully Implemented

Agency Action - The Authority is continually seeking alternative sources of funding. For example, \$2 million in Federal funds has been obtained for designing a combined bobsled/luge track.

We would appreciate your response within 30 days, indicating any action planned or taken to address the unresolved matters discussed in this report.

We also wish to thank the management and staff of the Authority for the courtesies and cooperation extended to our staff during this review.

Yours truly,



Robert H. Attmore
Deputy Comptroller

cc: Patricia A. Woodworth