



**ERIE COUNTY FISCAL STABILITY
AUTHORITY ANALYSIS OF STAFF
ROLES, RESPONSIBILITIES,
STAFFING LEVELS, AND
OPERATIONS**

DECEMBER 2016

Lumsden 
McCormick P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

Cyclorama Building | 369 Franklin Street | Buffalo, NY 14202
p: 716.856.3300 | f: 716.856.2524 | www.LumsdenCPA.com

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December 7, 2016

Board of Directors
Erie County Fiscal Stability Authority
295 Main Street, Room 946
Buffalo, New York 14203

Our responsibility is to assist Erie County Fiscal Stability Authority (the Authority) in reviewing the responsibilities and workload of its staff and to identify potential improvements, process efficiencies, and cost savings.

Our analysis is based primarily on staff interviews, discussions with Board members, review of the Erie County Fiscal Stability Act (the Act), review of The 2009 Public Authorities Reform Act (PAAA), understanding of the Public Authorities Reporting Information System (PARIS), and review of certain operational and financial documents of the Authority, including:

- 2015 annual report
- Mission
- By-laws
- Organizational chart
- Job descriptions
- Procurement guidelines
- Measurement report
- Policies and procedures manual

In addition, we also reviewed the Authority's written reports issued, including:

- Sales tax remittance analysis
- Performance indicators report
- Activities and accomplishments report
- Responses to the County's Budget Monitoring Reviews and financial and capital plans
- Other reports required by PAAA

All of the Authority's current employees were interviewed as part of this process. These employees and a summary of their responsibilities are as follows:

NAME	TITLE	RESPONSIBILITIES
Kenneth Vetter	Executive Director	Review County financial plan, borrowings, sales tax calculations, and County hiring/vacancy reports, attend legislative meetings, PARIS requirements, Authority administration, disbursements, pension reporting, Authority Board meetings
Gordon Panek	Financial Analyst	Financial records, internal control audit, external audit liaison, County sales tax distribution, PARIS requirements and reporting, analysis of County's financial reports, financial plans, and budgets, attends various County meetings

NAME	TITLE	RESPONSIBILITIES
Susan Pawlik	Office Manager	Reception desk; Green Report; County vacancy report; website maintenance; M/WBE monitoring
Various Board Members	Board Member	Oversight of the Authority

HISTORY AND PURPOSE

The Authority was created by Chapter 182 of New York's Laws of 2005, known as the "Erie County Fiscal Stability Authority Act," as amended by Chapter 183 of the Laws of 2005, in response to Erie County's financial crisis. Such crisis arose as a result of poor past practices which led to repeated downgrades in bond ratings and additional costs to taxpayers. The Authority was given the power to oversee the County's budget and financial and capital plans; to issue bonds, notes or other obligations to achieve budgetary savings and finance short-term cash flow or capital needs; and if necessary, to develop financial plans on behalf of the County if the County is unable or unwilling to do so to become fiscally stable.

The Authority shall impose a control period at any time that any of the following events has occurred or that there is a substantial likelihood that such events could occur in the near term:

- The County fails to adopt a balanced budget within the timeframe imposed by the County charter
- The County fails to make principal or interest payments on indebtedness when due
- The County incurs a deficit, subject to certain calculations, within a major operating fund
- The Comptroller fails to certify certain stipulations relative to the County's ability to sell securities
- The County violates any provisions of the Act

The Authority has the ability to terminate any such control period when it determines that the conditions listed above no longer exist. The Authority then annually reexamines such factors and must reenter a control period at any time deemed necessary based on the established conditions.

During a control period, the Authority:

- Approves or disapproves of the County's financial plan and plan modifications
- Has the ability to set a maximum spending level for the proposed budget of any covered organization
- May impose a wage and/or hiring freeze, and may terminate such suspensions when and if they believe possible
- Reviews and approves or disapproves any collective bargaining agreements to be entered into by the County or any other covered organization
- Acts jointly with the County in selecting members of any interest arbitration panel
- Takes action necessary to implement the financial plan should the County or any covered organization fail to comply
- May review and approve or disapprove contracts or other obligations of the County or any covered organization
- Review and comments on the prudence of any proposed issuances of bonds or notes by the County or any covered organization
- May review the operation, management, efficiency, and productivity of the County and any covered organization
- May review and approve or disapprove the terms of any proposed settlement of claims against the County or any covered organization in excess of \$50,000
- May obtain all information from the County or any covered organization that it deems necessary to accomplish its purpose

- May perform audits and reviews of the County and any covered organization
- May issue orders necessary to accomplish its purpose; such orders shall be binding

When the County is not in a control period, it is deemed to be in an advisory period. Upon the Authority's creation, the County initially entered into an advisory period. In 2006, a control period was enacted. In 2009, the Authority entered into an advisory period, which it continues to operate in today. In an advisory period, the Authority:

- Obtains from the County, its covered organizations, and the State Comptroller, all information, financial statements, projections, budgetary data, management reports, and other information deemed necessary to accomplish its purpose under the Act, and inspects, copies, and audits such information as deemed necessary or desirable
- Reviews the operation, management, efficiency, and productivity of County operations and of any covered organizations deemed necessary, including:
 - Examining the potential of the County or any covered organization to enhance revenue
 - Auditing compliance with the financial plan
 - Recommending to the County and any covered organizations any measures it deems necessary to reduce costs, enhance revenue, and improve services
- Consulting and commenting on the County budget, financial and capital plans, and plan modifications
- Reviewing and commenting on the terms of any proposed borrowings by the County or any covered organizations
- Assessing the impact of any collective bargaining agreements entered into by the County

During an advisory period, the County is required to promptly provide all information requested; review all comments, reports, and recommendations made by the Authority; and publicly respond and address all matters. Since its inception, the Authority has held advisory authority over the County and its covered organizations.

A covered organization under the Act is any governmental agency, public authority, or public benefit corporation that receives or may receive money directly, indirectly, or contingently from the County, excluding the Authority and any other entities specifically excluded by the Act. Generally, covered organizations include all County departments, Erie Community College (ECC), the Buffalo & Erie County Public Library, and Erie County sewer districts. Additionally, although not a covered organization, the Authority also has interest in Erie County Medical Center Corporation due to its close fiscal relationship to the County.

STAFFING AND RESPONSIBILITIES

The Authority's organizational chart includes the following positions:

- Executive Director
- Director of Initiative Implementation
- Director of Administration
- Financial Analyst
- Senior Analyst
- Office Manager
- Analyst

At the time we were hired, the positions of Director of Initiative Implementation, Senior Analyst, and Analyst were vacant and have been vacant since the Authority's inception. The position of Director of Administration is vacant as of March, 2016.

Following is a summary of the annual responsibilities of each position, based on current staffing considerations:

EXECUTIVE DIRECTOR

- Administration of the Authority:
 - Supervision of staff
 - Review of annual internal control report, monthly journal entries
- Reviews and opines on the County's financial plan, adopted budget, and ECC
- Reviews bond financing documents (two new borrowings, on average, annually)
- Reviews nine budget monitoring reports (two for the County and one for ECC, three times a year)
- Obtains hiring/vacancy reports and visits the County
- Reviews sales tax calculations prior to transfer to the County
- Attends legislative meetings:
 - 25 caucus
 - 25 legislative meetings
 - 102 committee meetings
 - 19 budget meetings
- Reviews various other reports issued during the year that include the County's quarterly financial statements and internal audit reports
- Ensures compliance with PAAA, PARIS, and Authority Budget Office requirements
- Minority/Women Business Enterprises (MWBE) and Disabled Veterans reporting requirements
- Administration of payroll and related benefits
- Processes checks for disbursement, first signatory on checks
- Pension system calculation and submission
- Preparation of material for Board meetings
- Attendance at Board meetings
- Records minutes for Board meetings

FINANCIAL ANALYST

- Accounting and financial management
 - Bank and investment account reconciliations, including recalculation of set asides
 - Review of amounts to be used for debt service and remaining amounts available for payment to the County
 - Annual budget and financial plan documents
 - Quarterly financial reports
 - Annual financial statement preparation
 - Prepare year end schedules for external audit
 - Second signatory on all check disbursements
- Assists Executive Director in review of County financial reports
- Attends some legislative meetings
- Reviews bond financing documents (two new borrowings, on average, annually)
- Internal control officer responsibilities
 - Quarterly internal control review and reporting
- Efficiency grant administration, as needed

OFFICE MANAGER

- Manages the reception desk, including telephone calls and mail distribution
- Coordinates logistics of Board and committee meetings
- Maintenance of office equipment (copier and postage machine)
- Disposal of confidential records
- Review of County weekly job vacancy report
- Maintenance of Authority's website
- Preparation of annual Green Report
- Participates in MWBE conference calls

CONCLUSION AND FINDINGS

The majority of duties required by the Act relative to the County are carried out by the Authority's Executive Director. His daily, weekly, and monthly duties appear to be in accordance with the requirements stipulated by the Act relative to an advisory period. The advisory period does allow for some judgment as to the level of inspection, review, and analysis of the County's data. However, ultimately enough work needs to be performed to ensure that Authority management and Board members are comfortable with the County's budget, financial planning, staffing, efficiency, operation, and overall management, to name a few. Our opinion on the Executive Director's activities is generally that his work is necessary to meet the requirements of the Act.

The majority of the Financial Analyst's time is spent on the financial activities of the Authority itself as well as on the financial responsibilities of the Act. Because of the vast number of committee meetings, the Financial Analyst does attend some meetings rather than the Executive Director. This also provides a backup in the event of an unexpected absence on the part of the Executive Director. It is our opinion that the work performed by the Financial Analyst is generally necessary to meet the requirements of the Act.

The duties of the Office Manager seem to vary on any given day and will be heavier or lighter based on a particular day's phone calls, mail, or other responsibilities. While the job does not always appear to require a 40 hour work week, we would recommend that some duties of the Executive Director and Financial Analyst be shared or split with the Office Manager to alleviate some of their workloads. In our opinion, there is no capacity in the work day of either of the other employees to absorb the duties performed by the Office Manager.

The separation of employment by the Director of Administration saves the Authority approximately \$57,426 in salary and \$33,324 in benefits, for a total of \$90,750, in 2016 alone. Over five years, the budgeted savings total approximately \$480,000. It is our understanding that management does not intend to fill this vacancy, which will reduce the general and administrative budget by approximately 17%. The duties of this position have been absorbed primarily by the Executive Director and Financial Analyst, and it appears that this restructuring is reasonable and sustainable.

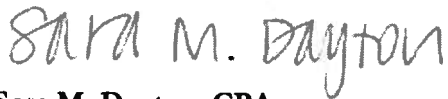
Any further reduction in staffing would continue to erode the existing internal controls in place at the Authority. Due to the limited staff size, segregation of duties is already difficult. With any fewer people, additional Board oversight or outsourcing would be necessary to mitigate some of the risk. In addition, the process is already not entirely independent, since the person performing the internal audit – the Financial Analyst – is also part of the control system on which he is reporting.

Ultimately, we recommend that vacancies be left in all open positions, and that some work is reallocated to the Office Manager. In addition, we suggest review with the Board of the necessity of Authority staff attending all legislative meetings to determine whether some meetings can be attended on a less frequent or rotational basis without reducing the knowledge necessary to properly report and analyze County finances and operations under the Act.

We appreciate the assistance provided by the Board and management of the Authority during this engagement. This report is intended solely for the information and use of management and others within the Authority. It is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Lumsden & McCormick, LLP

A handwritten signature in dark ink that reads "SARA M. DAYTON". The signature is written in a cursive, slightly slanted style.

Sara M. Dayton, CPA
Partner