

AGENDA

NASSAU COUNTY INTERIM FINANCE AUTHORITY AUDIT AND INTERNAL CONTROLS COMMITTEE MEETING

**MAY 23, 2019
7:00 PM**

MARRIOTT LONG ISLAND HOTEL & CONFERENCE CENTER
101 JAMES DOOLITTLE BLVD., UNIONDALE, NY 11553

Call to Order

Action Items

- I. Approval of Minutes of October 16, 2018 Meeting
- II. Review and Approve the 2018 Audited Financial Statements
 - a. Introductory Materials
 - b. RSM US LLP Independent Auditors' Report
 - c. Audited Financial Statements
 - d. RSM US LLP Investment Report
 - e. Executive session with the independent auditor without management and others present (if needed)
 - f. Resolution
- III. Review and Approve the 2018 Annual and Statutory Reports
- IV. Review and Approve the Investment Guidelines

Discussion Items

- V. 2018 Annual Internal Controls Review

Adjournment

DRAFT – SUBJECT TO REVIEW AND REVISION

NASSAU COUNTY INTERIM FINANCE AUTHORITY

MEETING OF THE AUDIT AND INTERNAL CONTROLS COMMITTEE

MINUTES OF OCTOBER 16, 2018

The Audit and Internal Controls Committee of the Nassau County Interim Finance Authority convened on October 16, 2018 at 7:20 PM at the Marriott Long Island Hotel & Conference Center located at 101 James Doolittle Blvd, Uniondale, NY, pursuant to legal notice given on October 9, 2018, and electronic notice posted on the Authority’s website.

Committee Members present: Christopher Wright, Chairman
Adam Barsky
John Buran

Committee Members absent: Lester Petracca

Staff present: Evan Cohen, Executive Director
Carl Dreyer, Treasurer
Martha Worsham, Deputy Director
Kathleen Stella, Corporate Secretary
Jeremy Wise, General Counsel

Call to Order/Roll Call

The meeting was called to order at 7:20 PM.

1. Approval of Minutes

Upon a motion duly made by Committee Member Buran and seconded, the Committee approved the minutes from the meeting on May 8, 2018.

Positive votes: 3 Negative votes: 0

Resolution No. 18-70

APPROVAL OF MINUTES AND RATIFICATION OF ACTIONS TAKEN AT THE MAY 8, 2018
AUDIT AND INTERNAL CONTROLS COMMITTEE MEETING OF THE NASSAU COUNTY
INTERIM FINANCE AUTHORITY

RESOLVED, that the Minutes of the Audit and Internal Controls Committee meeting of the Authority held on May 8, 2018 are hereby approved and all actions taken by the Committee Members present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Authority.

* * *

DRAFT – SUBJECT TO REVIEW AND REVISION

2. Approve the Submission of NIFA’s 2019 Budget and FY 2019 – FY 2022 Financial Plan to the Office State Comptroller and the Authorities Budget Office to Comply with 2 NYCRR, Part 203

The members of the Committee were asked to approve the resolution to forward the NIFA Budget and Multi-Year Financial plan covering 2019 through 2022 to the Directors for consideration.

On a motion by Committee Member Buran and seconded by Committee Member Barsky the resolution was approved.

Positive votes: 3 Negative votes: 0

Resolution No. 18-71

APPROVE SUBMISSION OF NIFA’S 2019 BUDGET AND FY 2019 – FY 2022 FINANCIAL PLAN TO THE OFFICE OF THE STATE COMPTROLLER AND THE AUTHORITIES BUDGET OFFICE TO COMPLY WITH 2 NYCRR, PART 203 AND THE TAKING OF RELATED ACTIONS

RESOLVED, that the materials presented to this meeting (the “Materials”) are ordered to be filed with the records of the Audit and Internal Controls Committee (“Committee”) of the Nassau County Interim Finance Authority; and be it further

RESOLVED, that the Committee acknowledges enactment of 2 NYCRR, Part 203 (the “Regulations”) and its requirement that the Directors of the Nassau County Interim Finance Authority receive, review and approve a proposed Budget for FY 2019 (“Budget”) and a proposed Financial Plan for FY 2019 – FY 2022 (“Plan”); and be it further

RESOLVED, that the Committee hereby conditionally approves the Budget and Plan subject to the conditions outlined in the Materials; and be it further

RESOLVED that the Committee recommends to the Directors that they approve the Budget and Plan so that they may be disclosed and subsequently, if no negative comments from the public are received, officially filed with the State Comptroller and any other necessary parties.

3. Presentation of RSM 2018 Audit Plan

Jen Katz, a partner of RSM explained the audit plan. She stated that the audit planning and initial fieldwork will occur in January 2019.

DRAFT – SUBJECT TO REVIEW AND REVISION

4. Nine Month's Budget Versus Actual Results (September 30, 2018)

NIFA's Treasurer, Carl Dreyer, explained the Actual Results versus the Adopted Budget for the first nine months of fiscal 2018.

Adjournment

The Chairman made a motion to adjourn. The meeting was adjourned at 7:35 PM.

Respectfully submitted,

Kathleen Stella
Corporate Secretary

NASSAU COUNTY INTERIM FINANCE AUTHORITY
Audit and Internal Controls Committee

FOR CONSIDERATION

May 23, 2019

TO: Christopher Wright, Adam Barsky, John Buran, and Lester Petracca

FROM: Evan Cohen

SUBJECTS: NIFA's Proposed Financial Statements for the Year Ended December 31, 2018 ("Audit")

REQUEST FOR: Authority to Submit the Audit to the NIFA Directors

Background:

The Nassau County Interim Finance Authority ("NIFA") Act requires NIFA to conduct an annual financial audit performed by independent auditors (the "Audit"). The Audit and Internal Controls Committee Charter requires that the Committee review the Audit with NIFA's outside Auditor, which for Fiscal Year 2018 was RSM US LLP.

The audit scope included three components: an audit of NIFA's financial statements, a review of our internal controls over financial reporting, and a review of our compliance with investment policies and procedures. The controls and compliance reviews were performed as part of the overall audit to obtain reasonable assurance that the financial statements are free of material misstatement.

Discussion:

NIFA's financial statements for the fiscal year ended December 31, 2018 were prepared by Carl Dreyer, Treasurer, with the assistance of Albrecht, Viggiano, Zureck & Co., our outside accountants. RSM US LLP has now completed their audit, and their report which will be dated May 23, 2019 is attached (the "Audit").

RSM US LLP has rendered an opinion that our statements fairly present NIFA's financial position at December 31, 2018, and the results of operations for the fiscal year ended December 31, 2018, in conformity with *Government Auditing Standards*. I recommend acceptance of the Audit.

Requested Action:

The Committee is requested to adopt the attached Resolution acknowledging receipt and acceptance of the Independent Auditors' Report on NIFA's Financial Statements for the Year Ended December 31, 2018 and recommending that it be accepted by the NIFA Board.

Attachments:

Resolution
Independent Auditors' Report Dated May 23, 2019

NASSAU COUNTY INTERIM FINANCE AUTHORITY
Audit and Internal Controls Committee

RESOLUTION NO. 19-73

RECEIPT AND ACCEPTANCE OF THE INDEPENDENT AUDITORS' REPORT ON THE AUTHORITY'S FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, AND RECOMMENDATION THAT THE REPORT BE SENT TO THE DIRECTORS OF NIFA

RESOLVED, that the materials presented to this meeting (the "Materials") are ordered to be filed with the records of the Audit and Internal Controls Committee of the Nassau County Interim Finance Authority (the "Committee"); and be it further

RESOLVED, that the Committee acknowledges receipt of the RSM US LLP Independent Auditors' Report on NIFA's Financial Statements for the Year Ended December 31, 2018 (the "Audit") presented at the May 23, 2019 meeting of the Committee; and be it further

RESOLVED that the Committee accepts the Audit and approves the release of the Audit to the entire Board of the Nassau County Interim Finance Authority for their review and approval.

RESOLVED, that this resolution shall take effect immediately.

Christopher Wright
Chairperson

May 23, 2019

To Be Distributed

Under Separate Cover

NASSAU COUNTY INTERIM FINANCE AUTHORITY
Audit and Internal Controls Committee

FOR CONSIDERATION

May 23, 2019

TO: Christopher Wright, Adam Barsky, John Buran, and Lester Petracca

FROM: Evan Cohen

SUBJECTS: Annual and Statutory Reports

REQUEST FOR: Authority to Submit the Annual and Statutory Reports to the NIFA Directors

Background:

The NIFA Act, Public Authorities Law, Public Authorities Accountability Act of 2005, and the Public Authorities Reform Act of 2009 require that the Nassau County Interim Finance Authority (“Authority”) annually issue numerous reports. For convenience it was determined that the majority of these reports should be submitted to the Directors for review and approval as attachments to the Annual Report. The Audit and Internal Controls Committee Charter requires that the Committee review the Annual Report.

Discussion:

The 2018 Annual Report (“Report”) of the Authority is attached. The Report briefly discusses the structure, mission and accomplishments of the Authority through December 31, 2018. Attached to the Report, are the following:

- 1) Authority Report on Debt Issuance
- 2) Audited Financial Statements for the Year Ended December 31, 2018 together with Independent Auditor’s Compliance Report on Investment Policies and Procedures;
- 3) Authority Report on Investments;
- 4) Authority Prompt Payment Report;
- 5) Authority Procurement Contracts Guidelines Report;
- 6) Authority Property Disposition Report;
- 7) Authority Mission Statement and Measurement Report;
- 8) Authority Code of Ethics;
- 9) Authority Act; and
- 10) Authority By-Laws.

Requested Action:

The Committee is requested to adopt the attached Resolution acknowledging receipt and acceptance of the Annual and statutory reports and recommending that they be accepted by the Authority Directors.

Attachments:

Resolution

Annual and Statutory Reports

NASSAU COUNTY INTERIM FINANCE AUTHORITY
Audit and Internal Controls Committee

RESOLUTION NO. 19-74

RECEIPT AND ACCEPTANCE OF THE ANNUAL AND STATUTORY REPORTS FOR FISCAL YEAR ENDED DECEMBER 31, 2018, AND RECOMMENDATION THAT THEY BE SENT TO THE DIRECTORS OF THE NASSAU COUNTY INTERIM FINANCE AUTHORITY

RESOLVED, that the materials presented to this meeting (the “Materials”) are ordered to be filed with the records of the Audit and Internal Controls Committee of the Nassau County Interim Finance Authority (the “Committee”); and be it further

RESOLVED, that in accordance with the Materials, the 2018 Annual Report of the Authority is hereby approved together with all the attachments thereto including but not limited to:

1. Authority Report on Debt Issuance
2. Audited Financial Statements for the Year Ended December 31, 2018 together with Independent Auditor’s Compliance Report on Investment Policies and Procedures;
3. Authority Report on Investments;
4. Authority Prompt Payment Report;
5. Authority Procurement Contracts Guidelines Report;
6. Authority Property Disposition Report
7. Authority Mission Statement and Measurement Report; and
8. Authority Code of Ethics.

and be it further

RESOLVED that the Committee recommends that the Annual and statutory reports be released to the Directors of the Nassau County Interim Finance Authority for their review and approval.

RESOLVED, that this resolution shall take effect immediately.

Christopher Wright
Chairperson

May 23, 2019

To Be Distributed

Under Separate Cover

NASSAU COUNTY INTERIM FINANCE AUTHORITY
Audit and Internal Controls Committee

FOR CONSIDERATION

May 23, 2019

TO: Christopher Wright, Adam Barsky, John Buran, and Lester Petracca

FROM: Evan Cohen

SUBJECT: Investment Guidelines

REQUEST FOR: Authority to Submit the Investment Guidelines to the NIFA Directors

Background:

The Investment Guidelines (“Guidelines”) govern the investment and reinvestment of the funds of the Nassau County Interim Finance Authority (the “Authority”) and the sale and liquidation of investments, as well as the monitoring, maintenance, accounting, reporting and internal controls by and of the Authority with respect thereto. The Audit and Internal Controls Committee Charter requires that the Committee review the Guidelines.

Discussion:

The Guidelines are attached. No new changes are recommended at this time.

Requested Action:

The Committee is requested to adopt the attached Resolution acknowledging receipt and acceptance of the Guidelines and recommending that they be accepted by the Authority Directors.

Attachments:

Resolution
Investment Guidelines

NASSAU COUNTY INTERIM FINANCE AUTHORITY
Audit and Internal Controls Committee

RESOLUTION NO. 19-75

RECEIPT AND ACCEPTANCE OF THE INVESTMENT GUIDELINES AND RECOMMENDATION THAT THE INVESTMENT GUIDELINES BE SENT TO THE DIRECTORS OF THE NASSAU COUNTY INTERIM FINANCE AUTHORITY.

RESOLVED, that the materials presented to this meeting (the “Materials”) are ordered to be filed with the records of the Audit and Internal Controls Committee of the Nassau County Interim Finance Authority (the “Committee”); and be it further

RESOLVED, that in accordance with the Materials, the Investment Guidelines are hereby approved; and be it further

RESOLVED that the Committee recommends that the Investment Guidelines be released to the Directors of the Nassau County Interim Finance Authority for their review and approval.

RESOLVED, that this resolution shall take effect immediately.

Christopher Wright
Chairperson

May 23, 2019

NASSAU COUNTY INTERIM FINANCE AUTHORITY
INVESTMENT GUIDELINES
(Readopted September 12, 2003)
(Readopted June 22, 2004)
(Readopted, as amended, June 16, 2005)
(Readopted May 4, 2006)
(Readopted, as amended May 2, 2007)
(Readopted June 18, 2008)
(Readopted May 28, 2009)
(Readopted April 22, 2010)
(Readopted April 20, 2011)
(Readopted May 17, 2012)
(Readopted June 5, 2013)
(Readopted June 18, 2014)
(Readopted May 8, 2015)
(Readopted May 17, 2016)
(Readopted April 18, 2017)
(Readopted May 8, 2018)
(Readopted May 23, 2019)

Introduction

These investment guidelines (“Guidelines”) are adopted as required by Section 2925 of the New York Public Authorities Law.

ARTICLE ONE

Definitions

As used herein the terms set forth below are defined as follows:

- 1.1 "Authority" or “NIFA” means the Nassau County Interim Finance Authority, a corporate governmental agency and instrumentality of the State of New York, constituting a public benefit Corporation, established pursuant to Chapter 84 of the Laws of 2000 of the State of New York.
- 1.2 "Comptroller" means the State Comptroller.
- 1.3 "Investment Funds" means all monies and financial resources available for investment by the Authority, other than proceeds of bonds issued by the Authority.

- 1.4 "Repurchase Agreement" means a repurchase agreement satisfying the requirements set forth in Article 4 herein.
- 1.5 "Securities" means any or all of the investment obligations of the categories described in Section 4.1 of Article 4 herein.
- 1.6 "State" means the State of New York.

ARTICLE TWO

Scope

These guidelines shall govern the investment and reinvestment of Investment Funds and the sale and liquidation of investments, as well as the monitoring, maintenance, accounting, reporting and internal controls by and of the Authority with respect to such investment, sale, reinvestment and liquidation.

ARTICLE THREE

Investment Objectives

The Authority's investment activities shall have as their first and foremost objective the safeguarding of the principal amount of the Investment Funds. Additional considerations regarding the Authority's investment activities shall be liquidity of investments, realization of a reasonable return on investments and diversification of investments.

ARTICLE FOUR

Permissible Investments

- 4.1 The Authority may invest its Investment Funds in any and all of the following, if and to the extent permitted by statutes, regulations and bond resolutions applicable at the time of investment of such Investment Funds:
- a) obligations of the State or the United States government;
 - b) obligations the principal and interest of which are guaranteed by the State or the United States government;

- c) certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances (1) of any of the fifty largest banks in the United States which bank, at the time of investment, has an outstanding unsecured, uninsured and unguaranteed debt issue ranked in either of the two highest rating categories of two nationally recognized independent rating agencies; or (2) the certificates of deposit are fully collateralized by obligations of the United States government or obligations the principal and interest of which are guaranteed by the United States government; or (3) the certificates of deposit are held in a "municipal" bank account and fully collateralized pursuant to General Municipal Law Section 10 and regulations of the Comptroller as the same shall be in effect from time to time, or (4) certificates of deposit in the amount of \$100,000 or less that are fully guaranteed by Federal Deposit Insurance.
- d) commercial paper of any bank or authority created under the laws of either the United States or any state of the United States which commercial paper, at the time of the investment, has received the highest rating of two nationally recognized independent rating agencies;
- e) bonds, debentures, or other evidences of indebtedness, issued or guaranteed at the time of the investment by the federal national mortgage association, federal home loan mortgage authority, student loan marketing association, federal farm credit system, or any other United States government sponsored agency, provided that at the time of the investment such agency receives, or its obligations receive, any of the three highest rating categories of two nationally recognized independent rating agencies;
- f) any bonds or other obligations of any state, or the United States of America or of any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which bonds or other obligations, at the time of the investment, have received any of the three highest ratings of two nationally recognized independent rating agencies;
- g) any repurchase agreement or other investment agreements with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in paragraph (a), (b), or (e) of this subdivision which securities shall at all times have a market value of not less than 102% of the full amount of the repurchase agreement and be delivered to another bank or trust company organized under the laws of New York State or any national banking association domiciled in New York State, as custodian;
- h) reverse repurchase agreements with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in paragraph (a), (b) or (e) of this subdivision which securities

shall at all times have a market value of not less than the full amount of the repurchase agreement and be delivered to another bank or trust company organized under the laws of New York State or any national banking association domiciled in New York State, as custodian.

- i) investment agreements or guaranteed investment contracts with any financial institution whose senior long term debt obligations, or whose obligations under such an investment agreement or guaranteed investment contract are guaranteed by a financial institution whose senior long term debt obligations, have a rating (at the time such agreement or contract is entered into) in one of the three highest rating categories for comparable types of obligations by a rating agency;
- j) money market funds rated in one of the three highest rating categories for comparable types of obligations by a rating agency;

4.2 Specific Requirements Regarding Certificates of Deposit

4.2.1 Collateral for a Certificate of Deposit. If a certificate of deposit is required to be collateralized pursuant to Section 2 of paragraph (c) of section 4.1 of these Guidelines, the collateral must be reviewed weekly to determine if the market value of the collateral equals or exceeds the principal amount of the uninsured portion of the certificate of deposit plus accrued interest. If the market value of the collateral is insufficient, the issuer of the certificate of deposit must exchange or add to the amount of collateral to bring its market value equal to or in excess of the uninsured portion of the principal amount of the certificate of deposit plus accrued interest.

4.2.2 Standard Terms for Certificate of Deposit Collateral Agreement. The Authority shall negotiate and enter into a written agreement with each bank (and custodian) from which it has obtained a certificate of deposit. Such written agreement shall, at a minimum, address the following concerns:

- (a) The frequency of the valuation of the collateral to market, as set forth above (such valuation shall be done at least weekly);
- (b) The right and ability of the bank to substitute like Investment Securities as collateral;
- (c) Description of events of default which would permit the Authority or its custodian to liquidate or purchase the underlying Investment Securities;
- (d) Description of the party who is to have title to the underlying Investment Securities during the term of the agreement; and
- (e) With respect to the custodial bank, the agreement shall also provide that the custodial bank takes possession of the Investment Securities as agent of the Authority and that the claims of the custodial bank are subordinate to those of the Authority.

- 4.3 Specific Requirements Governing Repurchase Agreements. Notwithstanding Section 4.1 hereof, the following shall also apply to Repurchase Agreements.
- 4.3.1 Placement. The placement of Repurchase Agreements may be distributed among several authorized firms as appropriate to reduce the level of risk. The investment limit set for each such firm shall not be exceeded unless the Executive Director of the Authority makes a written finding that sufficient Securities are not available from other eligible firms. Not less frequently than once each year, the Authority's Executive Director shall review and, if appropriate, recommend adjustment of the investment limit for each eligible seller in light of such firm's current capitalization. All investment limit adjustments shall require the approval of the Treasurer and Executive Director.
- 4.2.2 Eligible Custodian Banks. To be eligible to hold the Securities which are the subject of a Repurchase Agreement, a custodial bank should be a member of the Federal Reserve Bank or maintain accounts with member banks to accomplish book-entry transfer of Securities to the credit of the Authority. Transfer of Securities, whether by book entry or physical delivery, should be confirmed in writing to the Authority by the custodial bank. The custodian should not be the same party that is selling the Securities. The Authority's Directors or their designee(s) must affirmatively find that a proposed custodial bank is financially sound before such bank may be eligible to perform custodial services for the Authority.
- 4.3.3 Maximum Maturity of Repurchase Agreements. Repurchase Agreements shall be limited to a maturity not to exceed thirty (30) days, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral if any deficiency is not restored within five (5) business days of such valuation. Collateral securities shall have maturities not exceeding thirty (30) years.
- 4.3.4 Standard Terms for Repurchase Agreements. The Authority shall execute a master Repurchase Agreement with each broker-dealer which outlines the basic rights of both buyer and seller including:
- (a) The events of default which would permit the Authority to liquidate or purchase the underlying Securities;
 - (b) The relationship between parties to the agreement, which should ordinarily be purchaser and seller;
 - (c) A requirement that there be a written contract with the custodial bank outlining the responsibilities of the bank and the parties to the agreement. Such an agreement must provide, among other things, that the custodial bank will not make payment for the Securities until the bank actually receives them and that the custodial bank takes possession of the Securities exclusively for the Authority and that any claims of the custodial bank are subordinate to those of the Authority;

(d) Procedures which ensure that the Authority obtains a perfected security interest in the underlying Securities. The Authority or its custodian must take possession of the Securities being purchased by physical delivery or book entry. Furthermore, the written agreement shall contain a provision that, in the event a court of final jurisdiction construes the specific Repurchase Agreement to be a loan, the seller shall be deemed to have granted the Authority a perfected security interest in the purchased Securities;

(e) The market value of the Securities purchased under a repurchase transaction must be at least equal to the purchase price. The value of the Securities must be monitored and marked to market on a daily basis. Additional Securities shall be required if market fluctuations cause the market value of the purchased Securities to become less than the purchase price.

ARTICLE FIVE

Operating Procedures

- 5.1 Authorized Officers and Employees. Only the following persons shall be authorized to make investment decisions on behalf of the Authority: the Chairman of the Authority's Directors; the Executive Director; the Treasurer; and the General Counsel, but only if designated in writing by the Treasurer. The implementation of such investment decisions by placement of purchase or sale orders or otherwise shall be effected only by the foregoing officers and employees and by such employees as may from time to time be designated in writing by the Treasurer.
- 5.1.1 The Authority's Investment Officer responsibilities are handled by the Treasurer and Deputy Treasurer.
- 5.2 Standards for the Qualification of Brokers, Dealers and Agents. Any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer which is authorized to do business in the State may become qualified by the Authority to transact purchases and sales of Securities (other than Repurchase Agreements) with the Authority. Factors to be considered in determining the qualification of such firms shall include the firm's capitalization, quality, size and reliability, the Authority's prior experience with the firm, the firm's level of expertise and prior experience with respect to the contemplated transaction. The determination of qualification shall be made by the Treasurer, who shall maintain a list of all such qualified firms.
- 5.3 Standards for the Qualification of Investment Advisors. For the purpose of rendering investment advice to the Authority, the Authority may qualify any bank or trust company organized under the laws of any state of the United States of America, any national banking

association, and any partnership, authority, or person which is authorized to do business in the State.

The Authority also shall consider the additional criteria (other than capitalization) enumerated in the preceding paragraph.

5.4 Standards for the Qualification of Custodial Banks. To be eligible to hold Securities as collateral for an investment made by the Authority, a custodial bank should be a member of the Federal Reserve Bank or maintain accounts with member banks to accomplish book-entry transfer of Securities to the credit of the Authority. Transfer of Securities, whether by book entry or physical delivery, should be confirmed to in writing to the Authority by the custodial bank. The custodian should not be the same party that is selling the Securities. To be eligible to perform custodial services, the Authority's Directors or their designee(s) must affirmatively find that the proposed custodial bank is financially sound.

5.5 Competitive Bids; Negotiated Prices. In connection with the purchase and sale of Securities, for each transaction in excess of two and one-half million dollars (\$2,500,000.00) (or such other threshold dollar amount as the Treasurer may specify in writing), the Authority shall utilize competitive quotations. For each transaction which is equal to or less than two and one-half million dollars (\$2,500,000.00) (or such other threshold dollar amount as the Treasurer may specify in writing), the Authority may utilize either competitive quotations or negotiated prices. The foregoing shall not apply to the purchase of government securities at initial auction. A complete and continuous record of all quotes, solicited and received, shall be maintained by the Treasury Department.

For each transaction (other than the purchase of governmental securities at initial auction) in excess of two and one-half million dollars (or such other threshold dollar amount as the Treasurer may specify in writing), a minimum of three separate solicitations will be made on each direct purchase or sale of a Security (including a Repurchase Agreement). The transaction shall be awarded to the dealer(s) offering the highest yield or return, provided that, with respect to Repurchase Agreements, the amount of the investment with each individual firm does not exceed the investment limit referred to in Section 4.2.1 above.

5.6 Written Contracts and Confirmations. A written contract and/or a written confirmation shall be a required for each investment transaction. With respect to the purchase or sale of Securities other than Repurchase Agreements, the Authority shall not be required to enter into a formal written contract, provided that the Authority's oral instructions to its broker, dealer, agent, investment advisor or custodian with respect to such transactions are confirmed in writing at the earliest practicable moment. A written contract shall be required for each purchase and sale of a Repurchase Agreement.

5.7 Payment. Payment for investments shall be made only upon written confirmation of presentation of the physical Security, or in the case of book-entry form Securities, when credited for the custodian's account, which shall be segregated for NIFA's sole use. The custodian may act on oral instructions from an authorized officer of the Authority, such instructions to be confirmed in writing immediately by an authorized officer of the

Custodian. Such collateral shall, on the date of purchase, be at least equal in market value to the amount of the investment.

- 5.8 Collateral. Except as specifically otherwise provided herein, the Authority's financial interest in its investments shall be fully secured or collateralized at all times in an amount not less than the original amount invested plus accrued, unpaid interest thereon. Only Securities permissible for investment by the Authority pursuant to these Guidelines (other than Repurchase Agreements) may be accepted as collateral. Pledges of proportionate interests in pooled collateral shall not constitute acceptable collateral. In the case of certificates of deposit and demand and time deposits, collateral shall be provided for amounts in excess of the applicable limit of coverage provided by the Federal Deposit Insurance Authority. Collateral shall be maintained in the custody of the Authority or an approved third party custodian at all times. To assure that, at all times, the market value of said collateral is at least equal to the original amount invested plus all accrued, unpaid interest, collateral shall be marked to market at the time the investment is made and thereafter daily with respect to Repurchase Agreements and weekly with respect to certificates of deposit.
- 5.9 Operating Procedure Manual. The Authority's Treasurer shall prepare a Standard Operating Procedure Manual for placing, controlling and reporting of all investment activity which shall be consistent with these guidelines, be approved by the Authority's Executive Director and shall be consistent with the following:
- (a) Each disbursement of funds (and corresponding receipt of Securities) or delivery of Securities (and corresponding receipt of funds) should be based upon proper written authorization. If the authorization is initially given orally, there should be written or telegraphic confirmation from the Authority's authorized officer to the custodian;
 - (b) The process of initiating, reviewing and approving requests to buy and sell Securities should be documented and retained for audit purposes. Dealer limits should be established and reviewed regularly;
 - (c) Custodians must have prior authorization from the Authority to deliver obligations and collateral. All transactions must be confirmed in writing to the authority. Delivery of obligations sold should only be made upon receipt of funds;
 - (d) Custodial banks should be required to report whenever activity has occurred in the Authority's custodial account;
 - (e) There should be at least monthly verifications of both the principal amount and the market values of all investments and collateral. Appropriate listings should be obtained from the custodian and compared against the Authority's records;

- (f) A record of investments shall be maintained by the Authority's Treasurer. The records should identify the Security, the fund for which held, the place where kept, date of disposition and amount realized and the market value and custodian of collateral;
- (g) The establishment and maintenance of a system of internal controls;
- (h) Methods for adding, changing or deleting information contained in the investment record, including a description of the documents to be created and verification tests to be conducted;
- (i) A data base or record incorporating descriptions and amounts of investments, transaction dates, interest rates, maturities, bond ratings, market prices and related information necessary to manage the portfolio; and
- (j) Requirements for periodic reporting and a satisfactory level of accountability.

ARTICLE SIX

Reports and Audits

The following reports and audits shall be prepared in connection with the Authority's investment program.

6.1 Annual Investment Report. Within ninety (90) days after the close of each fiscal year of the Authority, the Chairman shall submit to the Directors and the Authority shall file with the State Division of the Budget, Comptroller, State Senate Finance Committee and Assembly Ways and Means Committee an annual investment report, prepared with the assistance of the Treasurer, which shall include the following:

- 1) The Investment Guidelines required by Section 2925(3) of the Public Authorities Law and any amendments to such guidelines since the last investment report;
- 2) An explanation of the Investment Guidelines and amendments;
- 3) The results of the Annual Investment Audit (described below);
- 4) The investment income record of the Authority; and
- 5) A list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the Authority since the date of the last investment report.

- 6) Quarterly investment reporting to the Board. - A quarterly investment report is required under the Public Authority Law of 2005 and will be distributed to the NIFA board members

6.2 Annual Investment Audit. Each year, the Authority shall cause its independent auditors to conduct an audit (the "Annual Investment Audit") regarding the Authority's investments. (The Authority's financial statements with respect to investments, which are required to be prepared in conformance with generally accepted accounting principles for governments ("GAAP"), should contain all of the note disclosures on deposits with financial institutions and investments required by the Governmental Accounting Standards Board Statements No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" dated April 1986), as amended or supplemented. The Annual Investment Audit:

- 1) Shall determine whether: the Authority complies with its own investment policies; investment assets are adequately safeguarded; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of the Authority's assets; and a system of adequate internal controls is maintained.
- 2) Shall determine whether the Authority has complied with applicable laws, regulations and State Comptroller's Investment Guidelines; and
- 3) Should be designed to the extent practical to satisfy both the common interest of the Authority and the public officials accountable to others.

6.3 Annual Investment Audit Report. The results of the Annual Investment Audit shall be set forth in a report (the "Annual Investment Audit Report") which shall include without limitation:

- 1) verification of collateral;
- 2) a description of the scope and objectives of the audit;
- 3) a statement that the audit was made in accordance with generally accepted government auditing standards;
- 4) a description of any material weaknesses found in the internal controls;
- 5) a description of all non-compliance with the Authority's investment policies as well as applicable laws, regulations and the State Comptroller's Investment Guidelines;
- 6) a statement of positive assurance of compliance on the items tested and negative assurance on those items not tested;
- 7) a statement on any other material deficiency or finding identified during the audit not covered in (6) above;

- 8) a report on the status of any swaps entered into by the Authority in accordance with it “Interest Rate Swap Policy”, as the same shall be amended from time to time, and
- 9) recommendations, if any, with respect to amendment of these Guidelines.

The Annual Investment Audit Report shall be filed within ninety (90) days after the close of the Authority's fiscal year with the Coordinator of Public Authority Programs, Office of the State Comptroller, 110 State Street, Albany, NY 12236.

6.4 Web site Posting A quarterly investment report is required under the Public Authority Law of 2005 and will be distributed to the NIFA board members and posted on the Authorities web site

ARTICLE SEVEN

Affirmative Action

A program of Affirmative Action shall apply with respect to NIFA’s corporate investment activities. NIFA shall seek to encourage participation by minority and women-owned financial services firms in the conduct of NIFA’s corporate investment activities.

ARTICLE EIGHT

Miscellaneous

- 8.1 In connection with the Annual Investment Audit, each year the Authority shall review these Guidelines to determine whether the Authority shall amend or otherwise update these Guidelines.
- 8.2 The Authority's policy regarding conflicts of interest shall be followed regarding the investment of funds.



Nassau County Interim Finance Authority

May 23, 2019

To the Audit and Internal Controls Committee:

The purpose of the internal control structure is to ensure that NIFA has a system of accountability for and oversight of its operations and to assist NIFA in achieving its goals and objectives with minimal risk to the organization's operations. NIFA's Treasurer served as NIFA's Internal Controls Officer for 2018. The Internal Controls Officer is responsible for the review of internal control policies and procedures on an annual basis, or more if necessary, and regularly meets with NIFA staff to ensure internal control performance standards are being met and recommendations are being executed. The Internal Controls Officer will meet a minimum of once a year with the Audit and Internal Controls Committee to report on the procedures performed and findings made in conjunction with the internal controls review.

An internal management committee consisting of the Executive Director and Treasurer/Internal Controls Officer provides accountability for the internal control processes. In addition, the Executive Director and Treasurer/Internal Controls Officer work closely with NIFA's independent auditor who also reviews the internal control structure and performs tests to determine if it is operating effectively, as well as determining if any identified deficiencies have been addressed as necessary and in a timely manner.

NIFA follows the guidelines established in the Internal Controls Manual, which describes internal control standards and contains various policies and procedures for areas such as procurement, investments, financial transactions, travel, general reimbursement policies, and office technology. NIFA is satisfied that the internal control structure and the related policies and procedures provides an adequate system of controls so that errors do not occur without being detected in a timely manner, and assets are adequately safeguarded.

NIFA took a series of steps in 2018 to reinforce its system of internal controls including:

- In May 2018, the NIFA Board reviewed, affirmed or adopted the following policies and procedures of NIFA:
 - The Prompt Payment Policy, which provides guidelines and timing requirements concerning the payment of vendors for goods and/or services;
 - The Property Disposition Guidelines detailing NIFA's operative policy on the disposal of personal property;
 - The NIFA Code of Ethics, which each Director and staff member are required to receive, review and sign in affirmation that they have received a copy of the NIFA Code of Ethics and will comply with it. The Code of Ethics states

NIFA's position on conflicts of interest, personal integrity, honesty, ethical conduct and public trust.

- The NIFA Investment Guidelines, which establish a set of basic procedures to meet investment objectives and other specific criteria.
- The NIFA Procurement Guidelines, which provides guidelines in regards to the use, awarding, monitoring, and reporting of procurement contracts during the course of NIFA business;

Financial Statements:

NIFA received an unqualified opinion on its 2017 audited financial statements from its independent auditors RSM US LLP. That audit report was reviewed, accepted and approved by the Board of Directors at its May 8, 2018 meeting. The 2017 audit report along with all previous independent audit reports are available on the NIFA website.

Carl Dreyer
Treasurer/Internal Controls Officer