

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance With *Government Auditing  
Standards***

**Independent Auditor's Report**

Board of Directors  
Nassau County Interim Finance Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities and each major fund of the Nassau County Interim Finance Authority (the Authority), a component unit of the County of Nassau, New York, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 23, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2023-001.

**The Authority's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

New York, New York  
May 23, 2024

## Schedule of Findings and Responses

### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   X   yes        no
- Significant deficiency(ies) identified?        yes   X   none reported

Noncompliance material to financial statements noted?   X   yes        no

### I. Internal Control Over Financial Reporting

#### 2023-001

#### Noncompliance with Investment Guidelines

##### Criteria:

The Authority's Investment Guidelines are re-adopted each year as required by Section 2925 of the New York Public Authorities Law. Section 4.1 of the Authority's Investment Guidelines, re-adopted May 11, 2023 and amended July 13, 2023. The Investment Guidelines include a list of permissible investments. It states that the Authority may invest in any and all of the permissible investments listed, if and to the extent permitted by statutes, regulations and bond resolutions applicable at the time of investment of such Investment Funds. The amendment changed the scope of the Investment Guidelines to cover investment funds other than the proceeds of debt issued by the Authority and funds dedicated to the payment of the Authority debt and related amounts.

Section 505 of the Indenture between the Authority and the United States Trust Company of New York, as Trustee (the Indenture), dated October 1, 2000, requires that funds may be invested by the Trustee in eligible investments maturing or redeemable at the option of the holder at or before the time when such money is expected to be needed and shall be invested pursuant to the written direction of the Authority. Section 102 of the Indenture defines eligible investments as being direct obligations of, or obligations guaranteed as to timely payment of principal and interest by the federal government, among others.

##### Condition:

The Authority invested in Federal Home Loan Bank (FHLB) securities during 2022 which were held through May 15, 2023. FHLB securities were not eligible in accordance with the criteria stated above as they are not explicitly guaranteed by the U.S. government. Therefore, they were not permissible investments under the Investment Guidelines because they are not allowed under the Indenture. During the period January 1 to May 15, 2023, the Authority held \$8.4 million in FHLB securities. Subsequent to the discovery that FHLB debt is not an allowable investment under the Investment Guidelines, management amended their investment practice to limit investments to those allowable under the Indenture and Investment Guidelines as applicable and not subject to credit risk. These FHLB securities matured on May 15, 2023 with no loss to the Authority.

**Cause:**

The Authority's Investment Guidelines were reviewed in approving the investments made by the Authority. However, the NIFA Act and the Indenture are referred to from the Authority's Investment Guidelines and contain language that is more restricting than Section 4.1 of the Authority's Investment Guidelines. The Authority did not recognize that FHLB securities are not guaranteed by the federal government at the time the investments were approved.

**Effect or potential effect:**

The potential effect could have been loss in the Authority's cash and investment accounts; however, there was no loss to the Authority as a result of this matter. The noncompliance resulted in expanded footnote disclosures in the basic financial statements and required reporting by the Authority to the State of New York.

**Recommendation:**

We recommend the Authority continue to monitor the investments to ensure compliance with the Investment Guidelines, the NIFA Act and the Indenture.

**View of responsible officials: and Planned Corrective Action**

In addition to amending our Investment Guidelines and investment practice in 2023 and noting the non-compliance and corrective action in the footnotes to our 2022 and 2023 financial statements, the Authority had immediately sought the opinion of our Bond Counsel who responded that they did not view the technical non-compliance as a material event requiring notice under the Authority's continuing disclosure obligations. The Authority also reported the non-compliance in our Authority Report on Investments for each of 2022 and 2023.

As of May 15, 2023, all the Authority's investments in FHLB securities matured at full and unimpaired value and the Authority no longer invests in such securities. Neither the Authority, Nassau County nor the Authority's bondholders have suffered any negative financial effect resulting from the prior non-compliant actions.

No further corrective action is considered necessary by the Authority's management.

**II. Compliance and Other Matters**

See 2023-001.