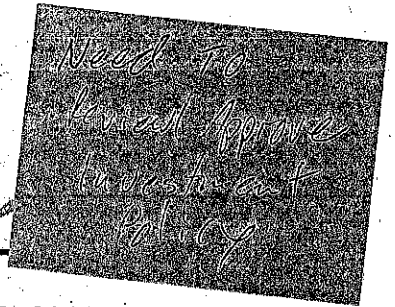

Authorities Budget Office Policy Guidance



No. 18-02

Date Issued: June 18, 2018

Supersedes: New

Subject: Public Authority Investment Report

Statutory Citation: Section 2925 of Public Authorities Law; Sections 10, 11 and 858-a of General Municipal Law

Provision: Section 2925 of Public Authorities Law (PAL) requires public authorities to adopt comprehensive investment guidelines including a policy for the authority's investments of funds. Public authorities are also required to prepare an annual investment report, which includes the results of the annual independent audit of all investments.

Section 858-a (3) of General Municipal Law (GML) provides that the provisions of Sections 10 and 11 of GML are applicable to the deposits and investments made by industrial development agencies of funds for the use and account of the authority.

Authorities Budget Office (ABO) Policy Guidance: Public authorities are to prepare an annual investment report as required by Section 2925 of PAL, which must include the investment guidelines and any amendments made to them since the last report, and the results of the annual independent audit of all investment practices. Also, included should be a record of the authority's investments, and a detailed list of the total fees or commissions paid to each banker or agent that has provided investment services to the authority since the last investment report. The ABO recommends that when no investment fees or commissions are paid, that this is stated within the investment report. In addition, for those authorities that do not have investments, they still must prepare a report, indicating the authority does not own any investments. The annual investment report shall be approved by the board and submitted in the Public Authorities Reporting Information System (PARIS) within 90 days of the authority's fiscal year end.

* { Also required by Section 2925 of PAL, public authorities are to develop and adopt comprehensive investment guidelines that contain central principles and instructions that officers and staff can use as guidance for the legal and secure handling of the authority's investments. These investment guidelines assist authorities to establish best practices in standardizing both the diversification of investments and the qualifications of investment advisers or agents.

Due to inherent differences between public authorities and the varying investment needs that result, these guidelines are intended to be a minimum standard. The guidelines shall include:

- ① • A detailed list of permitted investments, consistent with appropriate provisions of law.
- ② • Steps to safeguard any investments made by the authority, including obtaining written contracts whenever practical.
- ③ • Methods to standardize the qualifications of investment bankers or advisers to be used by the authority to conduct business.
- ④ • Provisions for the reporting on investments, including provisions for an annual independent audit of all investment practices.

N/A

In addition to the requirements of PAL, industrial development agencies should include in the authority's guidelines the provisions for the depositing and investing of authority funds in accordance with the requirements of Sections 10 and 11 of GML.

Section 2925 of PAL requires public authorities to have a written annual independent audit of all investment practices. The audit should be conducted in accordance with generally accepted government auditing standards (GAAP) and should at a minimum include:

- the scope and objectives;
- any material weaknesses found in the internal controls;
- a description of all non-compliance with the authority's own investment policies as well as any applicable laws or regulations;
- a statement of positive assurance of compliance on the items tested and a statement of any other material deficiency or finding.

The purpose of the investment audit is to determine whether the authority obtained and managed its investments in compliance with its own policies and relevant sections of law, including whether investments were appropriately diverse and safeguarded.

For the purposes of the annual independent audit of all investment practices, the CPA financial audit is not sufficient on its own without a statement on the authority's investments.

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