

NEW YORK CITY TRANSITIONAL FINANCE AUTHORITY POLICIES AND PROCEDURES MANUAL

INTERNAL CONTROLS

OVERVIEW

The New York City Transitional Finance Authority (“TFA”)’s internal control objectives include, but are not limited to: the safeguarding of assets (including preventing the intentional or unintentional misapplication of funds), ensuring the accuracy and reliability of accounting data and financial reporting (including ensuring proper documentation of all transactions), promoting the effectiveness and efficiency of operations and ensuring compliance with applicable laws and regulations.

Internal controls exist in each area of TFA where financial activities take place, and may be categorized as (A) controls related to funds received, held, invested and disbursed by TFA’s bond Trustee and (B) other control measures including record keeping activities. These types of controls are discussed in this Manual.

The control measures used by TFA are periodically reviewed by TFA managers and changed as deemed necessary, and this Manual will be reviewed and, if appropriate, updated at least annually. While not part of TFA’s system of internal control, TFA is subject to audit annually by independent auditors. Any comments or recommendations pertaining to TFA’s internal controls made by the independent auditors are reviewed by management and, if the value of the expected risk reduction is expected to be greater than the additional cost, they are incorporated into TFA’s internal controls.

In accordance with the New York City Comptroller’s Directive 1, TFA will prepare an annual Financial Integrity Statement based upon a current Directive 1 Checklist with respect to management’s assessment of TFA’s internal control environment.

Organization

Overseen by its Board of Directors (“Board”) and directed by its Executive Director (“ED”), TFA’s internal operations are carried out by three functional areas within the organization. While all activities of TFA require close coordination and cooperation among all units and with the New York City Office of Management and Budget (“OMB”), the following are the primary responsibilities of each:

1. Secretary’s Office – Directed by TFA’s Secretary or TFA’s General Counsel, the Secretary’s Office is responsible for all legal affairs of TFA, including providing staff support for the operations of the Board and committees of the Board, drafting and interpretation of all contracts, agreements, and legal documents and dissemination of new or revised Board approved policies to staff.

2. Treasurer's Office – Directed by TFA's Treasurer and his or her staff, the Treasurer's Office is responsible for the finance function of TFA, including working with all parties on structuring and executing bond issuances, modeling debt service requirements, and directing the investment of TFA's funds.
3. Accounting Unit – Directed by TFA's Comptroller, Deputy Comptroller, Assistant Comptroller, and the Finance Manager (collectively, the "Accounting Managers" or "AM"), the Accounting Unit is responsible for maintaining accounting books and records and the preparation of financial statements and other financial reports, on-going monitoring of TFA's resources and coordination with and oversight of the Trustee. The Unit's staffing is further comprised of:
 - a. A supervisor of accounting services ("SAS") who directs and reviews the work of the other staff and reports to the Accounting Managers;
 - b. An accounts payable staff ("APS") member who is responsible for entry of accounts payable vouchers and payment information, as well as approved journal entries, into TFA's electronic accounting system, which is currently Microsoft Dynamics (formerly known as Great Plains) (the "Accounting System") and reports to the SAS and/or an AM; and
 - c. Other members of the accounting unit staff ("AUS") who are assigned to prepare journal entries, monitor account activity, and maintain schedules and analyses necessary for the preparation of year-end financial statements and other recurring and ad-hoc financial reports and reports to the SAS and/or an AM

[Note: Throughout this Manual, when one AM is unavailable to perform a noted function on a timely basis, another AM can perform that function. When APS or AUS are unavailable to perform a noted function on a timely basis, the SAS can perform that function or delegate it to another staff member who has performed no conflicting duties pertaining to that matter. Where the SAS performs a staff function, review and approval will be done by an AM.]

The internal controls of TFA are applicable to the general operations of TFA as well as the two types of bonds/notes issued by TFA. The Future Tax Secured debt is secured by personal income tax and by sales tax, if needed. The Building Aid Revenue debt is secured by the City's State building aid paid pursuant to New York State Education Law and which has been assigned to TFA by the City.

The proceeds of TFA's Future Tax Secured Bonds are used to support the general capital program of the City of New York (the "City") and the proceeds of the Building Aid Revenue Bonds are used to finance a portion of the City's five-year educational facilities plan (the general capital program of the City together with the City's five year educational facilities plan are generally known as the City's "Capital Program"). Internal controls over the capital projects within the Capital Program and over financial transactions, accounting and reporting for the Capital Program are outside the scope of responsibility of TFA and are not included in this policies and procedures manual.

RECEIPTS

Collection of New York City Personal Income Tax (“PIT”)

PIT is imposed pursuant to New York State (the “State”) law and collected on behalf of TFA by the State. TFA retains PIT to pay its Future Tax Secured bond debt service and to support TFA’s operating expenses. As established through the Amended and Restated Original Indenture, as Amended and as Restated December 1, 2010 (“Indenture”) between TFA and its bond holders, the Trustee bank (“Trustee”) is responsible for TFA’s Future Tax Secured receipts and disbursements. After the Trustee has retained the required amount of PIT to meet TFA’s debt service and operating expense requirements as discussed in the *Debt Service Retention* section of this Manual, the remaining PIT collected by TFA is forwarded to the City by the Trustee via bank wire. Before the start of each Collection Period, as defined in the Indenture, TFA confirms with the Trustee, via a letter signed by one of TFA’s authorized officers, the amount to be retained from PIT received during the Collection Period to cover TFA’s debt service and operating expense requirements, as well as the allocation of the retained PIT into the proper bank accounts. (See *Debt Service Retention* section of this Manual).

The AUS and the SAS and/or an AM reviews the daily e-mail from the New York Office of the State Comptroller (“OSC”) indicating the amount of PIT, if any, which will be wired to the Trustee on behalf of the TFA that day. If there is a remittance from the OSC, the AUS will verify that the amount was received by the Trustee and the money was deposited into the appropriate bank account or remitted to the City, as appropriate. The AUS will update the daily PIT Retention Schedule. This PIT Retention Schedule is sent to the City’s Office of the Comptroller, Bureau of Accountancy to independently confirm the daily PIT transactions, as well as to OMB’s Tax Policy Unit. Monthly, the AUS prepares the bank reconciliation and attaches the daily PIT receipt spreadsheet to the bank statement. The SAS and/or an AM reviews and signs the bank reconciliation. In addition, the OSC sends a monthly recap of PIT Collections and SAS and/or an AM independently reconciles the total amount transferred for the month to the spreadsheet and bank statement. Journal entries to record PIT collections, retention and disbursement to the City are prepared as part of the monthly journal entry preparation process, as discussed in the *Financial Accounting and Reporting* section.

Collection of New York City Sales Tax

If PIT collections are projected to be insufficient to provide at least 150% of the maximum annual debt service on TFA’s outstanding Future Tax Secured Bonds, then sales tax collections will be available for the payment of the debt service on these bonds. The Treasurer’s Office prepares this projection and it is forwarded by May 31st to the State Comptroller by the Secretary’s Office. PIT collections have been sufficient to cover TFA’s debt service requirements and to pay for its operating expenses and therefore the retention of sales tax has not been required by TFA.

If sales tax is to be retained by TFA, pursuant to Section 703 of the Indenture, to the extent that PIT payable to the TFA during such fiscal year is projected by the Mayor to be insufficient to meet at least 150% of the maximum annual debt service on the Future Tax Secured Bonds then outstanding, the Mayor shall so notify the State Comptroller and the State Comptroller shall pay to TFA from sales taxes such amount as is necessary to provide at least 150% of such maximum annual debt service on the Future Tax Secured Bonds. The internal controls regarding the collection of Sales Tax would be similar in nature to those outlined under PIT collections.

Collection for New York State Building Aid Revenue Bonds (“BARBs”)

State legislation enacted in April 2006 enables TFA to have outstanding up to \$9.4 billion of bonds, notes or other obligations for purposes of funding costs of the five-year educational facilities capital plan for the City school system. The City assigned its rights to receive the State building aid to the TFA and therefore the State electronically wires the money directly to TFA. The TFA uses these funds to service TFA’s building aid revenue bonds and to pay its operating expenses. Funds for BARBs debt service are required to be retained when the projected remaining building aid to be received by TFA reaches 110% of the unfunded debt service of the next fiscal year. The SAS and/or an AM uses the Treasurer’s Office BARB debt service model to determine when to begin the required building aid retention. Building aid that is not needed to be retained is remitted to the City by the Trustee through a bank wire.

There may be a one or two day delay before releasing the building aid revenue to the City since, pursuant to the TFA Indenture, building aid revenue is TFA revenue and it must be available first to TFA for the debt service requirements of the Future Tax Secured Bonds issued prior to the first issuance (November 2006) of BARBs if the PIT retention requirements have not been completely met at the time of the receipt of the building aid revenue. Once the debt service requirements have been met by PIT, the building aid revenue is released. TFA Future Tax Secured Bonds issued after the initial issuance of BARBs (November 2006) have no claim on building aid revenue.

The Trustee is responsible for TFA’s receipts and disbursements of the building aid revenue received from the State. The OMB Education Task Force obtains from the State Education Department (“SED”) the amount of building aid to be received from the State in the fiscal year. Pursuant to a Memorandum of Understanding among TFA, SED and OSC, SED sends TFA a report detailing the total education aid payable for the current fiscal year, the total building aid for the fiscal year, and the upcoming education aid payment. Upon receipt of this information, the TFA Treasurer or his designee prepares and the ED signs a certification to the State certifying to OSC and SED the amount of school building aid within each education aid payment due the City that is payable to TFA. The certification is emailed to the SAS and/or an AM. The OSC emails confirmation to the SAS and/or an AM. This email includes a link to the OSC website where the amount and date of payment is reported. The SAS and/or an AM compares the school building aid amount reported on the OSC website to the ED’s certification. The anticipated wire date is also confirmed. On the date of receipt of school building aid, the

SAS and/or an AM confirms that the Trustee has received the money and the money was deposited into the correct bank account or remitted to the City, as appropriate.

Monthly, the AUS prepares the bank reconciliation and attaches the monthly BARB receipt spreadsheet to the bank statement. The SAS and/or an AM reviews and signs the bank reconciliation. Journal entries to record BARB collections, retention and disbursement to the City are prepared as part of the monthly journal entry preparation process, as discussed in the *Financial Accounting and Reporting* section of this Manual.

Federal Interest Subsidy on Build America Bonds (“BABs”) and Qualified School Construction Bonds (QSCBs)

In fiscal year 2010, TFA participated in the bond program under the American Recovery and Reinvestment Act of 2009 whereby TFA issued taxable FTS bonds and are entitled to receive a Federal cash subsidy to offset the higher rate of interest on the taxable bonds. For procedures for handling the Federal subsidy, See [\\Ombnas02\finpolicy\Acctg Files\Administration\Internal controls\FINAL Internal Controls and P&S\TFA Internal Controls\TFA Tax Compliance Procedures-TFA \(Revised 8.5.10\).docm](#) which describes TFA’s financing program including and the requirements for the requesting and handling of the subsidy from the Federal Government. Counsel (Scott Ulrey) maintains control of this document. A copy is maintained in TFA’s Internal Control folder. Periodically, check to determine if any changes have been made. [\\Ombnas02\finpolicy\Acctg Files\Administration\Internal controls\FINAL Internal Controls and P&S\TFA Internal Controls\TFA Tax Compliance Procedures-TFA \(Revised 8.5.10\).docm](#)

Miscellaneous Cash Receipts

While the major sources of cash for TFA are received through bank wires, there is an occasional receipt of a check.

An analyst (a staff member with no accounting responsibilities) opens all mail in the Accounting Department and distributes the mail to the appropriate person. If a check is received, the analyst records the receipt of the check in the Check Control Log, detailing date, amount, payer, and other relevant information, and gives the check to the SAS and/or an AM who in turn gives the check to the AUS to research the reason for the receipt and thus the proper accounting, and to deposit into the appropriate bank account. Any check received by OMB or another department of TFA should be hand delivered to the analyst. The analyst follows the same procedures detailed above for recording the check. The check is secured in a locked area until deposit. As the Trustee does not have any retail banking units, the AUS prepares a letter to the Trustee detailing the amount, payer of the check and bank account to which the check should be deposited. This letter is signed by the SAS and/or an AM or authorized designee and AUS hand delivers the check along with the letter to the Trustee representative for deposit into the appropriate TFA bank account. A copy of the signed letter is given to the signatory. Another copy of the letter and supporting documentation is filed in the bank file and an entry recording the

cash receipt is made in the general ledger upon deposit with the Trustee. At month end the signatory confirms that the deposit is reflected in the bank statement and in the general ledger.

Interest Income

All interest income is posted to the individual bank accounts and reported on the monthly bank statements by the financial institutions. The bank account statements are reviewed and recorded through monthly journal entries prepared by the AUS as described in the *Journal Entries* section of this Manual.

The interest earnings on the bond proceeds of the Future Tax Secured Bonds and BARBs are accumulated and retained in the respective Project Fund accounts until all proceeds have been spent by the City and the Project Fund bank account is closed, (interest earnings on BABs and QSCBs must be retained in the Project Fund and used for capital expenditures only see pages 12 and 13 of August 5, 2010 document-- [\\Ombnas02\finpolicy\Acctg Files\Administration\Internal controls\FINAL Internal Contols and P&S\TFA Internal Controls\TFA Tax Compliance Procedures-TFA \(Revised 8.5.10\).docm](\\Ombnas02\finpolicy\Acctg Files\Administration\Internal controls\FINAL Internal Contols and P&S\TFA Internal Controls\TFA Tax Compliance Procedures-TFA (Revised 8.5.10).docm)). TFA transfers the total interest earnings of the Project Fund to the City and records the transfer to the City as a PIT or BARB revenue transfer, indicating on the respective transfer schedules that the transfer is due to interest earnings¹. This interest transfer causes a reconciling item on the PIT and BARB year-end confirmations with the New York State and City Comptroller's Office.

Interest earnings on the Debt Service accounts are either used to fulfill TFA's debt service retention requirements if there is insufficient PIT or building aid receipts to meet the debt service requirements, or transferred to the City as PIT or building aid revenue, respectively.

Interest on the Operating Accounts is retained in the Operating Accounts and is used for TFA's operations, therefore requiring less PIT to be retained by TFA.

Debt Service Retention

The Treasurer maintains debt service models which track all debt service (for Future Tax Secured and for Building Aid Revenue Bonds) requirements for TFA. The SAS and/or an AM reviews the models for reasonableness and rely upon them for financial statement preparation and debt service requirements.

¹ TFA recognizes interest income in its Capital Project Funds for earning on bond proceeds. The interest earnings off-set the amount of PIT or Building Aid that is retained subsequently for debt service by TFA, thus increasing the residual amount of those revenue streams for the City. In practice, however, due to the timing of the debt service retention cycles for PIT and Building Aid flowing from New York State, in many cases the cash from the interest is simply paid to the City and is characterized as being PIT or Building Aid, which achieved the same net impact as reducing subsequent retained amounts.

For fixed and variable rate debt, the retention requirements (principal, interest and operating expenses) for the collection quarter are confirmed by TFA through a letter signed by the SAS and/or an AM to the Trustee. The Trustee reviews TFA's retention requirements to ascertain that the retention requirements generated by TFA are in agreement with the Trustee's independently calculated retention requirements. The SAS and/or an AM confirms that the Trustee has withheld the required amount of PIT and the money has been deposited into the correct debt service account. All debt service payments are made by the Trustee.

If TFA receives a grant from the City and the grant is used for debt service, the Treasurer will determine which debt service will be funded (tax-exempt and taxable debt service) with the grant money. This information is forwarded to the Trustee through an instructional letter signed by the SAS and/or an AM with a breakdown of accounts and amounts to be funded. The deposits of grant funds by the Trustee are reviewed by SAS and/or an AM to confirm deposit amounts and bank accounts are in agreement with TFA's instructions.

TFA's Future Tax Secured debt currently has three types of variable rate debt: variable rate debt that pays interest semi-annually and monthly, and auction rate debt that pays interest weekly. Following are the internal controls for each.

1. Semi-annual/Monthly interest payments.

The variable interest rate is obtained by an analyst through emails from the remarketing agents and/or the Bloomberg Terminal. The variable interest rate is entered in an Excel tracking spreadsheet by the analyst. Interest payments are made in February, May, August and November. Prior to making the interest payment, the Trustee sends their spreadsheet, "Variable Rate Interest Costs—Recap for the Six Months Payments," detailing the amount of interest to be paid per issue. The SAS and/or an AM reviews and compares the amounts with TFA's tracking spreadsheet. Any discrepancies are resolved with the Trustee prior to payment of debt service by the Trustee. At month end, the AUS prepares the necessary journal entries as described in the *Journal Entries* section of this Manual. The use of an excel spreadsheet may be eliminated once the new debt system (DMS) is implemented. The internal controls should be revisited at time of implementation.

2. Auction Rate Interest

Interest on Auction Rate bonds, if there are any outstanding, is reset every week and is determined by the market demand for the Auction Rate Bonds. The Trustee's Auction Agent Unit e-mails TFA a notice every Wednesday and Thursday reporting the results of a particular auction and the rate of interest and broker fees that will be paid the following week. This interest rate is entered into a tracking schedule by the SAS and/or an AM and the SAS and/or an AM independently calculates the broker/dealer fees in this

spreadsheet. All amounts are reconciled at month end, and the AUS prepares the necessary journal entries as described in the *Journal Entries* section of this Manual.

DISBURSEMENTS

Vendor Payments

In addition to checking for mathematical accuracy of all invoices, when applicable the APS compares the invoice to the order, receiving report, or contract for the correct pricing of goods and services, and verifies that no sales tax has been included in the invoice, and initials the invoice to document this review. All invoices are then approved by the TFA officer/manager with the most direct knowledge of and/or responsibility for the goods or services for which payment is to be made.

The approved invoice is entered by APS into the payable management module of TFA's Accounting System and the data entry is reviewed by AUS for accuracy of posting codes, amounts, vendor name, and other relevant information. After the invoices are reviewed and posted, the APS uses the pre-numbered company checks to generate payment, or the AUS prepares a wire payment instruction letter signed by two authorized signers.

1. Check Payments

All unused checks are kept in a locked file cabinet under the control of the SAS and/or an AM. To confirm that there is no break in the sequential order of checks, each time a check run is generated the check register is printed detailing the numerical listing of the previous check run to confirm that there are no breaks in check order. The check register is included in the package containing the checks and supporting documentation for review and approval (see below). The check register is initialed by a check signer to indicate sequence verification, dated and filed. All checks must have two authorized signatures. The checks are placed in a windowed envelope and mailed via the mailroom operations of OMB.

2. Wire Payments

Instruction letters for wire payments are prepared by AUS directing the Trustee to wire money from TFA's bank accounts to the appropriate recipients (currently, the primary movement is from TFA bank accounts to the City). All letters must contain the amount of the wire payment, the payment date, and the account numbers from and to which the money will be wired. All letters must be signed by two authorized signers. The Trustee e-mails TFA a confirmation of the executed wire transfer and includes the wire number and date of the wire.

The processed invoices are stamped "Paid" and the check number or Federal Funds wire number and payment date are entered on the invoice. The stamped invoices and checks or wire payment instruction letters are presented to the authorized signers for review and signature. If a signer approved the invoice, he/she cannot sign the check or wire transfer

letter. After the checks or wire payment instruction letters are signed, the check stub or letter and all supporting documentation are filed by vendor name.

All vendors must complete and sign an IRS Form W-9 (or its equivalent) and send it to the TFA Accounts Payable Department before payment can be made to the vendor. This information is used to determine if a 1099 must be issued to the vendor for payments from TFA.

1099 Preparation and Issuance

The APS prepares the IRS forms 1099 and 1096 for distribution to payees and to the IRS annually. Although there are several types of 1099 forms, TFA uses only the 1099-MISC used to report gross proceeds paid to attorneys, and payments for services performed by non-employees.

The 1096 is used as a transmittal document when reporting 1099's to the Internal Revenue Service. The APS compiles a schedule showing all payments from January 1 to December 31st. The 1099 and 1096 are checked by the APS for accuracy before submitting to the SAS and/or an AM for his or her review and signature. All 1099s are mailed out on or prior to January 31, and all 1096s are mailed out on or prior to February 28.

Construction Payments

The bond proceeds (Future Tax Secured and Building Aid Revenue) are maintained in separate Construction bank accounts at State Street Bank and invested by the City's Comptroller's Office ("CO") Bureau of Asset Management ("BAM") according to TFA's Investment Guidelines (See *Investment* section of this Manual). The proceeds are released upon requests of the CO's, Bureau of Accountancy ("BOA"), Capital Bonding Unit, bi-weekly for the Future Tax Secured proceeds, and as needed for the Building Aid proceeds. The BOA's transfer requests are in writing and are based upon reports generated by the City's accounting system which specifies which capital projects are to be funded by TFA. The AUS prepares a letter to BAM requesting the transfer to the City detailing the amount and includes the wire instructions for the transfer. The SAS and/or an AM checks the amounts on the letter back to the request from the CO and signs the letter along with one other authorized signer.

Debt Service Payments

After TFA and the Trustee have agreed on the total payment of principal and interest to be made by the Trustee on the respective payment dates (See the *Debt Service Retention* section of this Manual), on the day after the payment date, the AUS logs on to Trustee's electronic information network system containing TFA's bank statements, and checks the appropriate bank account statement to determine that the correct amounts were transferred from TFA's bank accounts. If there are any discrepancies, the Trustee will be immediately notified by the SAS and/or an AM for a resolution of the discrepancy.

Internal Funds Transfers

Instruction letters for wire transfers among TFA's bank accounts are signed by one authorized signer except for activities for TFA's operating accounts which require two authorized signers.

The signed letters are faxed to the Trustee and copies are submitted with the monthly bank statements and the proposed journal entries for review by the SAS and/or an AM. .

INVESTMENTS

The universe of allowable investments for the TFA is defined in the Indenture. Additionally, TFA has Investment Guidelines adopted by the Board of Directors. All investments are to be made within the constraints imposed by the Indenture and Investment Guidelines. Based upon instructions received from the Treasurer, investment letters are prepared authorizing the Trustee or BAM, as appropriate, to invest funds on behalf of TFA. The instruction letter for the purchase, sale or rollover of investments, instructs the Trustee or BAM how the funds are to be invested including the investment vehicle and the required maturity date of the investments. The letter is signed by one authorized signer.

FINANCIAL ACCOUNTING AND REPORTING

The recording of TFA's financial transactions into the Accounting System is through vouchers for vendor payments and through journal entry for all other transactions.

Recording of Bond Issuance Costs

Bond issuance costs may either be paid directly from the bond proceeds at the time of the closing of the bond issuance or paid at a later date through the invoice process. For payments made at the closing, closing documents are forwarded to the accounting department for recording in the general ledger as part of the recording of the bond issuance. Payments requested by invoice are processed as discussed in the *Vendor Payments* section of this Manual.

Journal Entries

Journal entries are prepared by AUS to record all transactions, other than vendor payments, as part of the following monthly journal entry preparation process.

AUS reconciles the Trustee bank account statements and verifies that all transactions reported were made in accordance with TFA instruction letters for transfers between accounts, investment of funds, and disbursements. Any discrepancies are immediately

investigated and resolved with the Trustee bank. Activity in each account is summarized by AUS and the summaries are used by AUS to prepare journal entries for the month.

The SAS and/or an AM reviews the journal entries prepared by the AUS and applies the final approval and sign-off before entry into the general ledger. The APS enters the journal entries into the general ledger. The posted journal entry is examined by the AUS for accuracy after the entries are accepted. If adjusting journal entries are required, they are reviewed and approved by the SAS and/or an AM before entry into general ledger.

Checking Account Reconciliation

TFA's Accounting System checkbook is reconciled each month to the account statement provided by the bank. Reconciliations are generally completed within 30 days after month end. Differences, if any, are promptly investigated and resolved. The reconciliation is prepared by AUS, reviewed and approved by SAS and/or an AM. .

All checks outstanding for 6 months are cancelled through the bank and in the accounting system. Staff attempts to contact the vendor to determine if TFA has the correct address and/or the reason for non-deposit of the check by the vendor in order to re-issue the check. Until there is a resolution as to the reissuance, only the check is cancelled with the outstanding liability remaining on TFA's books.

Fiscal Year End Closing and Financial Reporting

Shortly after fiscal year end close, the Comptroller requests that the Secretary's Office and the Treasurer's Office contact all vendors and service providers and obtain invoices for goods and services provided through June 30th so that the expenditure is accrued and reported in the proper fiscal year. Additionally, all vendor payments made between fiscal year end and the conclusion of the annual audit are analyzed by AUS for proper treatment as an expenditure of the current or prior fiscal year.

At year end, AUS and SAS prepare all closing schedules and analyses needed for adjusting entries, disclosures, and for auditors (including but not limited to: amortization schedules for bond issuance costs and bond premiums and discounts, bond interest payable accruals, investment income accruals, deposit and investment categorization). Where required due to technical complexity, selected schedules and analyses maybe prepared by an AM.

Schedules and analyses prepared by AUS are provided to the SAS and/or an AM along with supporting documentation for review. Those prepared by SAS are reviewed by an AM. Schedules and analyses pertaining to deposits, investments, outstanding bonds and debt service are provided to TFA's Treasurer or his or her designee in draft form for review.

Adjusting journal entries are prepared by AUS and reviewed and approved by the SAS and/or an AM who signs prior to entry into the Accounting System general ledger. The

APS enters the journal entry into the general ledger. The posted journal entry is examined by the AUS for accuracy after the entries are accepted. The adjusted trial balance is reviewed by AUS to verify balances, and then exported into an Excel file for preparation of financial statements. Draft financial statements, notes and MD&A are prepared jointly by AUS, SAS and/or an AM, for review by other members of TFA management and independent auditors.

After the conclusion of the independent audit, if any adjusting entries are needed due to the audit, they are prepared by or at the direction of the SAS and/or an AM and entered into the general ledger. Before running the general ledger close of the fiscal year, a final trial balance is run and the SAS and/or an AM reviews to ensure that all balances are in agreement with the audited financial statements. The final trial balance is initialed by the SAS and/or an AM and retained in the fiscal year workpaper files.

The AM instructs the AUS to close the fiscal year which is automatically done by the Accounting System when the AUS marks the appropriate field in the Accounting System. The Accounting System will automatically produce a “closing entry” which is retained in the year end files. After the closing entry has been produced the SAS and/or an AM reviews the trial balance after the close to make sure the assets, liabilities and fund balances (net assets) have been properly updated.

All trial balances, workpapers, journal entries and supporting documentation are centrally filed for access by the external auditors. See Section on Record Retention.

OTHER CONTROL MEASURES

Bank Accounts

The opening of TFA bank accounts is authorized by an officer of TFA. For bank accounts opened at a new banking institution, the bank account application form must contain, at a minimum, the names, titles, and signatures of three authorized officers of TFA. The application states the number of signatures required for all financial transactions. The new bank account number is included on the bank account schedule maintained by the AUS.

All unneeded bank accounts are closed immediately by a letter to the bank, signed by one TFA officer.

Incumbency Certificate

Every time there is a change of an officer for TFA, a new Incumbency Certificate is prepared listing the current officers. The Incumbency Certificate is signed by the Secretary of TFA and the original sent to the Trustee bank. Similarly, new authorized signatory documents are prepared, signed, approved, and forwarded to the Trustee bank.

Computer Equipment and System Usage

TFA personnel follow the current policies and guidelines of OMB. Staff members are required to familiarize themselves with these policies and guidelines.

Overhead Allocation

TFA has entered into an Administrative Services Agreement with OMB and other financing entities at the direction of the Board which specifies how shared personal service and other than personal service costs are allocated among the entities. The OMB overhead allocation is calculated by OMB's staff. Staff members are required to familiarize themselves with this agreement.

Inventory

TFA does not own any capital assets or equipment. All equipment is owned, maintained and monitored by OMB. TFA personnel follow the current policies and guidelines of OMB. Staff members are required to familiarize themselves with these policies and guidelines.

Procurement

The Board of Directors has adopted **GUIDELINES FOR PROCUREMENT and PROCUREMENT GUIDELINES FOR GOODS**. Staff members are required to familiarize themselves with these policies. Any changes in the procurement policies adopted by the Board of Directors are disseminated to staff by the Secretary's Office.

Travel and Business Expense Reimbursement

The Board of Directors has adopted a **POLICY ON TRAVEL ALLOWANCE and a POLICY ON SALARY, COMPENSATION, REIMBURSEMENTS, TIME AND ATTENDANCE of senior management**. Staff members are required to familiarize themselves with these policies. All internal control measures detailed above under Disbursements--Vendor Payments are followed in the issuance of a reimbursement check to an employee. Any changes in the reimbursement policy adopted by the Board of Directors are disseminated to staff by the Secretary's Office.

Personal and Real Property

The Board of Directors has adopted a **POLICY ON THE DISPOSITION OF PERSONAL PROPERTY and a POLICY ON THE ACQUISITION AND DISPOSITION OF REAL PROPERTY**. Staff members are required to familiarize themselves with these policies. Any changes in the property policies adopted by the Board of Directors are disseminated to staff by the Secretary's Office.

RECORD RETENTION

Documents supporting all TFA transactions recorded in the Accounting System and information on the opening and closing of all bank accounts are maintained and available for audit by various entities (i.e., independent auditors, State and City auditors, IRS). The support may be maintained in either paper or electronic form.

Procurement records pertaining to contracts and all procurements other than Small Purchases (as defined by the TFA Board approved procurement guidelines) are maintained by TFA's contracting officer and the Secretary's Office.

Calculations of allocated costs (management fees, rent, and overhead costs incurred by OMB and bond financing entities) are maintained by TFA's Comptroller or Deputy Comptroller.

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