

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY
**2021 ASSESSMENT OF EFFECTIVENESS
OF INTERNAL CONTROLS**

ASSESSMENT OF EFFECTIVENESS OF INTERNAL CONTROLS

The objective of this process is to insure an adequate system of internal controls and to promote the effective and efficient operations of the IDA. The review is conducted by management.

ITEMS:

1. Define Major Business Functions
2. Determine the risks associated with operations
3. Identify internal control systems – policies, practices, attitudes, guidelines
4. Assess system effectiveness
5. Corrective actions

This statement certifies that the Town of Lockport IDA followed a process that assessed and documented the adequacy of its internal control structure and policies for the year ending December 31, 2021. To the extent that deficiencies were identified, the authority has developed corrective action plans to reduce any corresponding risk.

1. **Major Business Functions.** The Town of Lockport IDA is in the business of creating and/or retaining jobs through marketing, management of the IDA Park, creating of tax incentives (PILOTS) payment in lieu of taxes, land sales, guiding prospects through regulatory agencies, guiding prospects through Town Department regulations.

The IDA utilized “Inform Analytics” to review prospective project qualifications. Project should primarily achieve a regional return of 3:1 or other regional benefit in order to be considered for a project incentive. The agency also has definitive criteria in its Uniform Selection Policy against which all projects are compared against. In late 2021 the Town of Lockport IDA was informed Inform Analytics was no longer going to be supported after 12/31/21. The IDA undertook a review of alternative cost benefit analysis tools and selected MRB groups tool. It will be activated in early 2022.

2. **Risks associated with Operations.**
 - The IDA has no dedicated source of revenue.
 - The IDA has limited open land for future development.
 - The IDA faces increasing regulation by NYSDEC, NYSDOT, US Army Corp. The IDA faces increasing regulation by NYS ABO, and NYS Comptroller.
 - Current economic conditions(cost of construction materials, delays in construction materials, financing) are leading to some hesitancy by business owners/developers to move forward with projects under active consideration.
3. **Internal Control Systems.** Internal control exists of several layers of protection to the IDA finance, land, and development project approvals policies.

Financial controls: The Administrative Director and Administrative Assistant have no direct control of the bank accounts. All bills/vouchers are prepared then reviewed by the IDA Chief Financial Officer and the IDA Treasurer. All bill payments are brought to the IDA for approval after both the Chief Financial Officer and Treasury have reviewed them. Furthermore, the IDA finance books are reviewed annually by an independent auditing firm for accuracy, potential error or fraud. This specific series of controls is regularly addressed as adequate by External Auditor.

Land Control: All land sale projects are presented by the Administrative Director, reviewed by the IDA Attorney before review and/or approval by the IDA Board of Directors. Given market conditions the stated sale price per acre was increased in 2021.

Project Control: All Payment-in-Lieu-of-Tax (PILOT) contracts are reviewed through “Inform Analytics” project financial review software. The Inform Analytic reports are made available to the Board of Directors to assist them in project assessment. The IDA Attorney reviews all applications and makes recommendations to the IDA Board. Furthermore, the IDA Board reviews in detail the IDA Project application where key data is presented to the IDA regarding the project. Project applicants are encouraged to meet with the IDA Board of Directors at a regular scheduled meeting to discuss their plans in further detail.

4. **Assessment of Effectiveness:** The IDA Board of Directors reviews all project thoroughly prior to approval. After approval all projects are monitored at least annually for compliance in the creation of jobs, construction and other deliverables identified within their Agent Agreements.

The IDA Board of Directors reviews the specific performance of the IDA within the context of the “Assessment of Effectiveness”, “Annual Board Review” and the “Report Card” and annual external audit documents.

- **Corrective Actions:**
 - a) JNR Door - In 2021 it was necessary for the IDA to terminate a PILOT with JNR Door (EZ Entry Door) as of 12/31/21. The PILOT agreement was originally a 15-year PILOT created in 2018. Owners of JNR Door elected to relocate JNR Door and its employees into their existing facilities (Moley Magnetics) and place the building for lease. Negotiations over claw back

amounts were completed and approved by the IDA Board and repayments were received.

- b) Other Businesses that Missed Jobs Targets –The IDA reviewed jobs reports received for calendar year 2021. [REDACTED] businesses “missed” their job targets slightly. In every case the # of jobs called for in their PILOTS remain their target jobs but, in all cases, dramatic workforce challenges prevented the filling of open and budgeted positions.

For all PILOT businesses who fail to reach their jobs target (or at least 85% of that target) our process is to:

- Contact the business management and notify them of a potential deficiency
- Agree with management on corrective actions if any
- Assist Management in trying to address workforce challenges and recruitment and retention strategies
- Suspend current PILOT benefits
- Terminate future PILOT benefits
- Clawback previous PILOT benefits