

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY
**2022 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 along with an annual external audit.

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, 2022. 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 “MRB Group Benefit Tool” to review prospective project qualifications. A project should primarily achieve a regional return of 15:1 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. If variations from our TTEP are involved it is noted and taxing jurisdictions notified.

2. **Risks associated with Operations.**
 - The IDA has no dedicated/consistent 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, increased tax rates) could lead to some hesitancy by business owners/developers to move forward with projects.
3. **Internal Control Systems.** Internal control exists of several layers of protection to the IDA finance, land, and development project approval 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. The Administrative Director regularly assesses the commercial real estate market.

Project Control: All Payment-in-Lieu-of-Tax (PILOT) contracts are reviewed through “MRB Group Cost Benefit Tool”. The MRB Group 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 in addition to required public hearings.

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”, “CEO Performance Review” and the “Report Card” and annual external audit documents.

- **Corrective Actions:**
 - a) JNR Door – Past the 2021 claw back, the IDA worked with a commercial realtor to lease the former JND Door to JR Products.
 - b) Other Businesses that Missed Jobs Targets –The IDA reviewed jobs reports received for calendar year 2022. Five (5) businesses “missed” their job targets slightly. In every case the number 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. The IDA has attempted to expose businesses to new help wanted tools, apprenticeships and paid OJT.

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
- Assist Management in trying to address workforce challenges and recruitment and retention strategies for the ever increasing position openings
- Agree with management on corrective actions if any
- Suspend current PILOT benefits
- Terminate future PILOT benefits
- Clawback previous PILOT benefits