

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY  
**2024 ASSESSMENT OF EFFECTIVENESS  
OF INTERNAL CONTROLS**

**ASSESSMENT OF EFFECTIVENESS OF INTERNAL CONTROLS**

The objective of this process is to ensure an adequate system of internal controls and to promote the effective and efficient operations of the Town of Lockport 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, 2024. 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, and management of the IDA Park, creating tax incentives (PILOTS) payment in lieu of taxes, land sales, guiding prospects through regulatory agencies, and guiding prospects through Town Planning Board process.

The IDA utilized “MRB Group Cost Benefit Tool” to review prospective project qualifications. A project should primarily achieve a regional return of 15:1 or greater 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 UTEP 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 although additional land is under predevelopment studies.
- The IDA faces increasing regulation by NYSDEC, NYSDOT, US Army Corp. as well as by NYS ABO, and NYS Comptroller.
- Current economic conditions (cost of construction materials, increased tax rates, high interest rates and conservative commercial lending etc.) could lead to some hesitancy by business owners/developers to move forward with projects and/or obtain financing.

- 3. Internal Control Systems.** Internal controls exist in 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 Board for approval after both the Chief Financial Officer and Treasury have reviewed them. Furthermore, the IDA finance books are reviewed annually by an independent external auditing firm for accuracy, potential error, or fraud. This specific series of controls is regularly addressed as adequate by the 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. There is some discrepancy on the IDA land value – to some extent our updated price per acre is seen as high and yet the supply of industrial land remains limited. The Administrative Director regularly assesses the commercial real estate market.

**Project Control:** All Payment-in-Lieu-of-Tax (PILOT) proposals 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 investment 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 Self Evaluation,” “CEO Performance Review” and annual external audit documents presented to the IDA Audit Committee and the Board.

- **Corrective Actions:**

- a) Up North Hosting – The Town of Lockport IDA terminated the PILOT with Up North effective January 2024 after following the proscribed steps outlined in policy and noted in our 2023 Assessment of Effectiveness document. The IDA is also clawing back county and school property tax via claims filed with

the County Clerk to be positioned for an eventual sale of the property. All taxing jurisdictions were alerted to invoice Up North for full taxes owed beginning March 2024.

- b) Businesses That Missed Jobs Targets** –The IDA reviewed jobs reports received for calendar year 2024. A handful of supported 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
- Claw back previous PILOT benefits