

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY  
**2018 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, 2018. 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, guiding prospects through regulatory agencies, guiding prospects through Town Department regulations.

The IDA utilizes “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.

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, NYS Comptroller, NYS Attorney General.
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 executive secretary have no direct control of the bank accounts. All bills 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 Treasure have reviewed them. Furthermore, the IDA finance books are reviewed annually by an independent auditing firm for accuracy, potential error or fraud.

**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.

**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 agreements.

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

5. **Corrective Actions:** There are no contractual violations with IDA incentivized projects at this time. Should a non-compliance issue arise it will be addressed in one or all of the options below.
  - Contact the business management and notify them of a potential deficiency
  - Agree with management on corrective actions if any.
  - Suspend current PILOT benefits
  - Terminate future PILOT benefits
  - Clawback previous PILOT benefits