

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY  
**2020 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, 2020. To the extent that deficiencies were identified (internally or by its External Auditor), 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 and providing general business resources.

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 ABO, and NYS Comptroller.
3. **Internal Control Systems.** Internal controls exist 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 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.

**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. All projects are also compared to the selection criteria created by the IDA. 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. Annual face to face compliance review meetings are held with supported businesses to review compliance elements.

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:** Upon receipt of all 2020 Client Report Forms(jobs), any business missing their jobs targets will be contacted. It is anticipated that due to COVID-19, the NY PAUSE and revenue reductions, that the number of businesses missing targets will increase. Specified detailed waivers/explanations will be required from said businesses. Our general process includes:
  - 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