



# **TOMPKINS COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

## **COMPLIANCE RISK ASSESSMENT**

**December 21, 2011**



# Tompkins County Industrial Development Agency Compliance Risk Assessment Profile Report Index December 21, 2011

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December 21, 2011

Michael Stamm, President  
Tompkins County Area Development  
401 East State Street, Suite 402B  
Ithaca, NY 14850

Dear Mr. Stamm:

As you requested, we are very pleased to provide you with three (3) copies of the Tompkins County Industrial Development Agency's (TCIDA) compliance risk assessment report. Sharing this report with others is at your discretion.

Based on information made available to us, we performed a compliance risk assessment for the TCIDA focusing on the following areas:

- **Project selection criteria and process**  
Existence, clarity, and consistency of selection criteria; cost/benefit analysis conducted; and openness and documentation of process and decisions.
- **Payments-in-lieu of taxes (PILOT) agreement process**  
Clarity and consistency of criteria; openness and documentation of process and decisions; and follow through on collections and distributions.
- **Project monitoring process**  
Clarity and consistency of agreements; completeness and timeliness of reporting; and follow-through on performance.
- **Budgeting, accounting, reporting, and audit requirements**  
Complete and timely budgets and reports; audit requirements are met; and documentation and openness of outcomes.
- **Governance, contract, personnel, and organization requirements**  
Organizational documentation and clarity; documentation of expectations for members, officers, and employees responsibilities, performance, and conduct; and documentation of oversight and review processes.

The information provided to us was analyzed by experts with many years of experience in local government compliance. We did not conduct an audit in conformity with generally accepted auditing standards. Therefore, we are not expressing an opinion on the TCIDA's financial statements and/or compliance with legal or regulatory requirements.



Our analysis was based the “IDA Recommended Practices” developed by the New York State Economic Development Council’s (NYSEDC) IDA section, Public Authorities (PAL) and General Municipal Laws (GML), Authorities Budget Office (ABO) recommended practices, and other related sources. Based on our analysis, we produced this report for your consideration.

The enclosed report is solely intended for use as a management tool in decision making for the TCIDA. The areas of strengths and possible risks to consider for further work are based solely on our analysis of the information provided. They are suggestions of where you might consider investing additional time and resources to address compliance risk areas. While the analyst who prepared this report is an expert in local government compliance, the TCIDA Board and officers know the history behind the results presented and what is feasible and practical to address. Since the management of the TCIDA is their responsibility, they should review this report carefully and pursue those areas that they think are the most critical, practical, and feasible to pursue.

Additional important information to keep in mind as you review this report:

- While not all areas highlighted in the “**Key Risk Areas for Discussion**” section are necessarily equal, they are all designed to focus on information that may be useful to the Board and officers for reducing risk to the IDA. Some areas may have particular importance to your IDA, while others may not be as important.
- When reviewing the risk assessment results included in this report care should be taken not to jump to quick conclusions. It is important to develop a full understanding of what is behind the information and what it means before drawing conclusions about what should be done to reduce the risk, if anything. The “**Guide to Recommended or Required Practices**” section of this report is designed to help you through this process.

We thank you for choosing our compliance risk assessment service and sincerely hope that this report provides you with outstanding assistance in continuing to perform your oversight duties. We will be following up with a brief survey in about one (1) month to help us understand your level of satisfaction with this service and to allow you to provide us with any suggestions for changes or improvements to the service. Of course, you may also provide feedback directly to Kirk Schanzenbach at 518-459-6700, ext. 398 (800-724-6700) or e-mail at [kschanzenbach@bstco.com](mailto:kschanzenbach@bstco.com)).

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

Stephen L. Ferraro, CPA  
Partner



# Tompkins County Industrial Development Agency Compliance Risk Assessment Executive Overview

## Analysis Summary

Risk Area	Overall Risk Rating	Compliance Risk Rating	Best Practices Risk Rating
Project Selection Criteria and Process	Low	Low	Low
PILOT Agreement Process	Low	Low	Medium
Project Monitoring Process	Medium	Low	Medium
Budgeting, Accounting, Reporting, and Audit Requirements	Low	Low	N/A
Governance, Contract, Personnel, and Organization Requirements	Medium	Medium	N/A

Meeting compliance requirements is an important aspect of IDA operations. However, meeting all of the numerous compliance requirements requires significant investment of resources that may not be available. In addition, meeting compliance requirements isn't the only important aspect of an IDA's operations. Therefore, Board and management of the TCIDA are in the best position to make decisions on the allocation of IDA resources towards achieving all of the goals of the IDA, including meeting compliance requirements.

While there are almost always ways to improve compliance, overall the TCIDA is performing effectively in most of the compliance areas. We have summarized the areas that will help reduce the risk of non-compliance for the TCIDA in the "**Key Risk Areas for Discussion**" section below. A more detailed guide to improving compliance for each risk area highlighted is included in the "**Guide to Recommended or Required Practices**" section of this report.



## **Key Risk Areas for Discussion**

### **Areas of Strengths:**

- ✓ With a few exceptions, the Project Selection and Budgeting, Accounting, Reporting, and Audit Requirements areas appear to be low risk.
- ✓ The TCIDA Website was comprehensive and provided most of the information that is required to be publically available.
- ✓ The TCIDA has adopted a mission statement, measurements, by-laws, audit, and governance committee charters, and a number of policies.

### **Areas to Consider for Additional Risk Reduction:**

(More detailed information is provided in “**Guide to Required or Recommended Practices**”)

- ✓ Improve the project selection policy by including for each type of project: eligibility criteria, review process, review requirements, and evaluation and selection criteria.
- ✓ Enhance and document the use of the cost benefit information provided by the applicant.
- ✓ Improve the uniform tax exemption policy by including for each type of project: types of exemptions available, period of availability, eligibility criteria, and requirements for deviating from the eligibility criteria for individual projects.
- ✓ Develop and approve written procedures for monitoring PILOT payments and treatment of delinquencies.
- ✓ Enhance the project monitoring process by developing and approving a written project monitoring process.
- ✓ Document the Board review and approval of the annual PARIS report.
- ✓ Add the PARIS report, Board member profile information, and committee meeting dates and minutes to the Website as soon as they are available.
- ✓ Adopt and implement procurement and investment policies.



## Guide to Required or Recommended Practices

✓ **Improve the project selection policy by including for each type of project: eligibility criteria, review process, review requirements, and evaluation and selection criteria.**

Generally, an IDA project selection policy should consider the following areas:

1. Policy overview and applicability;
2. Definitions;
3. Project selection strategies and NYS and other local legal requirements;
4. Types of projects and eligibility criteria for each type of project;
5. Exemptions/financial assistance that each type of project is eligible for under specific conditions;
6. Uniform project application requirements for each type of project (a);
7. Review process for each type of project (steps can include: prescreening, initial acceptance, application, staff work, public hearing, final review, approval, etc.);
8. Review requirements for each type of project (cost benefit analysis, SEQR review, current jobs, project cost estimates, impact on local property taxes, etc.) (a);
9. Evaluation/selection criteria for each type of project (a);
10. Approval conditions for each type of project;
11. Contract/agreement requirements for each type of project;
12. Other project selection requirements.

(a) See the “IDA Recommended Practices” document published by the NYS Economic Development Council.

✓ **Enhance and document the verification and use of the cost and benefit information provided by the applicant.**

Currently the TCIDA collects cost and benefit information in the application process. However, this information didn't appear to be verified or used as part of the review and approval process. Effective verification and use of this information could help the public understand what benefits will accrue and what those benefits will cost if the project is approved.

✓ **Improve the uniform tax exemption policy by including for each type of project: types of exemptions available, period of availability, eligibility criteria, and requirements for deviating from the eligibility criteria for individual projects.**

Generally, an IDA uniform tax exemption policy should consider the following areas (GML Section 874 (4)):



1. Policy overview and applicability;
2. Definitions;
3. Project tax exemption/financial assistance strategies and NYS and other local legal requirements;
4. Types of exemptions/financial assistance available for projects;
5. Period(s) of exemption by type;
6. Percentage of exemption by type;
7. Projects for which exemptions can be claimed;
8. Eligibility criteria for each type of exemption/financial assistance for each type of project;
9. Conditions of eligibility for each type of exemption/financial assistance, including levels of exemptions/financial assistance;
10. Conditions and requirements for deviating from the eligibility criteria;
11. Procedures for each type of exemption/financial assistance;
12. Instances in which appraisals are to be performed as a part of an application for tax exemption;
13. Payments in lieu of taxes requirements, including time frame, and percentages;
14. Verification process in support of each type of exemption/financial assistance;
15. Conditions for recapture of exemption/financial assistance;
16. Contract/agreement requirements/criteria for each type of exemption/financial assistance.

✓ **Develop and approve written procedures for monitoring PILOT payments and treatment of delinquencies.**

The TCIDA currently does not handle PILOT payments and does have procedures for monitoring PILOT payments in place. The PILOT payment process is disbursed between Tompkins County and the other taxing jurisdictions, with the TCIDA and their auditors monitoring the process. Because the process and procedures are disbursed among the various participants it may be helpful to all involved for the IDA Board to develop, approve, and implement written procedures for the PILOT payment and enforcement process. Having and distributing written procedures will help everyone involved understand their role and responsibilities in the process.

✓ **Enhance the project performance monitoring process by developing and approving a written project monitoring process.**

Currently, the TCIDA receives two annual reports from each open project (the Employment Verification Report and the Bond Status Report). These reports are compiled and provided to the Board for review annually. However, there didn't appear to be any systematic verification of the data provide by the projects or follow-up on performance variances. The TCIDA should consider developing a written project monitoring process that, along with gathering the data and Board review on an annual basis, would include verification requirements and follow through processes.



✓ **Document the Board review and approval of the annual PARIS report.**

New York State Public Authorities Law Section 2800 (3) requires the Board to approve the PARIS report prior to submission.

✓ **Add the PARIS report, Board member profile information, and committee meeting dates and minutes to the Website as soon as they are available.**

New York State Public Authorities Law Section 2800 (2b) lists the documents and information that is required to be posted on each local authority's Website.

✓ **Adopt and implement a procurement policy.**

New York State Public Authorities Law Section 2879 requires the IDA to adopt a procurement policy. The TCIDA is currently in the process of developing a procurement policy. Generally, an IDA procurement policy should consider the following areas:

1. Policy overview and applicability;
2. Definitions;
3. Procurement strategies and NY State and other local legal limitations;
4. Types (public works, supplies, professional services, etc.) and levels (dollar amount, etc.) of purchases;
5. Individuals authorized to purchase and any limitations;
6. Purchasing requirements by type of purchase (RFP, competitive bidding, small contract process, etc.);
7. Purchasing process and documentation requirements;
8. Exceptions to purchasing requirements and process (sole source, emergency, other government contracts, etc.);
9. Payment requirements and process (use of purchase orders, approval prior to purchase, review/audit before payment, etc.);
10. Required procurement reporting;
11. Procurement activity oversight requirements;
12. Treatment of unauthorized purchases.

✓ **Adopt and implement an investment policy.**

New York State Public Authorities Law Section 2925 requires the IDA to adopt an investment policy. Generally, an IDA investment policy should consider the following areas:

1. Policy overview and applicability;
2. Definitions;



3. Investment strategies and NY State and other local legal limitations;
4. Types (savings accounts, certificates of deposit, bond/notes, etc.) and levels (dollar amount, etc.) of investments;
5. Individuals authorized to invest and authorized levels;
6. Investment limitations and requirements (authorizations and approvals, competitive quotes, etc.);
7. Securitization requirements and procedures;
8. Investment process and documentation requirements;
9. Exceptions to investment limitations, requirements and process (sole source, emergency, joint government investing, etc.);
10. Required investment reporting;
11. Investment activity oversight requirements;
12. Treatment of unauthorized investments.