

**TOWN OF HEMPSTEAD
INDUSTRIAL DEVELOPMENT AGENCY
ASSESSMENT OF EFFECTIVENESS OF INTERNAL
CONTROL STRUCTURE AND PROCEDURES
(2016)**

A. Mission & IDA's Major Business Functions:

The mission of the Town of Hempstead IDA is to grow business and enhance job creation within its jurisdiction. The IDA seeks to accomplish these goals through the incentives authorized by the General Municipal Law and the IDA Act. These include property tax abatement through "Payments in Lieu of Taxes" (PILOTS) as well as exemption from both sales and use taxes to a project's construction and development costs and waiver the New York State Mortgage Recording Tax.

The IDA can provide assistance in both "straight lease" transactions with conventional financing or through bonds. IDA involvement in a project enhances the economic health of a wide range of private sector institutions beyond the benefits extended to the particular applicants. These include the financial sector, construction industry, employment with jobs of every categorization and the impact that such economic activity has on businesses.

B. Risks Associated with Agency's Operations:

In any business where revenues are generated and payments made, there is an opportunity for fraud or theft.

The revenues generated by the transactions undertaken by the IDA are safeguarded through stringent agency controls. The Agency Administrator handles these finances in terms of checking and bank accounts. The CEO reviews and oversees such administrative operations independently. Resolutions for payment authorization are created by the CFO.

The purchase of any service is approved by the CFO who prepares a Resolution for consideration by the IDA Board. The Chairman of the Finance Committee, who is a member of the board, independently reviews all such financial activities.

Every transaction is considered as a high risk and receives such heightened procedural controls to prevent both the potential for abuse or lax treatment.

Ongoing discussions with the agency's auditors, who diligently question and scrutinize internal controls, reinforces the agency's preoccupation with functional risks.

C. Internal Control Systems In Place:

The internal controls structure and procedures of the Town of Hempstead IDA are reviewed by the staff as well as by our independent accountants annually. These controls are adopted by both the committee and full board.

The Agency's established internal controls and procedures are the result of extensive discussions and review by our outside independent accountants who present a detailed questionnaire that addresses every aspect of IDA operations. Each of the IDA staff members and the Chairman of our Investment and Audit Committees respond to the inquiries by our accountants who then independently evaluate our operation and comment upon it in the annual report.

As part of its ongoing self-analysis of its operations, the IDA staff re-evaluate internal control procedures to ensure that a clear delineation of responsibilities were incorporated into all operations. These discussions and findings were reviewed by both board members and the IDA's independent auditors. For example, IDA monies are placed in various financial institutions in collateralized CD accounts. The administration of that cash and all check writing is the responsibility of the Agency Administrator. The CEO independently reviews all assets at financial institutions to insure that the accounts square with the office accounts. On an ongoing basis, the CEO reviews bank submissions to make sure that the collateral pledged to secure IDA deposits provides adequate security.

Furthermore, the staff discusses financial operations on a weekly, if not, on a more frequent basis. All expenditures are submitted by staff to the board for approval by resolution. Low cost purchases are itemized and these items, which normally include supplies (pens, paper, water cooler), are paid by check as well as pursuant to a standing resolution approved by the board. The CEO reviews all such payments made by the Agency Administrator.

The staff constantly updates the projected revenues and expenditures as well as the overall budget to ensure that the filings are consistent with the projections made prior to the fiscal year.

The Investment Chairman of the IDA Board is provided with all financial claims, payments and budget updates on a regular basis. The Investment Committee and each of the IDA Board members are presented with all such budgetary materials prior to each of its monthly meetings. Minor expenditures are explained pursuant to the standing resolution and specific expenditures are each approved by the board by resolution.

Any and all purchases of services and larger items are conducted pursuant to the IDA's Purchasing/Procurement Policy and Guidelines.

The Investment Policy is conducted pursuant to the resolutions enacted by our board and the laws of New York State that regulate governmental authorities and municipalities. Income generated is invested solely in prudent institutions, which are commercial banks, presently, that

offer the highest rate of return. Hence, such assets are fully protected against loss and constitute what can only be categorized as the lowest level of risk. The CEO periodically updates the rates offered by each of the commercial banks to guarantee the highest rate of return. Principal is reinvested periodically to reflect such fluctuation in the rates.

D. Extent To Which The Internal Control System Is Effective:

The division of responsibilities and the independent review, set forth in the Agency's procedures over its operation, create a multi-leveled structure that virtually precludes abuse and ensures the timely and quick exposure of any indiscretion.

Supporting this observation as to the excellence of the agency's internal control is the review completed by the Agency's outside accountants who question each employee as to the nature and effectiveness of the internal controls in place. Each employee justifies before the independent accountant, the manner in which the stated procedures and controls actually function. (See document from Sheehan & Company).

E. Corrective Action:

Any inappropriate action discovered within the agency operations is referred to the Agency's independent counsel for review and recommended action by the IDA Board.

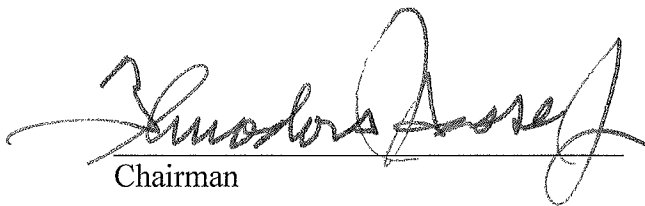
The Agency's Code of Conduct and Ethics determine the course to be adopted from internal discipline for minor infractions to referral to the District Attorney in the event of criminal activity.

Resolution #018-2016

Adopted:

Aye: 6

Nay: 0



Chairman