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COLUMBIA ECONOMIC DEVELOPMENT CORPORATION NOTICE OF MEETING

Please take notice that there will be a meeting of the Columbia Economic Development Corporation Audit and Finance Committee held on July 21, 2016 at 10:00am, at 4303 Route 9, Hudson, NY 12534 for the purpose of discussing any matters that may be presented to the Committee for consideration.

Dated: July 15, 2016

Sarah Sterling

Secretary

Columbia Economic Development Corporation

CEDC Audit and Finance Committee

Agenda

Chairman:

Rick Bianchi

Members:

Tish Finegan

Tony Jones

James Lapenn

John Lee

1. Minutes, March 24, 2016*
2. 2015 Audit
 - a. Risk Assessment

Attachments:

Minutes, March 24, 2016

* Requires action



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DRAFT

**MINUTES
COLUMBIA ECONOMIC DEVELOPMENT CORPORATION
AUDIT and FINANCE COMMITTEE
Thursday, March 24, 2016
4303 Route 9
Hudson, New York**

A regularly scheduled meeting of Columbia Economic Development Corporation's (CEDC) Audit and Finance Committee was held at their offices located at 4303 Route 9, Hudson, NY 12534 on March 24, 2016. The meeting was called to order at 8:30 am by Rick Bianchi, Audit and Finance Committee Chairman.

Attendee Name	Title	Status	Arrived
Rick Bianchi	Committee Chairman	Present	
Tish Finnegan	Committee Member	Present	
Tony Jones	Committee Member	Present	
Kim Keil	Committee Member	Present	
James Lapenn	Committee Member	Excused	
John Lee	Committee Member	Present	
F. Michael Tucker	Interim President/CEO	Present	
Erin McNary	Bookkeeper	Present	
Lisa Drahushuk	Administrative Supervisor	Present	
Mike Bucci	Pattison, Koskey, Howe and Bucci, CPA	Present	
Matt Vanderbeck	Pattison, Koskey, Howe and Bucci, CPA	Present	
Mary Kimball	Pattison, Koskey, Howe and Bucci, CPA	Present	

Minutes, January 12, 2016:

Mr. Jones made a motion, seconded by Ms. Keil to approve the minutes of the January 12, 2016 meeting as presented. Carried.

2015 Audit:

Mr. Tucker thanked Pattison, Koskey, Howe and Bucci for their work on the 2015 audit and the PARIS report. He stated they would be presenting the Management letter and the financial statements for the Audit and Finance Committee.

Mary Kimball stated she would be reviewing the financial statements with the Committee and Mr. Vanderbeck would be reviewing the Management letter.

Ms. Kimball reviewed the informational statements, then asked the committee to turn their attention to section 3 on page 4. She stated this was a summary of the financial statements, noting the loss indicated was primarily to the dissolution of Columbia Development Leasing Corporation and the payment to



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Columbia County for the Ginsberg's property. She noted there had been write-offs in 2015 for the Aerocity, Local Ocean and Greenport Crossings loans/grants and the loan loss reserve had been increased.

Mr. Vanderbeck stated a correction had been made regarding the Flanders grant. He noted the previous year a portion of the grant had been recognized as earned, when in fact the terms didn't provide for that. Mr. Tucker stated the Hudson Valley Creamery grant was reduced each year by one tenth of the grant amount, if they had met the criteria outlined in the documents. He stated this condition had not been included in the Flanders documents, but the portion of the grant had been recognized as earned in the previous year. He explained that if Flanders defaulted on the grant at anytime, they would be liable for the entire amount of the grant, unlike Hudson Valley Creamery who would be liable for the unearned portion of the grant if they defaulted. Mr. Tucker stated the entry had been corrected and it had been noted in the Management letter.

Ms. Kimball noted the loan loss had been analyzed and Mr. Tucker would be requesting an increase of \$100,000 to be allocated for loan losses. Mr. Tucker stated there had been a number of recent restructured loans, the additional allocation would be in reserve in case they defaulted. He noted that the funds would be available for use by the SBA and the regular loan fund.

Ms. Kimball reviewed the adjustments with the committee, noting a portion of the membership fees had been deferred until 2016 depending on when a member joined. Mr. Tucker noted that the increase of the loan loss reserve and the payment to the County for the Ginsberg's land had added expense to the financial statements.

Mr. Tucker asked that an additional verbage be added to the narrative at the bottom of page 5 explaining his company was only responsible for \$40,000 of the over budget consulting fees. Ms. Kimball stated she would correct that wording. Mr. Vanderbeck addressed the Commerce Park principal on the bottom of page 7. He stated land fees received by CEDC had been put aside for the construction of a water tower at the Commerce Park. He noted there was documentation to that fact and noted that once it had been determined that no water tower would be constructed; the county had agreed to let CEDC keep the funds. He explained that Mr. Tucker had requested the amount remain segregated.

Ms. Kimball referred to page 8 noting the increase to the loan loss account was shown in operating expenses under bad debt expense and the repayment for the Ginsberg property was shown under reimbursement to related party. Mr. Tucker noted the reduction in grant revenue was due to the dissolution of the Columbia Development Leasing Corporation. He stated marketing expense increased due to the \$25,000 contribution to the URI.

Mr. Vanderbeck in reviewing the management letter stated there were no significant findings or issues, noting it was a clean report. He turned his attention to the recommendations. He recommended using an monthly accrual basis for the budget rather than a cash basis and formalizing a monthly closing checklist to ensure all accrual adjustments are recorded prior to monthly monitoring.



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Mr. Vanderbeck stated he also suggested, where practicable some, financial activity and accounts could be consolidated in order to create efficiency and to simplify reporting. Also recommended was a customization of Quickbooks to track programs and administrative activities, as well as the usage of direct deposit scanners.

Mr. Vanderbeck stated the audit had found differing language in contingent grant agreements, It was recommended criteria be outlined and language be used that fits the criteria. He noted that one Commerce Park transaction had been treated differently than prior transactions, He recommended a policy and procedure be formalized to ensure key terms are consistent with the policy and all cash receipts should be accompanied by appropriate documents.

Mr. Vanderbeck noted recommendations for the new membership program: Consider purchasing appropriate software that integrates with Quickbooks; track membership revenue and billings in Quickbooks and bill annual memberships quarterly and amortize the revenue monthly. He also suggested a human resource professional be engaged to perform a comprehensive review of the policies and procedures and address exempt vs nonexempt employee classifications, health insurance and cafeteria plan as well as pension benefits and ERISA compliance.

In reviewing the loan programs, it was recommended to formalize a policy and procedure regarding lending to a single borrower. Additionally, revised policies and procedures should be reviewed and approved by the Loan Committee and CEDC Board. In reviewing internal controls it was suggested that a professional be engaged to review certain operational procedures to identify inefficiencies and to make recommendations to improve overall efficiencies, as well as improved communications.

Mr. Vanderbeck suggested CEDC formalize a company-wide risk assessment and develop policies and procedure to mitigate significant risks focusing on compliance with laws and regulations. Lastly it was recommended that a policy be formalized to identify the criteria necessary for the organization to act as fiscal agent/sponsor or refer requests to organizations more appropriate to the situation.

Mr. Vanderbeck stated Mr. Tucker had indicated he would respond in writing to the management letter. He stated they would also be presenting the IRS Form 990 to the committee once complete.

Ms. Kimball, stated the audit team had spent a significant amount of time on the PARIS report and it was recommended that CEDC, the IDA and the CRC prepare the report in house. Ms. Kimball also noted that this years a form had to be filed in order to allow lobbying. Mr. Tucker stated by requesting and negotiating funding from the County for CEDC had constituted lobbying, and he had been required to file a form with NYS.

Mr. Jones stated the audit increased the level of confidence in CEDC going forward. Mr. Bianchi called for a motion to recommend the financial statement and related correspondence be presented to the full CEDC Board. *Ms. Keil made the motion, seconded by Ms. Finnegan to recommend the financial*



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statement and related correspondence be presented to the full CEDC Board for approval with the suggested changes. Carried.

Ms. Finnegan made a motion, seconded by Mr. Lapenn to recommend the management letter be presented to the CEDC Board with the addition of the PARIS Report being completed in house. Carried.

With no other business to come before the committee, Ms. Keil made a motion, seconded by Ms. Finnegan to adjourn the meeting. Carried.

The meeting was adjourned at 9:37am

Respectfully submitted by Lisa Draushuk