

## ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

### AUDIT COMMITTEE MINUTES

March 14, 2019

Orange County Business Accelerator in New Windsor, New York.  
12:30pm- 1:30pm

**PRESENT:** James DiSalvo, Michael Gaydos, John Steinberg

**ALSO PRESENT:** Laurie Villasuso - Chief Operating Officer, Vincent Cozzolino, Melanie Schouten, Kelly Reilly, Kevin Dowd- Attorney, Joel Kleiman – CFO  
Kevin Loewke, Rob Unger – JGS, RJ Martucci – JGS, Marc Devitt

#### **Audit Review**

Mr. Kleiman stated that the Audit Committee board has two audits; one for IDA and the second for OCFC. In the past the auditors would run through a quick overview of the IDA and the OCFC which is a component unit and part of the IDA. Mr. Cozzolino stated that for clarity the Accelerator spending is also included in the IDA, Mr. Martucci stated yes. Mr. Unger stated that on pages 1 – 3 it is JGS's report which, in their opinion, is a clean and unmodified report with no issues that were encountered and that is reiterated in the Management Letter. Mr. Unger then went to page 6 which are the assets. He stated that the IDA is in a very strong cash position which is about \$14 million up from last year which was \$13.5 million. Mr. Kleiman stated that 50% of the money is liquid. Mr. Unger stated that on page 23 is a report of the investments they did and set Mr. Kleinman up with a template to use. Mr. Kleiman stated that in 2018 NYS came out with a new regulation that required audit procedures done on investment policy. He stated this is the first time we are seeing this report. Mr. Unger went on to Accrued Interested Receivable which is money accrued from CD's and money markets through end of year. Mr. Unger went on to Prepaid Expenses and stated that is money from insurance expenses, Capital Assets is our fixed assets, Security Deposit we have more spaces (PODS). He stated the Total Assets of combined entities are \$17.4 million dollars. Mr. Unger went on to the Current Liabilities accounts payable and Accrued Expenses are professional fees and project fee's, Tenant Security Deposits is what is owed to our tenants and the Net Assets section investment of Capital Assets which is our fixed assets and the unrestricted assets is what the board designates for future use and is noted on page 10 and the rest is Undesignated Funds.

Mr. Unger went on to Revenues page 7, he stated overall the IDA is just over \$4 million versus \$3.4 million from last year. Fee Income is down from last year, closing fee 2.8 million verses 1.6 million which the majority is Merlin. He stated that we have Rental Income and Grant Income from The Accelerator. Mr. Martucci stated there is also \$108,000 which is Millennium. Mr. Unger went on to the expenses and stated overall expenses were \$2.853 million versus \$2.474 million last year. Mr. Unger stated that the depreciation expenses is higher due to the fixed assets. He stated the next page is the cash flow with footnotes with financial statements. Mr. Unger briefly went over the investment and limited liability partnership note 8 page 13. Mr. Unger stated note 11 talks about the retirement plan. Mr. Kleiman asked if there are any comments as far as a confirmation that we are better or worse than last year in terms of response and quality of response. Mr. Martucci stated the time frame was tough. Ms. Villasuso stated that they will be working on that for the coming year and will be working on individualized letters to be sent out to the companies. Mr. Martucci stated that the management comment letter is a vehicle to identify any issue and there was no significant deficiencies or material weaknesses. Mr. Martucci stated that the only thing that they wanted to note was a prior finding and wanted to bring to light that there were no journal entries booked in 2017 and 2018 JGS did not have this issue. Mr. Martucci stated that the Governance Letter is a synopsis of the audit and JGS had no issues with management, positions, everything was professional and to the auditors liking. Mr. DiSalvo motioned to accept the 2018 Audit Financials, Mr. Gaydos seconded the motion. All were in favor.

#### **IBM Audit**

Ms. Villasuso stated that the IDA had done a forensic audit on the job numbers for IBM and it will be coming to a close soon. Ms. Villasuso stated that the board had approved an extension and increase to IBM's STE. Mr. Martucci stated the summary of the audit is on page 2. Mr. Martucci stated that he is available via email once the Audit Committee reviews the report and has any questions. Mr. Kleiman stated that if the Board wants it can adopt this now or it can wait until the 2017 audit is completed. He stated that after 2017 audit the board does not want to go forward with any more audits. Mr. Steinberg said that the board should accept the audits from 2014 – 2016. Mr. DiSalvo moved to accept the audits from 2014 -2016 which was seconded by Mr. Gaydos. All voted in favor.

## **MedParc**

Ms. Villasuso asked Mr. Loewke to give the board an update on MedParc and then asked Mr. Devitt to let the board know where MedParc stands to getting to the 85% local labor for Header Construction. Mr. Loewke stated that currently Header Construction is at 29% local labor. Mr. Loewke stated that the number is increasing, and Header Construction has been using all local labor. Mr. Loewke stated that Mr. Devitt and Mr. Ewald from Hospitality Builders have been using Header Construction in multiple ways to increase the percentage of local labor. Mr. Loewke stated that with all other jobs Loewke Brill has been auditing except for Dana Distributors, which has one contractor that is not up to 85% but will be by the end of the project, all other projects are in compliance.

Mr. Devitt stated that they are trying to get Header Construction's local labor up and since January they have had all local labor. Mr. Devitt stated that he does not know if they will get Header Construction up to 85%, it will be very difficult. Mr. Devitt stated that the number is up and that they will be pushing hard to get the local labor percentage up as much as they can. Mr. Devitt stated that all other contractors are above 85% on the job. Mr. Devitt stated that if he does not make the 85% number and there is a claw back on his benefits, he would like to come back to the board to plead his case. Mr. Devitt feels that if they came to the board with a cost differential, he would have gotten the waiver based on having 4 estimates and Header came in 25% less. Mr. Devitt stated that building the hotel, creating the economic development, purchasing the materials and the jobs created should factor in.

Mr. Gaydos asked Ms. Villasuso to send out a copy of the letter from Mr. Mark Fellenzer. Ms. Villasuso stated she would do that.

Ms. Villasuso asked Mr. Loewke about Merlin. Ms. Villasuso asked about the requirement for MWBE and if they will have to pull people from outside the Hudson Valley to meet this requirement since it is a state funded project. Mr. Loewke stated no not yet. Mr. Loewke feels that it should not be a problem since Merlin is taking this project very seriously. Mr. Loewke stated that all contractors will be RFID'ed to keep track of the workers. Ms. Villasuso stated that since this project is a state funded job and require 30 percentage of MWBE, and there is a shortage of MWBE in the construction field, one issue will be to get the required MWBE's on site or they will lose some of their grant funding, so there will be a delicate balance. Ms. Villasuso stated that these MWBE's can come from anywhere in the US. Mr. Cozzolino asked Mr. Loewke if he could do any pre work on this. Mr. Loewke stated that he will speak to the project General Contractors about any potential issues.

Ms. Villasuso stated that Mr. Devitt should come back next month and asked the board to think about what they want to do about the recapture.

## **Investment Overview**

Mr. Kleinman stated that there is an approved policy that is reviewed every year with OCFC and IDA which is compliance with NYS municipal law. Mr. Kleiman stated that with every bank we deal with we have to have a Pledge Collateral Agreements. Mr. Kleiman stated that last year he updated all Pledge Collateral Agreements. Mr. Kleiman stated that he is very comfortable with having a nice mix of equity and investment.

Audit Committee Meeting ended.