

Assessment of the Effectiveness of IDA Internal Control Structure & Procedures- 2011

- In 2011 the Orange County IDA operated in compliance with the NYS General Municipal Law, the Public Authorities Accountability Act and other relevant statutes. The IDA's bylaws were amended to include the revised PAAA requirements—and were unanimously adopted in 2011.
- At the IDA annual meeting in January 2011, an Executive Director, Chief Financial Officer, Contract Officer, and Audit & Governance Committees were appointed as required by law. The Audit Committee and Governance Committee meet prior to the scheduled IDA monthly meeting as necessary.
- The Chief Financial Officer is the County Treasurer and issues monthly financial reports. The IDA's 2011 Annual Audit was received and submitted on time, as was the IDA's projected 2011 budget. Investment monies are in CD's which are awarded to the highest bidder.
- In 2011 the IDA continued to operate its successful Orange County Business Accelerator, which is Orange County's own economic stimulus plan that came on line opened in late 2009. The business accelerator is funded by the IDA in the amount of \$1.5 million for three years including 2011. The business accelerator occupies the entire first floor of a new building at Stewart International Airport, comprising 10,000 square feet. It offers entrepreneurs a mentoring environment for management, marketing, legal and accounting services, and critical venture capital. The business accelerator offers subsidized rent, computer services, broadband, wireless, video-conferencing, and everything else to get a fledgling business underway. Clients may stay for three years and then will graduate into their own buildings, providing high-paying jobs. The IDA's return-on-investment comes in the form of good jobs and tax ratables from new buildings.
- The IDA attended in April 2011 the annual meeting of New Hampton Technologies or RoadLok, which is a motorcycle-lock company in which the IDA had obtained an investment. The situation is that in November 2009 the IDA acquired from the Orange County Partnership at zero cost all shares in Orange County Capital Development Corporation. The purpose of the Orange County Capital Development Corporation was to finance entrepreneurial ventures in Orange County. That corporation had become the general partner in Orange County Capital Development Corporation Limited Partnership Fund #1. The fund was opened in 2006 with a \$500,000 IDA limited partner investment. When the IDA acquired Orange County Capital Development Corporation in 2009, it soon thereafter decided to close down both the corporation and the fund in 2010. Of the \$500,000 investment by the IDA approximately \$350,000 was returned to the IDA in 2010, and the \$150,000 which the fund had invested in New Hampton Technologies shares also inured to the IDA.

- In 2011 a company named Breonics remained in business in Albany, NY, having relocated there from Orange County. Breonics has been awarded federal NIH grants in the millions to pursue its biotech business involving transplants of human organs. The IDA had brought legal action against Breonics and in 2007 was awarded a judgment, which resulted in a post-judgment settlement of \$233,083 in favor of the IDA. An initial payment of \$10,000 was received in January 2009. There has been no further financial recovery in 2011. The IDA remains hopeful of full financial recovery when Breonics begins to make a profit.
- In 2011 a nettlesome case was settled at no cost to the IDA. In 2010 an IDA client, Orange County Choppers, for reasons of its own decided not to pay its mortgage payments to G.E. Capital Services or its PILOT payments to the Town of Newburgh. The mortgagee initiated a foreclosure action against Choppers and named the IDA as a defendant. The Town also brought suit. Orange County Choppers settled with the IDA, the Town, and G.E. Capital. Orange County Choppers indemnified the IDA for its legal expenses in full.
- In 2011 the IDA attorney advised the Chairman, board, and Executive Director that a legal opinion should be sought regarding the appropriateness of IDA expenditures to outside entities in the economic-development field. The Board authorized the attorney to seek guidance from special counsel, specifically the former Orange County Attorney who specializes in complex municipal cases and appeals. In response to the inquiry, two written legal opinions were received by the IDA regarding: (1) project expenditures, and (2) designation of IDA agents. The IDA is following the two opinions to the letter.
- The IDA website is current and contains all information required by the PAAA. The IDA met every month in 2011 in open meeting. Formal resolutions were presented and acted upon. Minutes were kept and posted on the website.
- The IDA Chairman, Executive Officer, and attorney attended all public hearings. Stenographic transcripts are made for all public hearings.
- IDA economic development funds were disbursed pursuant to resolution and written agreements.
- In summary the internal control structure and procedures of the Orange County IDA are excellent and in compliance with State law.