

TOWN OF HEMPSTEAD
Local Development Corporation

2015 ASSESSMENT OF EFFECTIVENESS OF INTERNAL
CONTROL STRUCTURE AND PROCEDURES

A. Mission and Major Business Functions:

The mission of the Town of Hempstead LDC is to enhance economic activity for not-for-profit entities, spur growth, and job development in our region. To accomplish these goals the LDC is authorized by the Town of Hempstead (Resolution dated June 22, 1996) to operate exclusively for charitable or public purposes pursuant to the New York State Membership Corporation Law.

The LDC was inactive for a number of years. However, at that time, the former Supervisor Kate Murray and the Hempstead Town Board, sensing the need for a legal entity to assist not for profits, educational institutions and charitable organizations, reformulated the LDC by Town Board resolution on March 3, 2009. Thereafter, the newly created LDC board, together with consultants, has worked to comply with current legal requirements governing such entities.

Hence, the LDC has served as an active and productive economic vehicle since that time.

The limited scope of the LDC's legal jurisdiction dictated that the newly created agency administrating its operation be small. The work of the LDC is provided on a contractual basis with labor performed by consultants. Mike Lodato serves as the Administrator and he is supported in his efforts by Edie M. Longo, CFO and Frederick E. Parola, CEO. The staff maintains comparable titles within the Town of Hempstead Industrial Development Agency.

B. Risks Associated with Agency Operations:

There is always the potential for fraud and theft where an Agency generates revenues and payments are collected for services rendered to the entity. However, the LDC operates through its three "contractual employees" wo engage in constant interaction and discussion.

A small office presents both unique problems and benefits to maintain the integrity of internal controls procedures. The intimate interaction in a small office should prevent the development of abuses that may evolve in administration, as constant interaction amongst the personnel tends to terminate poor procedures at their inception.

There is continuing oversight of the separate roles and duties for which each of the “employees” are engaged.

Conversely however, a small office operation can be too intimate creating the possibility of abuse easily. Hence, the staff and board conscientiously work to ensure that there is no overlapping of duties. The Administrator conducts the administrative operation of the LDC. His work is reviewed and overseen by the CEO and CFO constantly. The dialogue amongst the consultants is ongoing and procedures are constantly evolving to ensure the most optimum deployment of time and energy.

In fact, the IDA and LDC with the services each provide to the Town of Hempstead, are “partners in economic vitalization” and the umbrella created by the two entities well serve the needs of the town’s residents and other institutions.

C. Internal Control Systems in Place:

The revenue generated by the transactions undertaken by the LDC are safeguarded through stringent corporation controls. Michael Lodato serving as the Administrator handles these finances in terms of checking and bank accounts. The CEO initially reviews all checking and bank statements, and oversees such administrative operations independently. Resolutions for payment authorization are created by the CFO or the Administrator.

The purchase of any service is approved by the CFO who oversees all resolutions created by the LDC Administrator. The Chairman of the Finance Committee, who is a member of the board, independently reviews all such financial activities and the board is furnished with a financial statement and expenditure list at each meeting.

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 Corporation's accountants diligently question and scrutinize internal controls, reinforces the Corporation's preoccupation with functional risks. The Corporation's counsel, John Ryan serves as an independent source to oversee & review operations.

As stated, the internal control structures and procedures of the Town of Hempstead LDC are reviewed by the staff as well as by our independent accountants annually. These controls are adopted by both the committee and the full board.

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

Internal control procedures are constantly re-evaluated by staff to ensure that a clear delineation of responsibilities are incorporated into operations. These discussions and findings are reviewed by both board members and the LDC independent accountants. Cash and all check writing is the responsibility of the Administrator. The CEO independently reviews all assets held by 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 LDC deposits provide adequate security.

Furthermore, the staff discusses financial operations on a weekly and, often, 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), are paid by check as well as pursuant to a standing resolution approved by the board. The CEO and CFO review all such payments made by the Administrator.

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

The Investment Chairman of the LDC Board is provided with all financial claims, payments and budget updates on a regular basis. The LDC Board members are presented with all such budgetary materials prior to its meetings. Minor

expenditures are approved pursuant to a standing board resolution and larger, specific expenditures are approved by resolutions that address that item.

Any and all purchases of services and largely items are conducted pursuant to the LDC'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 as set forth in the LDC's procedures over its operation create a multi-leveled structure that virtually preclude abuse and ensures the timely and quick exposure of any indiscretion.

Supporting this observation as to the excellence of the corporation's internal control is the review by the Corporation'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.

E. Corrective Action:

Any inappropriate action discovered within the Corporation's operations is referred to the Corporation's independent counsel for review and his recommendation as to what action should be adopted by the LDC board.

The Corporation'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.

Adoption: March 29, 2016

Resolution Number: 019 – 2016 LDC

(aye)

(nay)

A handwritten signature in black ink, written over a horizontal line. The signature is cursive and appears to read "Theodore Sasso".

Theodore Sasso
Chairman