



November 13, 2012

Judy Seil, Executive Director
County of Monroe Industrial Development Agency
50 Main Street West
Rochester, New York 14614-1293

Dear Ms. Seil:

As you requested, we are very pleased to provide you with three (3) copies of the County of Monroe Industrial Development Agency's (IDA) compliance risk assessment report.

Based on information made available to us, we performed a compliance risk assessment for the IDA focusing on the following areas:

- **Governance, contract, personnel, and organization requirements**
Organizational documentation and clarity; documentation of expectations for members, officers, and employees' responsibilities, performance, and conduct; and documentation of oversight and review processes.
- **Budgeting, accounting, reporting, and audit requirements**
Complete and timely budgets and reports; audit requirements are met; and documentation and openness of outcomes.
- **Project selection criteria and process**
Existence, clarity, and consistency of selection criteria; cost/benefit analysis conducted; and openness and documentation of process and decisions.
- **Payments-in-lieu of taxes (PILOT) agreement process**
Clarity and consistency of criteria; openness and documentation of process and decisions; and follow through on collections and distributions.
- **Project monitoring process**
Clarity and consistency of agreements; completeness and timeliness of reporting; and follow-through on performance.

In order to conduct this risk assessment, we requested selected information from the IDA and then analyzed the information received. Based on our analysis, we produced this report for your consideration. We did not conduct an audit in conformance with auditing standards generally accepted in the United States of America. Therefore, we are not expressing an opinion on the IDA's financial statements and/or compliance with legal or regulatory requirements.

Our analysis was based on the “IDA Recommended Practices” developed by the New York State Economic Development Council’s (NYSEDC) Industrial Development Agency (IDA) section, Public Authorities Law (PAL), and General Municipal Laws (GML), Authorities Budget Office (ABO) recommended practices, and other related sources. The **Key Risk Areas for Discussion** are based solely on our analysis of the information that was provided to us by the IDA.

This report is intended solely for the information and use of the Board and officers of the IDA as a management tool in decision making and is not intended to be and should not be used by anyone other than these specified parties. The **Areas to Consider for Additional Risk Reduction** are suggestions of where the Board and officers might consider investing additional time and resources to address compliance risk areas. The Board and officers should review this report carefully and pursue those areas that they think are the most critical, practical, and feasible.

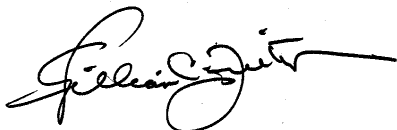
Additional important information to keep in mind as you review this report:

- While not all areas highlighted are necessarily equal, they are all designed to focus on information that may be useful to the Board and officers for reducing compliance risk to the IDA. Some areas may have particular importance to your IDA, while others may not be as important.
- When reviewing the risk assessment results included in this report, care should be taken not to jump to quick conclusions. It is important to develop a full understanding of what is behind the information and what it means before drawing conclusions about what should be done to reduce the risk, if anything. The **Guide to Recommended or Required Practices** section of this report is designed to help you through this process.

We thank you for choosing our compliance risk assessment service and sincerely hope that this report provides you with assistance in continuing to perform your oversight duties. We will be following up with a brief survey in about one (1) month to help us understand your level of satisfaction with this service and to allow you to provide us with any suggestions for changes or improvements to the service. Of course, you may also provide feedback directly to Kirk Schanzenbach at 518-459-6700, ext. 398 (800-724-6700) or e-mail at kschanzenbach@bstco.com.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP



William C. Freitag, Partner

**COUNTY OF MONROE
INDUSTRIAL DEVELOPMENT
AGENCY**

COMPLIANCE RISK ASSESSMENT

November 13, 2012



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Executive Overview

Analysis Summary

Risk Area	Overall Risk Rating	Compliance Risk Rating	Best Practices Risk Rating
Governance, Contract, Personnel, and Organization Requirements	Low	Low	N/A
Budgeting, Accounting, Reporting, and Audit Requirements	Low	Low	N/A
Project Selection Criteria and Process	Low	Low	Low
PILOT Agreement Process	Low	Low	Low
Project Monitoring Process	Low	Low	Low

Meeting compliance requirements is an important aspect of IDA operations. However, meeting all of the numerous compliance requirements could involve significant investment of resources that may not be available. In addition, meeting compliance requirements is not the only important aspect of an IDA's operations. Therefore, the Board and management of the County of Monroe IDA are in the best position to make decisions on the allocation of IDA resources toward achieving all of the goals of the IDA, including meeting compliance requirements.

While there are almost always ways to improve compliance, overall the IDA is performing effectively (low risk) in all of the compliance areas. We have summarized the areas that will help reduce the risk of noncompliance for the IDA in the **Key Risk Areas for Discussion** section below. A more detailed guide to improving compliance for each risk area highlighted is included in the **Guide to Recommended or Required Practices** section of this report.

Key Risk Areas for Discussion

Areas of Strengths:

The IDA is low risk in all compliance areas and has many compliance risk reduction strengths, including:

- ✓ **Governance** – The IDA has adopted and regularly updated a mission statement, performance measures, by-laws, and all required policies
- ✓ **Board members** – All board members have received required training, signed an acknowledgement of fiduciary duties statements, and submitted disclosure statements
- ✓ **Finances** – Required budget, audit, and annual reports have been completed and submitted on time
- ✓ **Project Selection** – A project selection process, including application, public hearing, resolutions, and cost benefit analysis requirements are in place and appear to be working
- ✓ **Project Performance** – The project PILOT agreements clearly spell out the project performance and reporting requirements
- ✓ **Project Monitoring** – The IDA has adopted an Annual PILOT Compliance Review Process that clearly spells out the project monitoring process and appears to be following the adopted process

Areas to Consider for Additional Risk Reduction:

(More detailed information is provided in **Guide to Required or Recommended Practices.**)

- ✓ **Additional Documentation for the Selection and Review Processes** – The Board should consider additional documentation for the Project Selection and Annual PILOT Compliance and Review processes

Guide to Required or Recommended Practices

✓ Additional Documentation for the Selection and Review Processes

Project Selection Process

The IDA has a uniform tax exemption policy and uniform application that have been adopted and are in use. The uniform tax exemption policy includes provisions for:

- Types of projects allowed
- The types of tax exemptions allowed
- The conditions for exemptions for each type
- Conditions for deviations from exemptions
- Recapture provisions

The IDA also has a project selection process in place and functioning, but the process is not fully documented.

In addition to the currently documented uniform tax exemption policy and uniform application, the Board should also consider documenting the following project selection processes:

- Review process (steps can include: prescreening, initial acceptance, application, staff work, public hearing, final review, approval, etc.) and responsible individual(s)
- Review/verification requirements (cost benefit analysis, SEQR review, current jobs, project cost estimates, impact on local property taxes, etc.) and responsible individual(s)

A comprehensive, documented project selection process will help ensure complete and consistent results across projects and potentially a more complete public understanding of the review and approval processes.

Annual PILOT Compliance and Review Process

The IDA has developed and uses a documented Annual PILOT Compliance and Review Process. The Board and management should be commended for adopting this policy and carrying it out effectively as it helps to ensure that each company that has been granted exemptions actually meets their commitments/requirements. While this policy can be considered a model for other IDAs, it could be enhanced by considering the addition of the following documentation:

- Including in the policy an explicit assignment of responsibility for each step to a specific IDA position/employee
- The addition of a step in the process to confirm that the lessee has actually paid their required PILOT payments to the appropriate taxing jurisdiction
- Clearly define the Board's, PILOT Compliance Review Committee's, and Executive Director's roles in the process
- Generally define conditions that could lead to a waiver of requirements

The addition of the above documentation to the Annual PILOT Compliance and Review Process would help strengthen and improve the policy and the public accountability for the process.