

YEDC

Yonkers Economic Development Corporation

**Yonkers Economic Development
Audit Committee Meeting
July 11, 2012**

Present Committee Members

Cecile Singer, Board Member
Martin Ball, Sr., Board Member
Michael Baratta, Board Member

Non-Committee Members Present

Melvina M. Carter, Yonkers IDA President, CEO
Jesus A. Lopez, Yonkers IDA CFO
Bill Riley, O'Connor Davies
Charles Mangaracina, O'Connor Davies
Pat Serenson, Accountant

Roll Call

Melvina Carter, IDA CEO introduced Jesus A. Lopez as the new Yonkers IDA CFO and called the Meeting to order at 9:30 a.m. A roll call was taken. The following Committee Members were noted to be present: Cecile Singer, Michael Baratta and Martin Ball, Sr. A quorum was established for the conduct of business.

Review and Discussion of Draft Audited Financial Statements for 2011, Internal Control Letter and 2011 Investment Report

Charles Managaracina, O'Connor Davies explained that the prepared draft statements and management letter had been in draft form awaiting YEDC Audit Committee Meeting to take place. Mr. Managaracina advised that there was some difficulty since this was the first audit for YEDC and everyone involved was pleased with the disclosures and notes. Mr. Managaracina added that O'Connor Davies has issued an unqualified opinion on the statements.

Bill Riley, O'Connor Davies went through the audit power point presentation and draft financial statements. Mr. Riley highlighted that the presentation was similar to the Yonkers IDA audit presentations and referenced page 2 which was the discussion items of the audit process. Mr. Riley added that they looked at significant audit areas and the

results of the 2011 items would be discussed. Mr. Riley also advised that communicated control matters were identified during the audit review and the auditors required communications.

Mr. Riley stated that the audit process was similar to the IDA's with an understanding of the YEDC business operations internal controls structure. Mr. Riley added that tests were performed on internal controls, assessment risks at the assertion level. Mr. Riley explained that an audit plan was developed for YEDC in order to perform the audit, procedures, findings and any internal control matters were documented in the initial report.

Mr. Riley stated that the significant YEDC audit areas were the nets and loans, payables, receivables and grants received during the year; highlighting that an unqualified opinion has been issued for the YEDC as of December 31, 2011. Mr. Riley referred to page 7 which were the financial statement highlighted and pointed out that this was the YEDC's 1st year audit and that everything on the balance sheet was new. Mr. Riley advised that the cash indicated was what was left over from all the equity for the year and explained that the notes to the receivables of \$2.6 million was the balance at the end of 2011; the net transactions for the year was over \$11 million. Mr. Riley added that the basic financial statements which were the regular balance sheet, net assets, cash, receivables and payables. Mr. Riley continued onto page 8 consisted of certain activities that went throughout the year and had just a few transactions from the few projects. Mr. Riley also mentioned also the grants were a little over \$10.9 million, the agency fees during the year and management fees were charged out.

Mr. Riley asked if there were any questions. CEO Carter pointed out to the committee that the management fees constituted the agreement between IDA and YEDC. CEO Carter explained that the IDA staff serves as the administrative staff for the YEDC and management fees are actually paid out to the IDA from the YEDC monies received. Martin Ball, Sr., Committee Member referenced page 3 regarding the performed selective tests on internal controls and inquired if the tests change every year. Mr. Mangaracina explained that every year different tests are performed as part of the audit process.

Ms. Singer commented that the audit appeared to have a reasonable structure and the notes explained quite adequately each area and that she was impressed by the transparency of the report. Ms. Singer advised the committee that the State Department looks at all areas such as local and economic development corporations. Ms. Singer added that the main concern was that the audit fulfilled all areas adequately in case it was taken apart so that it would be able to stand up to any inquiries and requested O'Connor Davies to be particularly sensitive to all matters.

Mr. Mangaracina advised that the notes were reviewed meticulously by management. O'Connor Davies quality review partners and the attorney. Mr. Mangaracina added that the notes listed allow the statements to be more transparent. Ms. Singer commended the notes and how they enable the reader to walk through and understand what the functions are for each area in the financials.

Mr. Mangaracina reviewed page 9 which contained communications and internal control matters identified in the audit. Mr. Managaracina advised that the definition of terms under audited standards as deficiency of internal controls, the highest level suggest that when the design or operational controls does not allow management during the normal course of business to perform their functions to detect and correct on a timely basis. Mr. Mangaracina added that significant deficiency and the highest level is material weakness and explained that professional standards require O'Connor Davies to communicate to the board and committee if any material weakness' are identified. Mr. Mangaracina advised that there were no weaknesses identified during the audit; the internal controls were in place and found all areas were functioning appropriately.

Mr. Mangaracina highlighted the next section of the audit which was the auditors required communication this was presented similarly to the IDA. Mr. Mangaracina advised that O'Connor Davies would be responsible to render opinion on the financial statements and added that there were no difficulties working with management and nothing to report on when it came to illegal acts or fraud. Mr. Managaracina explained that everything worked well and asked if there were any questions. Martin Ball, Sr. expressed satisfaction with the audit and stated that the materials were clear and precise.

Mr. Mangaracina inquired if there were any further correspondence with IRS regarding the issue that Shawn Griffin, Harris Beach PLLC was working on. CEO Carter explained that an email with an attachment letter from the IRS was forwarded the board that explained that the YEDC was not considered a 501 C3 and that the IRS was banking on the YEDC to determine that the status was 115; the IRS had no further review. CEO Carter added that the letter can be provided to the committee and board again. Ms. Singer advised that since financial statements were becoming more complex anything that occurred in a meeting should have the relevant materials included with the agenda.

Legal Updates

No legal updates

Other Business

No other business was reported

Adjournment

A motion to adjourn was made at 10:15 a.m. unanimously. *Approved 3-0*