



**Report on the Onondaga County
Office of Economic Development
Selected Financial Information and Internal Controls
By Onondaga County Comptroller Matthew Beadnell**

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SECTION I

INTRODUCTION AND EXECUTIVE SUMMARY

Introduction

The Onondaga County Legislature, pursuant to resolution, requested the County Comptroller (Comptroller) to perform an audit of the financial records and accounts of the Office of Economic Development (OED).

The Office of Economic Development is responsible for the management and staffing of the Onondaga County Industrial Agency (OCIDA), Onondaga County Development Corporation (OCDC), and the Trust for Cultural Resources of the County of Onondaga (CRT). Each entity's Financial Statements state that the County contracts with them to provide staffing services.

Executive Summary

According to their website, OED "...is a collaborative organization that provides information and services to relocating companies, expanding companies and local businesses." Their goal is "...to improve and grow the physical, financial and human infrastructure in Syracuse and Onondaga County, as well as, improving the area's ability to retain and recruit businesses."

OED falls under the control and direction of the County Executive and engages the entities it staffs and manages to help reach their goals. The County receives monies from these three entities for services provided, payments in lieu of taxes (PILOTS), and other programs/grants.

The full text of the Findings and Recommendations are included in that section of this report. We had the following summarized Findings and related Recommendations:

Finding 1 – Contracts with Related Agencies

- There were no formal, written contracts with the three agencies that OED staffs and manages.
- Payments received from the three entities (OCIDA, OCDC, and CRT) for services provided by OED were at least \$610,317 and \$588,000 short of total costs for 2017 and 2018, respectively. After subtracting an annual Syracuse Industrial Development Agency grant of \$338,000 that is required to be used for economic development, the net shortfall is \$272,317 and \$250,000 for 2017 and 2018, respectively. It appears local dollars (generally sales and property taxes) were used to fund the difference. The annual SIDA grant ends in 2018.

➤ **The following table is a summary of OED costs and revenues received:**

	2017	2018
Total OED Costs	\$1,175,339	\$1,237,217
Payments Received from OCIDA, OCDC, & CRT	\$565,022	\$649,217
SIDA Grant	\$338,000	\$338,000
Net Costs to Taxpayers	\$272,317	\$250,000

- We were informed by the OED Director that they did not require records supporting employee time spent on activities of the three separate entities and other OED projects/activities. Therefore, we were unable to determine whether payments reimbursing the County for services from these three entities were supported and accurate and fully reimbursed the County for the cost of staffing and managing the three separate entities.

Recommendations Related to Finding 1

- 1) *OED should execute written contracts with each of the three entities.*
- 2) *Payments for services from OCIDA, OCDC, and CRT should proportionally cover the appropriate operating costs of OED. Local dollars should not be used to finance the activities of the three separate entities OED staffs and manages. Future contracts with the three entities should include an adjustment to actual clause.*
- 3) *OED should use a more supportable methodology as a means to determine billable service costs to the three entities. Alternative methodology could include staff and other time records (preferred method), number and type of projects, activities undertaken by each project with estimates of time typically devoted to that type of activity, or any other quantifiable, repeatable measure that reasonably relates to the cost of activities to OED.*

Finding 2 – Control and Monitoring of PILOT Payments

- There were unfavorable differences of over \$520,000 and \$360,000, respectively between the County’s expected estimated PILOT revenue and actual revenue for 2017 and 2018. We were unable to determine the cause of the difference because the Director of OED would not allow us access to OCIDA records.
- An independent verification of PILOT payments is not performed by the *County’s Office of Real Property Tax Services*.
- We were unable to determine the cause of the difference because the Director of OED would not allow us access to OCIDA records.

Recommendations Related to Finding 2

- 4) *To ensure all payments are collected and properly paid to the County, we recommend improved controls over the collection and remittance of PILOT payments. One possible improvement would include assigning one OED employee to collect PILOTs, make payments to the County from OCIDA, and coordinate with the County Office of Real Property Tax Services.*
- 5) *An individual in the County's Office of Real Property Tax Services should be assigned the responsibility of reviewing, ensuring the accuracy of all PILOT payments, and following up when there are differences between expected amounts and actual payments received.*
- 6) *OED is subject to the Comptroller's audit authority and access and the NYS Freedom of Information Law (FOIL) for records access. In addition, OCIDA records are subject to FOIL. As such, the OED Director had no authority to withhold OED and OCIDA records from the Comptroller.*

Finding 3 – Budgetary and Financial Issues with OED Grants

- We noted OED grants with various degrees of budgetary and financial issues: including grants that appear to be completed but not closed out; with excess local revenues; with unrealized revenues; and with expenses greater than realized revenues.
- The Economic Development Specialist III is serving in the role of Fiscal Officer for OED. OED handles significant financial and budgetary activity.

Recommendations Related to Finding 3

- 7) *OED should implement review and close out procedures to ensure completed grants are closed in a timely manner.*
- 8) *For the Economic Development Fund Grant (#734306), if additional state aid is available, OED should file the necessary claims and recognize the receivable and related revenue in a timely manner. If additional state aid is not available, the County Executive and Legislature need to find another funding source to cover the full expenses incurred for this grant.*
- 9) *OED should return excess local dollars recognized as revenue, as appropriate.*
- 10) *OED should implement procedures to ensure fees are collected and recorded for the use of the Film Hub.*
- 11) *OED should consider a fiscal officer position on staff.*

SECTION II BACKGROUND

Background

Pursuant to the Administrative Code 3.07, the Office of Economic Development (OED) is responsible for the staffing and management functions for three legally separate entities. These three entities are the Onondaga County Industrial Agency (OCIDA), Onondaga County Development Corporation (OCDC), and the Trust for Cultural Resources of the County of Onondaga (CRT).

OCIDA reviews and approves sales, mortgage, and real property tax exemptions for businesses to stimulate economic development growth. OCIDA may also assist project financing by issuing taxable and tax exempt bonds. OCIDA is a conduit of Payment in Lieu of Taxes (PILOT) payments which it negotiates, processes, and pays over to the County.

OCDC uses available financial and policy incentives to stimulate economic growth, lessen the burdens of government, promote job creation and retention, generate prosperity, improve the quality of life of residents, and encourage economic vibrancy. OCDC acts as a conduit bond issuer on behalf of not-for-profit corporations seeking capital financing opportunities.

CRT is a public benefit corporation and an authorized issuer of bonds for non-profit cultural organizations that are more than 5 years old. The administrative fees paid to the CRT are used to assist with cultural and economic development priorities in the County.

Even though OED employees staffed and managed all activities of OCIDA, OCDC, and CRT, the Director of Economic Development refused our inquiry and access to these three entities' activities and records. Her stated reasoning was a belief the activities and records did not fall into the jurisdiction of the Comptroller's Office for audit purposes.

Scope

The scope of our audit included an accounting for total expenses/costs, and offsetting contracts/revenues relating to OED for 2017 and 2018 and any related policies and procedures; control and monitoring of PILOT payments; and grant fund budget and finance issues. As stated above, we could not include OCIDA, OCDC and CRT activities and records in the scope of the audit because of the scope limitation set by OED.

Methodology

In order to complete our audit objectives we:

- Met with OED management to gain an understanding of their processes, policies, procedures, and internal controls.
- Reviewed statements and supporting records related to the incoming payments to the County from the three separate entities OED staffed and managed for 2017 and 2018.
- Reviewed PILOT payments received by the County for 2017 and 2018.
- Reviewed the audited financial statements for each of the three separate entities OED staffed and managed.
- Asked OED management for the contracts/agreements with the three entities.
- Reviewed budget and actual financial information for OED grants.

SECTION III FINDINGS & RECOMMENDATIONS

Finding 1 – Contracts with Related Agencies

There were no formal, written contracts with the three entities that OED staffs and manages. Payments received from the three entities (OCIDA, OCDC, and CRT) for services provided by OED were at least \$610,317 and \$588,000 short of total costs for 2017 and 2018, respectively. After subtracting an annual Syracuse Industrial Development Agency grant of \$338,000 that is required to be used for economic development, the net shortfall is \$272,317 and \$250,000 for 2017 and 2018, respectively. It appears local dollars (generally sales and property taxes) were used to fund the difference. The annual SIDA grant ends in 2018.

The following table is a summary of OED costs and revenues received:

	2017	2018
Total OED Costs	\$1,175,339	\$1,237,217
Payments Received from OCIDA, OCDC, & CRT	\$565,022	\$649,217
SIDA Grant	\$338,000	\$338,000
Net Costs to Taxpayers	\$272,317	\$250,000

Local dollars include general taxes such as property and sales taxes.

We were informed by the OED Director that they did not require records supporting employee time spent on activities of the three separate entities and other OED projects/activities. We noted OED has an informal method, based on time spent in respective board meetings, of determining time allocation to each of the three entities receiving their services. OED states they estimate the allocation from the prior year to determine the current year amount billed for each entity. The activities used to configure the estimates consist of board agendas, applications, project documents and minutes/notes of meetings. For 2018 the breakdown they developed for allocation of costs was OCIDA 80%, OCDC 15% and CRT 5% which they state came from 2017 activities. For 2019 the breakdown OED determined was: OCIDA 66%, OCDC 17% and CRT 17% which they say came from the 2018 activities. We were unable to duplicate the estimates provided to us. To have a comparison, we took a respective percentage of 2017 agenda items from each entity to estimate 2018 time allocation percentages. Based on that, our estimations for 2018 were as follows: OCIDA 56%, OCDC 27% and CRT 17%. We calculated 2019 estimates from 2018 agenda items as follows: OCIDA 46%, OCDC 35% and CRT 19%.

Based on information we received from the OED Director and our analysis, we were unable to determine whether payments reimbursing the County for services from these three entities were supported and accurate and fully reimbursed the County for the cost of staffing and managing the three separate entities.

As permitted by the Code of Federal Regulations, Part 200 S403(5), local governments may use methods other than keeping personal time, such as agenda counts, if the system can provide a quantifiable measure of work performed. While using agenda counts is a quantifiable measure, it may not be comprehensive enough to consider all factors necessary for an accurate measure of staff time or other allocable costs. The other factors that we were told were used (applications, project documents and minutes/notes of meetings) were more subjective. It appears, based on our estimates, each entity may not be being billed for their appropriate cost of services.

Recommendations Related to Finding 1

- 1) *OED should execute a written contract with each of the three entities.*
- 2) *Payments for services from OCIDA, OCDC, and CRT should proportionally cover the appropriate operating costs of OED. Local dollars should not be used to finance the activities of the three separate entities OED staffs and manages. Future contracts with the three entities should include an adjustment to actual clause.*
- 3) *OED should use a more supportable methodology as a means to determine billable service costs to the three entities. Alternative methodology could include staff and other time records (preferred method), number and type of projects, activities undertaken by each project with estimates of time typically devoted to that type of activity, or any other quantifiable, repeatable measure that reasonably relates to the cost of activities to OED.*

Finding 2 – Control and Monitoring of PILOT Payments

There were unfavorable differences of over \$520,000 and \$360,000, respectively between the County's expected estimated PILOT revenue and actual revenue for 2017 and 2018. We were unable to determine the cause of the difference because the Director of OED would not allow us access to OCIDA records. The potential reasons for the difference could include PILOT payments not being properly enforced and collected by OCIDA or collected funds not being paid to the County by OCIDA in a timely manner. We were informed that no one in the County's Office of Real Property Tax Services verifies all required PILOT payments are received from OED. This is an important independent internal control verification function.

Recommendation Related to Finding 2

- 4) *To ensure all payments are collected and properly paid to the County, we recommend improved controls over the collection and remittance of PILOT payment. One possible improvement would include assigning one OED employee to collect PILOTs, make payments to the County from OCIDA, and coordinate with the County Office of Real Property Tax Services.*

- 5) *An individual in the County's Office of Real Property Tax Services should be assigned the responsibility of reviewing, ensuring the accuracy of all PILOT payments, and following up when there are differences between expected amounts and actual payments received.*

- 6) *OED is subject to the Comptroller's audit authority and access and the NYS Freedom of Information Law (FOIL) for records access. In addition, OCIDA records are subject to FOIL. As such, the OED Director had no authority to withhold OED and OCIDA records from the Comptroller.*

Finding 3 – Budgetary and Financial Issues with OED Grants

We noted OED grants with various degrees of budgetary and financial issues. The following chart illustrates the 25 grants we reviewed for budgetary and related financial issues and reflects their accounting system balances as of November 30, 2018:

**Economic Development's Grants
Comparison of their Budget, Expenses & Recognized Revenue
as of 11/30/2018**

Description	Project	Budget	Expenses	Recognized Revenue	Difference of Recognized Revenue to Actual Expenses
180125 ECON DEV ENTERPRISE FUN	734303001	2,308,219.00	1,868,945.25	2,184,619.08	315,673.83
180125 FARMLAND PRESERVATION	734305001	1,222,000.00	1,148,496.73	1,222,000.00	73,503.27
BUY ONONDAGA COUNTY	734305003	3,000.00	3,000.00	3,000.00	-
HELPING HANDS URBAN FARM GARDE	734305004	15,000.00	15,000.01	15,000.00	(0.01)
FARMLAND PRESERVATION 2017	734305005	250,000.00	249,785.98	250,000.00	214.02
FILM FUND	734307016	210,000.00	210,000.00	-	(210,000.00)
Subtotal all other Grants		\$ 4,008,219.00	\$ 3,495,227.97	\$ 3,674,619.08	\$ 179,391.11

Grant 734306 is Parent grant with Multiple Phases

ECONOMIC DEVELOPMENT FUND	734306001	\$ 1,500,000.00	\$ 314,097.10	\$ 1,500,000.00	\$ 1,185,902.90
EC DEV INCENTIVE-AMPHITHEATER	734306200	4,813,276.00	4,330,064.72	3,025,327.96	(1,304,736.76)
ECONOMIC DEVELOPMENT INCENTIVE	734306300	3,221,602.00	479,485.46	-	(479,485.46)
BRIDGE STREET RECONSTRUCTION	734306310	7,990,292.00	10,751,513.69	13,182,365.00	2,430,851.31
MILTON AVENUE	734306320	7,411,800.00	6,871,503.87	-	(6,871,503.87)
WESTSIDE HIGHWAY IMPROVEMENTS	734306330	4,400,000.00	2,928,693.12	1,000,000.00	(1,928,693.12)
MILTON AVE SANITARY SEWER REHA	734306340	1,546,000.00	374,943.00	-	(374,943.00)
EC DEV INCENTIVE-SOLVAY REVITA	734306400	253,872.00	253,871.91	-	(253,871.91)
BUSINESS FASCADE IMPROVEMENTS	734306410	1,100,000.00	1,042,004.92	-	(1,042,004.92)
VILLAGE INFRASTRUCTURE	734306420	1,000,000.00	-	-	-
NEW HOME CONSTRUCTION	734306430	-	1,625.00	-	(1,625.00)
EC DEV INCENTIVE-OTHER REVITAL	734306500	-	-	-	-
SENIOR HOUSING	734306510	-	-	-	-
BROWNFIELD SITE REMEDIATION	734306520	76,434.00	76,433.44	-	(76,433.44)
DECONSTRUCTION	734306530	600,000.00	-	-	-
NEW HOUSING	734306540	400,000.00	-	-	-
TREATMENT CAPACITY	734306550	-	-	-	-
MWBE COMPONENT	734306600	126,653.00	126,652.69	126,653.00	0.31
ECONOMIC DEVELOPMENT NEW PHASE	734306700	60,071.00	60,071.05	60,071.05	-
Total of Grant 734306		\$ 34,500,000.00	\$ 27,610,959.97	\$ 18,894,417.01	\$ (8,716,542.96)

Grand Total	\$ 38,508,219.00	\$ 31,106,187.94	\$ 22,569,036.09	\$ (8,537,151.85)
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Below is a summary of the issues we found related to the above grants:

- Grants 734305003 and 734305004 have fully expended their budgeted appropriations and revenue has been recognized. Other than an immaterial potential adjustment for grant 734305004, these grants should be reviewed and closed.
- Grant 734303001 has revenue in excess of expenses.
- Grants 734305001 and 734305005 both have an excess amount of revenue (local dollars transferred from the General Fund) to cover expenses.
- All of Grant 734307016 expenses were incurred in 2016. The former Deputy County Executive stated revenue for this grant would be funded by fees charged for the use of the sound stage. We noted via internet searches that the Film Hub has been used several times; however no revenue has been recorded for this grant.
- Grant 734306 has not recognized enough revenue to cover incurred expenditures as of November 30, 2018. This grant, funded with state aid, Oneida Nation Exclusivity Payments, and local dollars, shows expenses greater than revenue by approximately \$8.7 million. The illustration on the next page summarizes the actual expenditures and recognized revenues, as well as the anticipated remaining funding. We were unable to determine if additional state aid or other revenue will be available for this grant.

The following chart shows additional budgetary information for the Economic Development Incentive Fund (Grant 734306):

Grant 734306			
Economic Development Incentive Fund			
at the Parent Level			
As of 11/30/18			
Year	Expenses	Recognized Revenue	Difference (short)
2014	\$ 2,814,159.69	\$ 3,663,363.67	\$ 849,203.98
2015	2,315,501.82	548,688.34	(1,766,813.48)
2016	5,055,278.20	-	(5,055,278.20)
2017	12,520,562.45	1,500,000.00	(11,020,562.45)
2018	4,905,457.81	13,182,365.00	8,276,907.19
Totals	<u>\$27,610,959.97</u>	<u>\$18,894,417.01</u>	<u>\$(8,716,542.96)</u>
Funding Sources			
	Estimated Revenues	Recognized Revenue	Available Funding
State Aid	\$ 28,000,000	\$ 14,182,365	\$ 13,817,635
Oneida Nation	5,000,000	3,212,052	1,787,948
Local Share	1,500,000	1,500,000	-
Totals	<u>\$ 34,500,000</u>	<u>\$ 18,894,417</u>	<u>\$ 15,605,583</u>

Recommendations Related to Finding 3

- 7) *OED should implement review and close out procedures to ensure completed grants are closed in a timely manner.*
- 8) *For Grant 734306, if additional state aid is available, then OED should file the necessary claims and recognize the receivable and related revenue in a timely manner. If additional state aid is not available, the County Executive and Legislature need to find another funding source to cover the full expenses incurred for this grant.*
- 9) *OED should return excess local dollars recognized as revenue, as appropriate.*
- 10) *OED should implement procedures to ensure fees are collected and recorded for the use of the Film Hub.*
- 11) *OED should consider a fiscal officer position for its staff.*

SECTION IV
MANAGEMENT RESPONSE



**COUNTY OF ONONDAGA
OFFICE OF ECONOMIC DEVELOPMENT**

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Onondaga County Office of Economic Development Management Response

Date: 6/17/2019

Section I: Introduction and Executive Summary

Finding 1 - Contracts with Related Agencies

- In 2019 OCIDA, OCDC and CRT put contracts in place between the aforementioned entities and the County for administrative services.
- The OED works to secure non local funding for office operations. In 2017 and 2018, a portion of these operational costs were funded by a payment from SIDA of \$338,000. Revenue from the three entities covered the remaining operational expenses. In addition, budget line A668720 was increased by \$250,000 in the 2018 Ways and Means report with matching revenue supplied by local taxpayer dollars.

35 - ECONOMIC DEVELOPMENT

APPROPRIATIONS:

Increase A668720 Transfer to Grant Expenditures	250,000
<i>(Note: Ag Council)</i>	
Decrease A694950 Interdepartmental Charges	(239)
Increase Rec. Appropriations	249,761

REVENUES:

Decrease A590036 Co Svc Rev - Other Econ Assist	(239)	
Decrease Rec. Revenues	(239)	
Net Local Share		\$250,000

- The OED office does not complete timesheets on a billable hour model.

Recommendations Related to Finding 1

- 1) The OED concurs and has executed written contracts between each of the three entities and the County.
- 2) The OED agrees with this recommendation. Payments from the three entities will cover the appropriate operating costs of the OED. Future contracts with the three entities will include an adjustment to actual clause.

- 3) The OED will take this recommendation under advisement and consider other methodologies regarding billable service costs.

Finding 2 – Control and Monitoring of PILOT Payments

- OED staff maintains a list of expected revenue from each PILOT. This list is shared with the Division of Management and Budget.
- The OED does not control the work of the Office of Real Property Tax Services.
- OCIDA records are available at <https://www.ongoved.com/ocida/>

Recommendations Related to Finding 2

- 4) Recommendation 4 is the current practice of OED staff.
- 5) The OED does not control the work of the Office of Real Property Tax Services.
- 6) The OED works to comply with all required rules, regulations and laws in connections with the performance of its mission.

Finding 3 – Budgetary and Financial Issues with OED Grants

- The OED agrees that some grant accounts can be closed out.
- The Economic Development Specialist III, who has prior work experience in the county as a Budget Analyst, performs the role of Fiscal Officer for the OED. When necessary, support is provided to the OED from the Department of Financial Operations and the Division of Management and Budget.

Recommendations Related to Finding 3

- 7) The OED will work with the Division of Management and Budget and the Department of Financial Operations to closeout completed grants.
- 8) Reimbursements are in process for Project 734306.
- 9) The OED will work with the Division of Management and Budget regarding this recommendation.
- 10) The OED will evaluate this grant and work toward a plan in concert with the Division of Management and Budget.
- 11) The Economic Development Specialist III, who has prior work experience in the county as a Budget Analyst, performs the role of Fiscal Officer for the OED. When necessary, support is provided to the OED from the Department of Financial Operations and the Division of Management and Budget.

Respectfully Submitted,

Robert M. Petrovich, Director-Economic Development