

# LAKE CHAMPLAIN – LAKE GEORGE REGIONAL DEVELOPMENT CORPORATION

## AUDIT COMMITTEE MEETING

**March 30, 2021** Immediately following Finance Committee meeting

**VIDEOCONFERENCE (per Executive Order 202.1 and 202.96)**

### AGENDA

1. Approval of November 13, 2020 minutes
2. 2020 Audit (Tom Smith from EFPR Group)
3. Assessment of the Effectiveness of Internal Controls
4. Other

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### TRANSCRIPT

Beth Hunt: Okay, we'll call to order the 3/30 Audit Committee meeting.

Beth Gilles takes roll call:

Beth Hunt: Present.

John Strough: Present.

Beth Hunt: We'll skip from looking at the audit review from EFPR group. We'll go to the Assessment of the Effectiveness of Internal Controls.

Beth Gilles: Can we do the minutes first, Beth?

Beth Hunt: Oh, I'm sorry. I was just jumping right ahead. Can I have a motion to approve the November 13, 2020 audit committee minutes?

John Strough: John Strough, I'll make that motion.

Beth Hunt: I guess I'll have to second it. All in favor?

John Strough: Aye.

Beth Hunt: Motion passed.

Beth Gilles: Okay, now we can skip down to the assessment.

Beth Hunt: Sorry about that.

Beth Gilles: No worries. So, this is something we have to do every year per the Authority's Budget Office. And so, in your packets, you should have had the assessment sheet and so I thought we just kind of go through the risk factors. And so the audit committee decides whether they're high medium or low risk

and then makes any notes on those. So obviously, this is about the internal controls of the Regional Development Corp. I will note that the RDC is contracted with the RPB to do fiscal management. And so, when we say director and senior account clerk, it's the RPB staff and then also involved is the treasurer of the RDC which is Al. So in processing of the vouchers, an invoice, an invoice will come in to us, the senior account clerk processes it, creates a RDC voucher which then gets signed by two board members. Usually myself and Mr. O'Brien and they get sent to the treasurer for payment. So, if you guys think that it's a high, medium, or low risk of fraud basically is what they're looking for.

John Strough: Two board members, I think, puts it where it's supposed to be which I would put down as, in terms of risk and how we process it, I would say that was low risk.

Beth Gilles: Okay. Um, so recommendation for payment of vouchers is kind of the same thing. So, the treasurer doesn't process any of the vouchers until there are two board members signatures on it.

John Strough: So, I propose low.

Beth Hunt: Same.

Beth Gilles: Vendor payment, Al would you like to discuss what you do once the vouchers come to you for the RDC.

Al Nolette: Upon receipt of the vouchers that have been signed by two people, we enter them into the accounting system, and I have a staff member of mine process the vouchers and run the checks. I then review them so that we don't have the same person even, even in my office there's a dual control. I'm not running the vouchers and the checks and signing the checks. So, I have a staff member that runs the checks for me and then I review them against the vouchers in the backup before they leave my office. And then at the end of the month, all the checks that we've issued for the RPB, we then send an invoice to the RPB to pay the county because as you remember the county's cash flow the checks out the door and then we invoice the RPB monthly for those disbursements.

Beth Gilles: But for the RDC, Al, don't you have the RDC check book, it gets paid right out of the RDC account?

Al Nolette: Oh yeah, that's, I forgot it's the RDC. So, it's still done, it's still done the same way just minus the invoicing to the RPB because that one actually is dispersed directly from the RDC's bank account. All the same bill controls are in place, just a different check.

Beth Gilles: And the RDC doesn't have very many payments so we create a,.. USDA and the audit is pretty much it. So, in terms of the next one down which is documentation of expenses should we have an expense in that month we create an abstract of expenditures which we then provide to the board at the end of the year so you can, the board can look at it. So, in terms of vendor payment risk: high, medium, low?

Beth Hunt: Low.

John Strough: Low.

Beth Gilles: And documentation of expenses?

John Strough: Low.

Beth Gilles: In terms of deposits, we don't really have any deposits into the RDC account. All of our, well I shouldn't say we don't, we do, we have the loan deposits. But they're all on automatic withdrawal so they're between the loan recipient and the bank. None of it circulates through the office. That's correct, I didn't miss anything, right AI? We don't have anything else that goes into the RDC account in terms of deposits?

AI Nolette: No, we had the refund of the interest overpaid but that's an anomaly, that's not normal.

John Strough: So, should we say low and have a note saying that there are no deposits in the RDC account?

Beth Gilles: Sure.

AI Nolette: There's no RDC or RPB staff handling deposits for that fund.

Beth Gilles: Account reconciliation. AI, you want to take that one too?

AI Nolette: And that's done here. It's not really a heavy lift because there's only two checks written. And as the payments are made by the loan recipients to the bank, weekly the bank sends the statements to Beth. Beth sends them on to me. I record them in both the accounting system and in the excel spreadsheet where we maintain our loan balances. And then those loan balances at the end of the year accrue into the bank balances and I try to kind of do that monthly as well because we've found some things that the bank has done and where they've put principal to interest and interest to principal. So, we do kind of catch things as we go along.

John Strough: Okay, I propose low for account reconciliation.

Beth Gilles: The records of cash receipt and cash disbursement. We don't take cash for the RDC. We also do not dispense cash for the RDC. Is that accurate statement, AI? Yeah.

John Strough: So, we'll put low and then a note saying we do not accept or disburse cash.

Beth Gilles: Treasurer's Report, you guys get them every board meeting. And every committee meeting, there's two finance committee meetings a year and three board meetings a year. And there's always a treasurer report presented at all of those.

John Strough: Low.

Beth Gilles: And then the check storage, they are at the Washington County treasurer's, which is the RDC's treasurer's office, locked up until needed.

John Strough: Low.

Beth Gilles: And then loan receivables. Al kind of already went over that. So that everyone is on direct deposit with the bank, we get weekly loan remittance reports. We go through them here at the office as well, Carrie does, as does Al. So, to make sure that everything's matching up to, to what it should be.

John Strough: I'll say low.

Beth Hunt: Yup.

Beth Gilles: So, with the risk factors, all the lower risk factors will be evaluated annually. And they were all low last year. They're all low this year. So, then we will re-evaluate again next year. If I could have a motion to move this to the full board for acceptance of the assessment of internal controls.

John Strough: I'll make that motion.

Beth Hunt: I'll second.

Beth Gilles: Sorry, Beth, you can go ahead and call it, I shouldn't have.

Beth Hunt: That's okay. All in favor?

John Strough: Aye.

Beth Hunt: Aye. Motion passes.

Beth Gilles: Okay. So, I'll fill out the sheet with the notes. And I'll send it to you, Beth, for your signature. So, at this point, we're really just waiting for Tom.

Beth Hunt: Now they're going to present to the full board too, Beth?

Beth Gilles: Just the Audit Committee. I mean, everybody on the whole board is here right now. So, everyone gets to hear it, which is good. So, Tom just hopped on. So, I'm gonna let him in. Perfect time. And you were all sent a copy of the audit, in the original meeting announcement. Hi Tom.

Tom Smith: Hey Beth. How ya doing?

Beth Gilles: I'm good. How are you?

Tom Smith: Good.

Beth Gilles: Perfect timing. We're just to your spot on the agenda. So, one of the things for the RDC, the Development Corp., that we're required to do is have the audit presented to us by the auditor. So, I thought you could kind of just go through an overview summary. If anybody has any questions, please feel free to ask. And we'll go from there.

Tom Smith: Absolutely. Everyone, thank you for having me. So, we issued our financial statements on March 4th. And I'm pleased to say that we issued clean on modified opinions. I don't know if anyone has the draft financials in front of them but was on two of the financial statements. As part of our

financial statements, we also issue a report on the corporation's internal controls. Basically, if there's any significant deficiencies and material weaknesses over controls over the assets of the corporation, we would list those there. And we're pleased to say that's also clean on modified reports. So, there's nothing that we had to bring to management or the board's attention. There is one footnote in the financial statements I just want to bring to your attention because it is significant, it's on page 10 and it's called economic conditions. This is something we just have to point out because this shows that there, the corporation could be in a difficult financial position going forward. That there is really loans receivable might not be able to cover the debt going forward, long term. So, we do put a note in a footnote just that it is presented to the Board that could potentially be difficult to cover those cash expenses. So, at this point, I really want to go over with the board any questions that I can answer with regards to the financial statements or the audit.

Beth Gilles: AI, go ahead.

AI Nolette: While I normally wouldn't like to see a footnote like the one that Tom just talked about, as you remember from 2018, I guess, however long ago that was, it's been one of my concerns all along. That that note wasn't there. So, while I'm not normally happy to see that kind of footnote, I think it's actually appropriate to have that in the financial now. I appreciate the EFPR for taking a look at that and then making it a significant issue because I think any reader of those financials should know that we're a bad debt away from defaulting on that loan. Honestly.

Tom Smith: I agree with AI there because if you don't collect on all these loans receivable, it's going to basically making it impossible to pay back the loans that you owe back that USDA. And as AI said, it'll basically just take one.

Beth Gilles: So, anybody have any other questions for Tom?

John Strough: No, the audit seems to be acceptable Tom, thank you, with the acknowledgement of that note. But you're from Williamsville, right?

Tom Smith: Correct.

John Strough: So, you are a Buffalo Bills fan? I assume.

Tom Smith: Yes, I am.

John Strough: I did my teaching, student teaching, at Williamsville South.

Tom Smith: Oh nice.

John Strough: Way before you were born. But I, my son went to school at UB as well. And so, we love the Buffalo area. Still love it. Go out there and try and see a Bills game, except not this year. We see at least one game. But that has nothing to do with the audit. But I saw you were from Williamsville when I was reviewing the audit. But again, I think it's pretty good, Tom.

Tom Smith: Thank you.

Beth Gilles: Beth, anything you want to add?

Beth Hunt: Sorry, I was muted. No, it looked good to me too, as well.

Beth Gilles: Okay. Alright. Well, thanks for joining us, Tom, that was short and sweet.

Tom Smith: Sure. Anytime.

Beth Gilles: Appreciate it. Talk to you soon.

Tom Smith: Bye.

Al Nolette: For the board knowledge, just to let you know, the EFPR has been an absolute pleasure to work with on my end.

Beth Gilles: Ours as well.

Beth Hunt: That's great.

Beth Gilles: Okay, so I don't have anything else for the audit committee. I'm sorry. Can we move that to the full board? The audit?

John Strough: I'll make that motion to move it to the full board.

Beth Hunt: I'll second. All in favor?

John Strough & Beth Hunt: Aye.

Beth Hunt: So moved.

John Strough: Boy, Beth, this is easy, huh?

Beth Gilles: Okay, that's it for the audit committee if you'd like to close the meeting, Beth.

Beth Hunt: I'll call an adjournment of the audit committee at 11:31AM.

John Strough: Alright. I'll accept that motion and approve it.

Beth Hunt: Me as well.

*Respectfully submitted by Carrie Yakush, Senior Account Clerk, LCLGRP.*