



Lewis County Industrial Development Agency

Staff Services Agreements

2025M-1 | May 2025

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Report Highlights

Lewis County Industrial Development Agency

Audit Objective

Determine whether the Lewis County Industrial Development Agency (LCIDA) Board (Board) ensured staff service fees were accurately calculated and paid in accordance with written agreements.

Key Findings

The Board entered into written staff services agreements (agreements) with Naturally Lewis, Inc., a not-for-profit corporation (Corporation), to provide general administrative and staff support services to LCIDA for the last quarter of 2023 and for 2024. However, the Board did not ensure the fees paid to the Corporation were accurately calculated and paid according to the agreements, resulting in LCIDA overpaying \$316,597 for such services. This was 172 percent more than the written agreements required.

These overpayments occurred because the calculation of the service fees included certain revenues and other fees collected by LCIDA that the agreements did not specify would be paid to the Corporation, and certain fees were not properly annualized as specified in the agreements. In addition, LCIDA paid a fee for one project which was not approved by the Board.

Had the Board exercised appropriate oversight, it might have identified and corrected these errors.

Key Recommendations

- Consult with legal counsel regarding the overpayments to the Corporation and, if appropriate, seek reimbursement.
- Review the supporting documentation and calculations for staff service fees to verify the proper amounts are calculated and paid to the Corporation.

LCIDA officials agreed with our findings and recommendations and indicated they have initiated corrective action.

Audit Period

June 1, 2023 – October 15, 2024

Background

LCIDA is an independent public benefit corporation that was established in 1973.

LCIDA’s Board is composed of seven members, appointed by the Lewis County Legislature. The Board is responsible for LCIDA’s general management and financial and operational affairs.

The Board appointed an Executive Director who was responsible for LCIDA’s day-to-day operations until October 1, 2023, when the agreement with the Corporation went into effect. After this agreement was executed, the employees of LCIDA transitioned to employees of the Corporation, including the Executive Director, who then became Executive Director for the Corporation.

LCIDA funds its operations, in part, with fees charged for processing applications and administering financial assistance.

Quick Facts	
Active Projects as of May 31, 2024	27
Staff Service Fees Paid to the Corporation	
2023 (fourth quarter)	\$150,000
2024	\$350,135

Staff Services Agreements

In September 2023,¹ the Board approved entering into an agreement with the Corporation to provide general administrative and staff support services relating to economic development for LCIDA commencing October 1, 2023.² The Board approved an agreement for services for the period of October 1 through December 31, 2023, and a similar agreement for the 2024 calendar year. After the initial agreement was finalized, LCIDA's employees transitioned to become employees of the Corporation, including the Executive Director and Director of Finance and Incentives. The services which LCIDA has contracted with the Corporation to provide under these agreements are listed in Appendix B.

How Should the Board Ensure Payments for Staff Service Fees Are Accurate and in Accordance with the Agreements?

The Board should monitor the work performed by LCIDA staff (now the Corporation's staff) to ensure agreements specify the correct amount to be paid for services provided and that LCIDA pays only the fees specified in the agreement. The agreements for October through December 2023 and the 2024 calendar year direct LCIDA to pay the Corporation a service fee equal to 90 percent of the annualized administrative fee distributions resulting from payments in lieu of taxes (PILOT) as compensation for the staff services provided. In addition to specifying this calculation (or "justification") for the service fee, the agreements state that service fees would be \$150,000 for 2023 and \$350,135 for 2024.

The Board Did Not Pay for Staff Services Pursuant to the Agreements, Resulting in the Corporation Being Overpaid \$316,597

Part of the transition of LCIDA staff to the Corporation included LCIDA's Director of Finance and Incentives (former Director of Finance) departing from LCIDA and becoming the Director of Development for the Corporation. In the role as Director of Finance, this individual calculated the service fees included in the 2023 and 2024 agreements. Similarly, LCIDA's Executive Director (former Executive Director) departed from LCIDA, becoming the Executive Director of the Corporation.

Both the former Director of Finance and the former Executive Director told us that the service fee was intended to be calculated by taking the total PILOT administrative fee (PILOT fee) paid for each active project, dividing it by the project term (i.e., number of years for the PILOT) to determine the annualized administrative fee distribution amount, and then calculating 90 percent of this amount to determine the service fee. For the 2023 contract, the service fee was prorated to cover the services the Corporation provided during the last quarter of the year (October through December 2023). The former Director of Finance used a spreadsheet to calculate the fees for 2023 and 2024 and projections for payments in future years, and while there were discussions with the Board regarding the staff service fee, there is no indication that the Board or the former Executive Director reviewed the spreadsheet or requested to see any supporting documentation prior to executing the agreements.

¹ The Board minutes show the meeting date was August 3, 2023; however, we confirmed with the former LCIDA Executive Director that the meeting was held on September 7, 2023.

² More information on LCIDA and the Corporation can be found in Appendix A.

We reviewed the spreadsheet and the associated calculations for 2023 and 2024 and discussed the calculations with the former Director of Finance and former Executive Director. Based on our analysis, the annualized PILOT fee distributions did not coincide with the amount of the service fee to be paid by LCIDA as set forth in the service agreements. As a result, LCIDA paid \$316,597 (172 percent) in excess of the annualized PILOT fee distributions for general administrative support and staff services (Figure 1).

Figure 1: Service Fee Overpayment to the Corporation

Year	Amount Paid to the Corporation	Amount Calculated per Staff Service Agreements	Amount Overpaid
2023 – 4th Quarter	\$150,000	\$35,109	\$114,891
2024	\$350,135	\$148,429	\$201,706
Total	\$500,135	\$183,538	\$316,597

The overpayments were a result of including improper payments and fees in the calculations that were not part of the agreements negotiated. For example:

- A payment from Lewis County to LCIDA for economic development, totaling \$200,000, was included in the 2023 calculation of the annualized PILOT fee distributions which provided the basis for the staff services fee. Although the payment from Lewis County was not a PILOT fee payment, the former Director of Finance calculated 90 percent of this revenue, prorated for the last quarter of 2023, and included the resulting amount in the service fee to be paid by LCIDA pursuant to the service agreement. As LCIDA did not receive an administrative fee for the payment from Lewis County, this revenue should not have been included in the annualized PILOT fee distributions and thereafter factored into the service fee paid to the Corporation. The improper inclusion of the amount received from Lewis County resulted in LCIDA paying an additional \$45,000 in excess of the service fee justification provided in the agreement.
- LCIDA entered into agreements whereby three large windmill projects, with administrative fees of \$500,000 or more, pay fees in installments over multiple years.³ When determining the staff service fees, the actual installment payments made in 2023⁴ and 2024 for the projects were used in the service fee calculations instead of the annualized distribution for the term of each PILOT. For example, in 2023 the fee was incorrectly based on the installment payments for the three wind projects of \$202,000, \$112,500 and \$100,000 instead of the annualized distributions of \$39,757, \$18,333 and \$41,667. This resulted in LCIDA being charged \$93,263 for these three projects once the 90 percent calculation was applied and the payment was pro-rated for the fourth quarter. Based on the annualized distributions, the staff service fees for these projects should have totaled \$22,445 for 2023 (LCIDA was overcharged \$70,818). In 2024, this deviation from the agreed upon calculation methodology caused LCIDA to be overcharged by \$182,019.

³ Typically, at closing when LCIDA took ownership of the property, LCIDA would receive the total administrative fee from the project.

⁴ During the period October through December 2023

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- A PILOT fee of \$82,210 was included in the service fee calculation for 2024; however, the project was never approved by the Board and, therefore, LCIDA collected no PILOT fee. The improper inclusion of an administrative fee for an unapproved project resulted in LCIDA paying an additional \$2,959 in excess of the service fee justification provided in the agreement.
 - We also identified other minor errors and miscellaneous fees that LCIDA incorrectly included in the calculation of the service fees paid to the Corporation and discussed them with officials.

The Board has the responsibility to monitor agreements to ensure that significant control deficiencies are identified and corrected in a timely manner. If the Board does not correct the service fee calculations, and the Corporation staff use the same spreadsheet as the starting point for calculating future staff service fees, some of these errors may be carried forward and could possibly lead to overpayments in the future.

Furthermore, the 2024 agreement includes unclear language regarding the payment schedule. The agreement states that the Corporation “shall invoice LCIDA on January 1, 2024 for services provided, on a quarterly basis.” The agreement further states that LCIDA shall pay the Corporation within 30 days after receiving the invoice. However, on January 24, 2024, LCIDA paid the Corporation the full service fee for the year. Generally, it is not considered a good business practice to pay for services before they are received as it can be more difficult to ensure the quality of services received and to recover any overpayments.

All seven Board members told us they did not review the calculations or data used to determine the payments to the Corporation. Board members told us they relied on LCIDA staff to provide accurate information and calculate the service fees correctly. However, when the agreements were drafted by LCIDA staff, the staff were already affiliated with the Corporation and were planning to transition to become paid employees of the Corporation.

How Should Employees Disclose Potential Conflicts of Interest and What Employment Restrictions Are in LCIDA’s Code of Ethics?

New York State General Municipal Law (GML) Section 803 requires officers and employees of an industrial development agency (IDA) to disclose any interest they may have in any actual or proposed contract with the IDA they serve. Such disclosure must be made publicly, in writing, to the immediate supervisor of the officer or employee and to the IDA board, as soon as the officer or employee has knowledge of such interest. This disclosure is required to be made part of and set forth in the official record of the IDA board proceedings. GML also allows an IDA to adopt a code of ethics setting forth guidance for its officers and employees regarding the standards of conduct reasonably expected of them. LCIDA has adopted a code of ethics that prohibits directors, officers, or employees of LCIDA from accepting other employment which would impair their independence of judgment in the exercise of their official duties.

LCIDA Employees Did Not Provide Written Disclosures Regarding Their Interests in the Contracts with the Corporation

According to the former Executive Director, none of the LCIDA employees filed written disclosures with the Board to disclose their interests in the Corporation at a public Board meeting. Furthermore, based on the prohibitions contained in LCIDA's code of ethics, we question the propriety of LCIDA's Executive Director and employees accepting employment with the Corporation, which may have impaired their independence and judgment with regard to exercising their duties to LCIDA. Additionally, the code of ethics requires each director and employee of LCIDA to disclose any actual or perceived conflict and recuse themselves from all discussion of the transaction. Therefore, we question the suitability of the Director of Finance and other staff of LCIDA calculating the payments which LCIDA would be required to make under the agreements, when the same agreements may have impacted the future compensation which those individuals were to receive from the Corporation. Despite the apparent relationship that LCIDA's Executive Director and employees had with the Corporation during the preparation of the agreements, the Board did not implement any safeguards, such as reviewing the service fee calculations and the supporting documentation used to determine the fee amounts.

Had the Board exercised appropriate oversight by implementing safeguards, the Board may have identified that the service fee amount listed in the agreements did not coincide with the actual amount of the annualized PILOT fee distributions and required the contracts to be modified prior to approving them.

In addition, although the Board is relying on the Corporation's employees to carry out LCIDA's day-to-day activities, the Board has overall responsibility for LCIDA operations. Therefore, it is important that the Board establish a process to carefully monitor and oversee the work performed by the Corporation's staff to ensure that the general administrative staff and support services are performed in an accurate and acceptable manner in the best interests of LCIDA.

What Do We Recommend?

The Board should:

1. Consult with legal counsel regarding the overpayments to the Corporation and, if appropriate, seek reimbursement.
2. Review the supporting documentation and calculations for staff service fees specified in future staff services agreements to verify the proper amounts are calculated and paid thereunder.
3. Clarify the payment schedule in future agreements and consider including provisions for installment payments throughout the year rather than providing the full payment at the beginning of the contract period.
4. Ensure that officers or employees properly disclose their interest or prospective interest in contracts and the disclosures are included in the Board meeting minutes.
5. Establish a process to monitor and oversee the work performed by the Corporation's staff pursuant to the agreement.

Appendix A: LCIDA and The Corporation

The purpose of an IDA is to promote, develop, encourage and assist in acquiring, constructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial, research and recreational facilities. The overall goal of an IDA is to advance the job opportunities, health, general prosperity and economic welfare for the people of the State. The powers and duties of IDAs are set forth under GML Section 858.

In general, IDA projects are eligible to receive exemptions from property taxes, mortgage recording taxes, and sales taxes on some purchases. Projects that receive property tax exemptions typically make PILOTs to the taxing jurisdictions (municipalities or school districts) in which the projects are located, thereby offsetting, at least partially, the loss of revenues from those exemptions. LCIDA charges a PILOT fee of 1 percent of the project's cost (e.g., cost of land acquisition, construction, equipment) to companies with PILOT agreements.

The Corporation is a not-for-profit corporation that was formed in 2022. The staff of the Corporation provide staff services to three separate entities: LCIDA, the Lewis County Development Corporation and the Lewis County Chamber of Commerce. The Corporation was created to consolidate the services, staffing and resources of these entities into a one-stop shop for economic and business development within Lewis County.

During the course of our audit, we became aware that the New York State Authorities Budget Office (ABO) had commenced an inquiry into the involvement of LCIDA in the creation of the Corporation. ABO seeks to determine whether LCIDA had, in effect, acted outside its legal authority by creating a subsidiary. Accordingly, for purposes of this audit, we focused on the terms and conditions of and performance under the staff services agreements, reserving the question of the propriety of the creation and function of the Corporation.

Appendix B: Staff Services Provided by the Corporation

Exhibit A of the 2023 and 2024 agreements states that the Corporation will provide the following services to LCIDA:

1. Actively promote, attract, encourage and develop job and business opportunities through utilization of the IDA program benefits solely or in conjunction with other economic development and packaging of proposals to prospective clients and/or business, and negotiations of deals that are to be acted upon by LCIDA.
2. Comply with New York State requirements set forth for the governance and operation of LCIDA including all required reporting, monitoring and auditing.
3. Market the programs and benefits of LCIDA through written materials, presentation, website, press releases, and meetings with potential clients.
4. Provide all accounting and finance support for LCIDA, including administrative support for completion of necessary financial reports, coordinating the completion of financial audits, completing all other reports required by government funding agencies, and providing other financial information and analyses as requested by LCIDA. This includes the billing and remitting of PILOT payments which are due directly to LCIDA.
5. Assist LCIDA in the hiring of consultants, securing professional services, and in the development of requests for proposals and qualifications for feasibility studies, and securing architectural and engineering services for various projects.
6. Provide necessary staff and administrative support to LCIDA, its Audit and Governance Committees, and other committees established by LCIDA.
7. Provide such other services or staff support functions as may be requested by LCIDA from time to time.
8. Participate in IDA training and information events such as annual Economic Development Council conferences, including following and monitoring any legislative trends and reports impacting IDAs.
9. Maintain and update as necessary the application documents of LCIDA that would be distributed to potential applicants to LCIDA.
10. Staff of the Corporation include:
 - Executive Director
 - Director of Finance and Incentives⁵
 - Programs and Partnerships Director
 - Economic and Tourism Development Specialist
 - Director of Tourism

5 The 2023 agreement lists the position as Director of Development.

Appendix C: Response From LCIDA Officials



May 16, 2025

Office of the New York State Comptroller
Syracuse Regional Office
c/o Rebecca Wilcox, Chief of Municipal Audits
State Office Building, Room 409
333 East Washington Street
Syracuse, NY 13202

Re: Lewis County Industrial Development Agency Audit

Dear Ms. Wilcox,

Thank you for the opportunity to review and respond to the recent audit report concerning the Lewis County Industrial Development Agency's staff service agreements with Naturally Lewis, Inc.

We acknowledge and accept the findings presented in the report. As noted, the transition to Naturally Lewis providing staff services to the LCIDA was a new process for all involved. While our intentions were always grounded in transparency and the desire to do things the right way, we recognize and see opportunities to improve our processes regarding the staff service agreements between the LCIDA and Naturally Lewis, Inc.

Working with your office throughout this audit has been a great learning experience. We appreciate the professionalism and clarity your team provided during the review. The insights and feedback received from your staff have already informed internal changes to improve oversight and ensure future agreements are sound, transparent, and fully compliant.

Moving forward, the LCIDA board is committed to reviewing all calculations and documentation in more depth and, in consultation with legal counsel, taking appropriate next steps in response to the overpayments identified. Our agency takes this seriously, and this audit reinforces our focus on continuous improvement, transparency and accountability.

Thank you again for your guidance through this process.

Sincerely,

Joe Lawrence
Chairman
LCIDA

Brittany Davis
Executive Director, Naturally Lewis
On behalf of the LCIDA

Appendix D: Audit Methodology and Standards

We conducted this audit pursuant to Article X, Section 5 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Board members and the Corporation's officials, reviewed LCIDA's policies, Board meeting minutes and other information to gain an understanding of the relationship between LCIDA and the Corporation.
- We reviewed Board meeting minutes and the agreements between LCIDA and the Corporation for the fourth quarter of 2023 and the 2024 calendar year to determine whether the Board approved the agreements and to identify the services to be provided, the payments terms and stated justification for the payments.
- We interviewed Board members to assess what information was presented to the Board regarding the calculation of the services fees in the agreements and whether the Board performed any review of the calculations prior to approving the agreements.
- We reviewed the spreadsheet used to determine the fees paid to the Corporation for the fourth quarter of 2023 and 2024 calendar year and recalculated the staff services fees based on the agreements and the methodology for calculating the fees as explained to us by both the former LCIDA Director of Finance and former Executive Director who are now employees of the Corporation. We reviewed supporting and corroborating information for certain components of the fee calculations. For example, we identified active projects by reviewing LCIDA's 2023 and 2024 annual reports filed in the Public Authorities Reporting Information System, LCIDA's CPA financial audit reports, and project applications and agreements. We determined the PILOT fees paid to LCIDA and PILOT terms for projects by reviewing project applications and agreements and we discussed any inconsistencies noted with the Corporation's staff.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review.

Appendix E: Resources and Services

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www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

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Contact

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