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AUDIT COMMITTEE MEETING
OF THE
YONKERS ECONOMIC DEVELOPMENT CORPORATION

December 9, 2016
9:49 a.m.
470 Nepperhan Avenue
Yonkers, New York 10701

TRANSCRIPT OF PROCEEDINGS

AGENDA

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- 1. Roll Call
- 2. Approval of Minutes for March 17, 2016 Meeting
- 3. Review and Discussion of Engagement Letter for External Auditing Services for 2016
- 4. Review and Discussion of Audit Plan
- 5. Other Business
- 6. Adjournment

Reported By:

Margaret Prendergast
902 Pleasantville Road
Briarcliff, New York 10501

2 A P P E A R A N C E S

3 COMMITTEE MEMBERS

4 CECILE SINGER - CHAIRPERSON

5 MELISSA NACERINO - MEMBER

6 PETER KISCHAK - MEMBER

7

8 IDA STAFF

9 KEN JENKINS - IDA PRESIDENT

10 JAIME MCGILL - IDA EXECUTIVE DIRECTOR

11 MARY LYRAS - IDA/YEDC CHIEF FISCAL OFFICER

12

13 OTHER

14 PATRICK SERENSON - YEDC ACCOUNTANT

15 CHARLES MANGIARACINA - PKF O'CONNOR DAVIES

16 ROBERT DANIELE - PKF O'CONNOR DAVIES

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MS. SINGER: All right. We're going to call the meeting of the YEDC Audit Committee to order.

Can we have the Roll Call, please.

MS. LYRAS: Cecile Singer?

MS. SINGER: Here.

MS. LYRAS: Peter Kischak?

MR. KISCHAK: Here.

MS. LYRAS: Melissa Nacerino?

MS. NACERINO: Here.

MS. LYRAS: We have a quorum.

MS. SINGER: All right. And you have the minutes before you of the last YEDC meeting.

So, for you, they're informational since --

So, I move, if there are no additions or corrections, I will make a motion to approve them as submitted.

MR. KISCHAK: I make a motion.

MS. NACERINO: Second.

MS. SINGER: All right. Then we're going to move to the same things. All right. You have the YEDC -- we're going to just change the order. We're going to look at the scope of the

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auditing and the concerns. And then we'll do the engagement letter last, all right?

So, are there differences in what's being presented for the --

MR. MANGIARACINA: Actually, Rob just plowed the road for the YEDC by doing the YIDA. The presentation is exactly the same. Our audit scope and approach is exactly the same. We will come in, perform some internal work, design some materiality calculations. We'll look at some changes from the prior year. And then design an audit program and come back in February to do the work simultaneous with the IDA. Pat does the books for both entities and presents us a work-product that we use to do the audit.

The only difference with the YEDC is YEDC actually provides services to the IDA. So, we look at that dimension of the transactions of the contractual agreement to provide those services. We will look at that.

MS. SINGER: Now, if you have questions about the IDA, the EDC you'll have even more questions about. The EDC is a creature -- we're calling it a Local Development Corporation.

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2 That's are own interpretation. So, because I had
3 concerns and there were other concerns about the
4 YEDC, about it's structure and it's existence, we
5 asked for a legal opinion. So what we -- so, you
6 should remember that when there's something -- we
7 really are in new territory. And we're really
8 doing something that we can't chart the course
9 for. And while we may be attached to Local
10 Development Corporations, there is no assurance of
11 under what category we fall. So again, I asked
12 for a legal opinion from Shawn. So, we rely upon
13 counsel's expertise in this kind of a thing
14 because that gives us a written opinion to read
15 into our minutes and the basis for going forward.
16 So, if we're questioned -- and the YEDC is one of
17 the entities that could very well be questioned
18 about. And its had a lot of different kinds of
19 transactions. So, now it is a not-for-profit. It
20 processes the portion of the things that come to
21 us that are Not-for-profit Corporations. But
22 we've had transfers from all kinds of things and
23 it's very complex.

24 MR. MANGIARACINA: Yes.

25 MS. SINGER: So, with that kind of a

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2 wonderful -- so, would you say anything? You know
3 what we've asked also where there are other YEDC,
4 you know, and that kind of thing. So, we can have
5 a comfort level. But, it's very difficult to
6 achieve in this kind of a structure.

7 MR. MANGIARACINA: This organization
8 was created years ago to handle transactions that
9 the YIDA was not involved. It was structured
10 originally as a 501(c)(3) Not-for-profit
11 Corporation but that status kind of got lost or it
12 got closed down because no one filed. You know
13 some of the problems with new accounts with the
14 firm is that because it's a agency related to the
15 City of Yonkers, it has taxes and status under 115
16 of the IRA code. There are no 995s or anything
17 like that. When we say it's a not-for-profit,
18 that's true. But it doesn't fall under the same
19 501(c)(3) or any of those IRA codes and legal
20 counsel has confirmed that.

21 MR. KISCHAK: Do you see any changes
22 going on in this year? Do you foresee any?

23 MR. MANGIARACINA: In?

24 MR. KISCHAK: This -- the YEDC?

25 MR. MANGIARACINA: We haven't been here

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2 since last March. We don't -- we would ask Pat to
3 see what's happened since we've been here last
4 time. We don't put our finger on the pulse, you
5 know, throughout the year. So, we'll know when if
6 there were any big deals or anything like that.

7 MR. SERENSON: Well, the biggest deal
8 was IDA buying the note. So now, YEDC is paying
9 IDA instead of Sterling.

10 MR. DANIELE: There was a loan payable
11 to Sterling Bank, formerly.

12 MR. MANGIARACINA: About 2.6 million
13 dollars.

14 MR. DANIELE: Now, that's due to the
15 IDA.

16 MR. MANGIARACINA: So there are
17 transactions that go to --

18 MS. SINGER: There was a merge
19 transaction.

20 MR. MANGIARACINA: Correct.

21 MS. SINGER: That was the one where I
22 asked Shawn for a legal opinion.

23 MR. MANGIARACINA: Right.

24 MS. SINGER: And that's what we received
25 the last time. Because it was a very complex

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structure.

MR. DANIELE: There was a piece of property that was from the Yonkers Community Development Agency that was conveyed to the IDA. And when that sold, those proceeds were used to acquire that bank loan. That happened late in December or January.

MR. SERENSON: I guess, the sale happened December 31st.

MR. DANIELE: It happened December. That money was set aside particularly to purchase that loan which happened --

MR. SERENSON: And the loan happened --

MR. DANIELE: January or February.

MR. SERENSON: January, February. Yes, we purchased the loan.

MR. DANIELE: So, the note would show the disclosures, the loan payable to the bank. There's a subsequent event note and that would change -- the note would change this year because now it's due to the IDA. There's a large note receivable. That has to do with the New Market Tax credit transaction from the Larkin Garage.

MS. SINGER: And even the note was so

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2 complex that we had it rewritten because you
3 couldn't really follow the transaction.

4 MR. MANGIARACINA: The notes are
5 actually -- they've been reworded each of the last
6 two years in our attempt to get them more --

7 MS. SINGER: Right. We both went back
8 and forth but it became -- they came up with
9 something that was more, more understandable. So,
10 the complexities of all of this become
11 interesting, challenging.

12 MR. MANGIARACINA: I'd say a challenge.
13 We're not the lawyers in the room. We defer to
14 legal counsel and they've actually gone over these
15 notes more than once. And they're happy with the
16 way they're presented and the content of the note
17 more than just the presentation of the note.

18 MS. SINGER: So, in the end, that's what
19 we have to rely upon. That we have very good
20 audit structure and that we understand where the
21 money comes from and where it's suppose to go.
22 And that we have legal opinions supporting what we
23 have done in the EDC.

24 MS. NACERINO: Cecile, do the other big
25 five cities have this type of structure with an

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EDC and an IDA in such a close-knit relationship?

MS. SINGER: Well, we have the relationship. But it's one that is not in any IDA legislation that permitted us to have an IDA. So, what Shawn is doing is he's reaching and he's saying that we're part of the Local Development Corporation Law. So that's another entity. Whether it exists in this -- how you draw the lines and what the structures are. It's a very gray area, very gray.

MR. KISCHAK: I think that at the last meeting that he did say there was other cities that had some of the -- something like this.

MS. SINGER: That's why he wrote that legal opinion.

MR. KISCHAK: But he was looking at those -- yes.

MS. SINGER: And why I asked that -- and then there was a disclaimer at the end --

MR. KISCHAK: Right.

MS. SINGER: That is was not publishable. So, that's not a real -- so, you want to be sure that when you get a legal opinion that it's one that you can hand to other people or

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else it hasn't done you a lot of good, anyhow.
But that's why we go over some of these things and
that's why -- that's our job is really to raise
the red flag when we see it and to make sure that
we are protected in as many ways as we can be with
this very complex YEDC.

MR. JENKINS: And because of the
relationships as they are moving forward
especially with the school construction bond and
all those kind of things that it's even more
important, as Cecile was saying, to have the lines
be as clear and transparent and understandable as
possible. In the past, things might have been
different. So to unsort all those things to make
sure that we're following whatever new state
regulations are going on, et cetera, is really
important. And the letter was something that
we're working on. It's still in draft form, if I
remember correctly, right? So, that we're still
working trying to get that together as Pat just
said.

MS. SINGER: So, that's where we -- so,
you come to a very -- it may sound very dry and
everything else. But it's really -- it's the

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2 place for us that's like an Achilles heel. You
3 want to be very, very sure that you've done every
4 single thing. You've crossed every "T" and dotted
5 every "I" that we can. And they've been very good
6 about following all of it, you know.

7 MR. MANGIARACINA: Up until last year,
8 I believe, the YEDC because of how it was
9 structured with the Mayor controlling who was
10 sitting on the board, Shawn, I believe, changed
11 that. And now it's no longer a component unit of
12 the City of Yonkers. In other words, it's been
13 once removed from the city, from it's controlling
14 side.

15 So, our approach is the same. The audit
16 team is going to be identical. We do the audit
17 almost simultaneous. We present the reports
18 because they fit together. A lot of transactions
19 that go together. We'll present them
20 simultaneous, again, at the end of the audit in
21 March with the Committee.

22 MS. SINGER: So, if you have questions.

23 MR. KISCHAK: I don't have any
24 questions.

25 MR. JENKINS: Not yet.

1 Proceedings

2 MR. MANGIARACINA: Are there any new
3 deals? Are you gong to have any more fees this
4 year? Other than the transaction between the IDA
5 --

6 MR. SERENSON: No.

7 MR. MANGIARACINA: Without that, I think
8 you have a built-in loss this year. Last year,
9 you had a loss but you only had \$70,000 worth of
10 fees between the two agencies.

11 MR. SERENSON: Right.

12 MR. MANGIARACINA: If that's the case,
13 then your expenses only run about one hundred --

14 MR. SERENSON: Also salary no longer
15 exists under YEDC.

16 MR. MANGIARACINA: That's right.

17 MR. SERENSON: So, that's out.

18 MS. SINGER: So, what do you see, Pat?

19 MR. SERENSON: Well, the note is one
20 thing. And I guess you just have one transaction,
21 you picked up three, \$4,000, I guess, the YEDC is
22 part of.

23 MS. MCGILL: \$2,500.

24 MR. SERENSON: \$2,500 or something. A
25 joint, I guess, IDA and YEDC, which Mary had

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mentioned it the other day to me. Shawn was doing that.

MS. MCGILL: I think we streamlined to run at about 18,000 or so.

MS. SINGER: And Pat has done a lot, you know, Pat is kind of our secret weapon because he's really done a tremendous amount of work in the financial area. And all us depend upon him and having that outside person. So it's very good.

So, let's -- and the other thing is that for a very small group of people, we've had outstanding results from all of our staff. If you look, all of our staff. Jaime is really -- and we've even had a change in our financial person because we had -- and so all those things for Jaime and for Pat, you know, they are complex, again. Somebody gone, somebody new. You're doing a good job. So, we're glad to see that.

So, the engagement letter -- did we provide copies of the --

MS. MCGILL: Yes. There's 2015. I think there's also a financial statement and an audit report for 2015 statement.

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2 There's, you should note, just a slight
3 increase in the fee from last year. Last year was
4 16,000. This year is 16,500.

5 MS. SINGER: So, the fee for this has
6 changed. So, it was -- last year the fee was
7 \$16,000 and this year they are asking \$16,500.

8 So, I think I will set the stage for
9 you, right? So, do you want to tell us why
10 there's an increase?

11 MR. MANGIARACINA: The only reason for
12 the increase is that we have certain staff that --
13 we give out raises. It's a modest increase. I
14 think it's about 2 percent.

15 MR. DANIELE: Three percent.

16 MR. MANGIARACINA: Two and a half, three
17 percent. That was our proposed fee. I mean, if
18 you have a problem, now is the time for us to talk
19 about it.

20 MR. KISCHAK: I don't have a problem
21 with that. Three percent is what the going rate
22 is. I just went through this with the Association
23 Dealers.

24 MS. SINGER: It's also -- it looks like
25 a very small piece but because of the

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complexities, it's not so small. That's really --

MR. KISCHAK: It's the going rate.

MS. SINGER: So, do you feel that that's --

MR. KISCHAK: It makes sense.

MS. NACERINO: It makes sense.

MR. JENKINS: Going rate.

MR. KISCHAK: Do you need a motion?

MS. SINGER: Yes.

MR. KISCHAK: I make a motion.

MS. NACERINO: Second.

MS. SINGER: So, we accept the increase in the fee and we thank Bob for all his good work. Your good work too.

MS. MCGILL: Thank you.

MS. SINGER: And we look forward to very good stuff in March, right?

And now, even though you haven't had the level of contact with staff, I want to have the structure the same. So, will our staff please leave for a few minutes.

(Whereupon, an off-the-record discussion was held.)

MS. SINGER: So, we look forward to the

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same kind of an atmosphere when we meet again in
March. And we thank you for all the work and
effort that makes this possible.

And so, is there any further business?

(No Response.)

MS. SINGER: If there is no further
business, may I have a motion to adjourn.

MR. KISCHAK: I make a motion.

MS. NACERINO: Second.

MS. SINGER: And thank you.

(Whereupon, the Board Meeting
concludes at 10:11 a.m.)

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C E R T I F I C A T I O N

STATE OF NEW YORK)

) ss.

COUNTY OF WESTCHESTER)

I, MARGARET PRENDERGAST, Court Reporter and Notary Public within and for the County of Westchester, State of New York, do hereby certify:

That I reported the proceedings that are hereinbefore set forth, and that such transcript is a true and accurate record of said proceedings.

AND, I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of. _____, 2016.

MARGARET PRENDERGAST