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March 2025

Mike Wild, Chairman  
Warren County Local Development Corporation  
11 South Street, Suite 201  
Glens Falls, NY 12801

Report Number: 2021M-102-F

Dear Mr. Wild and Members of the Board of Directors:

One of the Office of the State Comptroller's (OSC's) primary objectives is to identify areas where local development corporation officials can improve their operations and provide guidance and services that will assist them in making those improvements. OSC also works to develop and promote short-term and long-term strategies to enable and encourage corporation officials to reduce costs, improve service delivery and to account for and protect their corporation's assets. In accordance with these objectives, we conducted an audit of the Warren County Local Development Corporation (WCLDC) to assess whether WCLDC officials provided adequate oversight of the revolving loan program. As a result of our audit, we issued a report,<sup>1</sup> dated December 2021, identifying certain conditions and opportunities for WCLDC management's review and consideration. In response to the audit, WCLDC officials filed a corrective action plan (CAP) with OSC on March 23, 2023. The CAP identified the actions officials took or planned to take to implement the audit recommendations.

To further our policy of providing assistance to local governments, we revisited the WCLDC in December 2024 to review progress in implementing our recommendations. Our follow-up review was limited to interviews with WCLDC personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, the WCLDC has made progress implementing some corrective action. The audit report included 10 numbered audit recommendations. However, recommendation number 3 consisted of four separate bulleted recommendations, resulting in a total of 13 separate audit recommendations in the report. Of the 13 audit recommendations, seven recommendations were fully implemented, one recommendation was not applicable during the period reviewed, one was partially implemented and four were not implemented.

### **Recommendation 1 – Business Review Committee (committee) Appointments**

The Chairman should appoint members to the committee.

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<sup>1</sup> <https://www.osc.ny.gov/files/local-government/audits/2021/pdf/warren-county-ldc-2021-102.pdf>

Status of Corrective Action: Fully Implemented

Observations/Findings: Through review of the Board of Directors (Board) meeting minutes, the Chairman appointed the committee members at the annual Board meeting held on March 21, 2024.

**Recommendation 2 – Approval of Committee Member Appointments**

The Board should approve members appointed by the Chairman.

Status of Corrective Action: Fully Implemented

Observations/Findings: On March 21, 2024, the Board approved committee members appointed by the Chairman through formal resolution.

**Recommendation 3 (4 bulleted items addressed) – Committee Documentation**

**Bullet 1 of Recommendation 3 – The Board should require the committee to announce meeting dates in advance.**

Status of Corrective Action: Fully Implemented

Observations/Findings: Committee meeting dates were listed on WCLDC’s website. We also reviewed supporting documentation that meeting notifications were provided to numerous local news outlets 72 hours prior to the committee meetings held on March 19, 2024, June 18, 2024 and September 17, 2024.

**Bullet 2 of Recommendation 3 – The Board should require the committee to recommend approval only to those loans that have a complete loan application, and all required supplemental documentation on file.**

Status of Corrective Action: Not Implemented

Observation/Findings: WCLDC officials told us that one loan application has been submitted to the Board from the period January 1, 2022 through October 31, 2024. We reviewed the loan documentation and determined that the loan had a complete loan application, and all required supplemental documentation. However, WCLDC officials could not provide us with documentation of the committee’s approval of the loan. WCLDC officials told us that this began as a loan modification to the business’s original loan that was issued in January 2018. WCLDC’s legal counsel recommended that WCLDC structure the new disbursement of funds separate from the original loan. The President told us that the recommendation to structure the loan separate from the original loan was provided to the Board last minute and there were concerns that if the Board waited to get approval from the committee, the business might have defaulted on the original loan. Because of a continued lack of the committee’s review and approval, the Board may not receive sufficient information to make an informed decision when approving or denying a loan.

**Bullet 3 of Recommendation 3 – The Board should require the committee to prepare and retain meeting minutes that include all recommendations to approve or deny loan applications.**

Status of Corrective Action: Not Implemented

Observations/Findings: We reviewed committee meeting minutes and could not find documentation of the recommendation to approve the loan application for the loan that was approved by the Board on May 3, 2024. WCLDC officials told us that although the committee’s recommendation to approve the loan application was not retained in the meeting minutes, the loan was verbally discussed in detail with the committee.

**Bullet 4 of Recommendation 3 – The Board should require the committee to formally submit proposed loan recommendations to the Board in writing.**

Status of Corrective Action: Not Implemented

Observations/Findings: The committee did not formally submit a proposed loan recommendation to the Board in writing for the loan that was approved by the Board on May 3, 2024, as discussed above.

#### **Recommendation 4 – Loan Application Fees**

The Board should ensure that officials collect all loan application fees.

Status of Corrective Action: Not Applicable

Observations/Findings: Although there was one loan application that was submitted to the Board from the period January 1, 2022 through October 31, 2024, the Board approved to waive the application fee because the business paid the application fee on their original loan issued in January 2018. WCLDC officials indicated in their CAP that verification of all loan applications fees will be provided to the committee and Board before a loan is reviewed. Specifically, the President and Chief Financial Officer told us that WCLDC staff is responsible for ensuring all applicants submit the loan application fee before providing the loan application to the committee and payment of the loan application fee will be included with the loan documents that are provided to the committee and the Board for review. WCLDC officials indicated that they plan to implement this recommendation when they have a new loan application.

#### **Recommendation 5 – Board Approval**

The Board should approve only those loans that have a complete loan application that includes required supplemental documentation.

Status of Corrective Action: Fully Implemented

Observations/Findings: WCLDC officials told us that one loan application has been provided to the Board for approval from January 1, 2022 through October 31, 2024. The loan was approved by the Board on May 3, 2024 and contained a complete loan application and all required supplemental documentation.

### **Recommendation 6 - Job Creation and/or Retention and Use of Loan Funds**

The Board should develop enforcement mechanisms for loan agreements to ensure businesses fulfill their promised job creation and/or retention goals and use loan funds only for approved purposes.

Status of Corrective Action: Not Implemented

Observations/Findings: WCLDC officials told us that annual site visits are performed to verify job creation and/or retention goals and the use of loan funds along with supporting documentation, such as quarterly employment forms submitted to New York State and invoices. However, WCLDC officials told us that enforcement mechanisms have not been included into the loan agreements to ensure businesses fulfill their promised job creation and/or retention goals and use of loan funds only for approved purchases. The President told us that he believes the Board should not foreclose on a loan or not approve a loan solely because a business does not achieve the required job creation and/or retention goals. Without proper enforcement of loan terms and conditions, borrowers may not have an incentive to create jobs or use funds in accordance with their loan agreement.

### **Recommendation 7 – Annual Site Visits and Financial Statements**

The President should perform and document all annual site visits. Also, ensure businesses submit documentation such as annual financial statements and invoices for equipment purchases.

Status of Corrective Action: Partially Implemented

Observations/Findings: WCLDC officials told us that annual site visits are conducted by the Chief Financial Officer and other WCLDC staff in the third quarter of the calendar year. We reviewed supporting documentation to determine whether annual site visits were conducted for the 2024 fiscal year and found that annual site visits were conducted for two out of the four businesses. The President and Chief Financial Officer told us that site visits were not conducted for two of the businesses because WCLDC staff worked closely with these two businesses throughout the year due to recent loan modifications and felt that site visits were not needed, as the WCLDC was in constant communication with the businesses. Although the Chief Financial Officer provided us with documentation such as email correspondence and photos to support that site visits were performed for two businesses, documentation of the results of the site visits were inconsistent. Specifically, documentation varied from a formal checklist to notes taken on a note pad.

In addition, we reviewed loan files for four businesses and determined that all four businesses submitted annual financial statements for the 2023 fiscal year. However, WCLDC officials did not ensure businesses submitted documentation, such as invoices, for equipment purchases. The Chief

Financial Officer told us that she physically observes equipment purchases when conducting annual site visits. However, she did not document what equipment she observed and does not use invoices or other documentation to confirm the equipment she sees is consistent with the purchases. When annual site visits are not completed and consistently documented, it impairs the Board's ability to determine whether the businesses complied with the terms and conditions of the loan agreements.

### **Recommendation 8 – Collateral Statements**

The President should ensure that appropriate collateral statements are filed with the County Clerk.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed collateral statements for the new loan that was approved by the Board on May 3, 2024, and found that the appropriate collateral statements were submitted with the County Clerk on May 21, 2024 to secure WCLDC's interests on the pledged property and machinery and equipment.

### **Recommendation 9 - Loan Modifications**

The President should forward all loan modification requests to the Board for approval.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed loan payments made by four businesses from January 1, 2022 through October 31, 2024 and found two loans that had modifications. We reviewed Board meeting minutes and found that loan modification requests were properly forwarded by the President and approved by the Board.

### **Recommendation 10 – Late Payment Penalties**

The President should enforce all late payment penalties, and obtain Board approval before waiving late fees.

Status of Corrective Action: Fully Implemented

Observations/Findings: We reviewed loan payments made by four businesses from January 1, 2022 through October 31, 2024 and found that late payment penalties were properly enforced. Specifically, one business had a total of two missed payments because the ACH payments were returned. The Chief Financial Officer properly assessed \$300 of late payment penalties to the loan balance.

In addition to our review of loan payments, we reviewed Board meeting minutes from January 1, 2022 through October 31, 2024 and found no instances where late payment penalties were waived.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage WCLDC officials to continue their efforts to fully implement our recommended improvements.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact Gary Gifford, Chief of Municipal Audits of our Glens Falls Regional Office at (518) 793-0057.

Sincerely,

Robin L. Lois, CPA  
Deputy Comptroller