

MEMORANDUM FROM THE

ULSTER COUNTY OFFICE OF THE COMPTROLLER

March S. Gallagher, Esq.
Comptroller



Alicia DeMarco, CPA
Deputy Comptroller

Charles Dinstuhl, CPA
Director of Internal Audit & Control

MEMORANDUM

To: Tracey Bartels, Ulster County Chair

From: March Gallagher, Comptroller

Re: Governance and Financial Matters at UCEDA

Date: July 10, 2023

I want to share with you, as the elected body who voted on the contract to distribute ARPA funding through the CARES II Program, why the Comptroller's Office has decided to audit the allocation of CARES I and CARES II funds. Our Office is working with County Executive Metzger, and we greatly appreciate the Administration pausing in the distribution of the CARES II funds while we review the program's implementation and compliance with ARPA funding requirements.

The Comptroller's Office was asked to "claims audit" the invoices from businesses seeking payment through the CARES II program. Our office currently reviews most claims for payment made to Ulster County but not those made to UCEDA by vendors and grantees. We have proposed claims auditing all of the UCEDA expenditures and when the request came to claims audit CARES II we wanted to oblige. Unfortunately, when the awardees of the program were made public, it became clear that recommendations we had made previously with regard to CARES II were not adopted, and we identified potential issues related to compliance with funding requirements. We are concerned that various management issues at UCEDA prevent the organization from being an effective ARPA subrecipient at this time.

In addition to the concerns we identified related to the CARES distributions, we also specifically raised the following issues with regard to UCEDA over the last year to Legislative and Administrative leadership:

- 1) Simultaneous submission of the same invoices to the County and UCEDA for payment;
- 2) Expenditures for maintenance and taxes for the Enterprise West property beyond the timeframe and budget originally intended;
- 3) Board approvals of transactions without transparency as to the terms of the transaction such as the sale price of Enterprise West to iPark;

- 4) Opaque and inaccurate financial statements throughout the summer and fall of 2022 that failed to show activity for the CARES I \$997k program and failed to show the receipts from National Resources for the iPark property transfers;
- 5) No insurance coverage on revolving loan agreements;
- 6) Release of liens on the iPark property transfers with limited justification and only on the most valuable properties;
- 7) Exclusion of CFO from portions of critical meetings;
- 8) No financial statements provided for board approval since December 2022; and
- 9) Invoices submitted for approval with inappropriate expenditures.

This combination of management issues, along with some of the strict requirements around federal funding, have raised a heightened awareness with respect to UCEDA's transparency and accountability and have been identified as potential risks through our continuous risk assessment process.

We appreciate the Metzger Administration working with us to review these grants before further distribution. Furthermore, we appreciate that County Executive Metzger has already begun to implement significant financial and management changes at UCEDA. The Comptroller's Office is working with the Executive to expedite review so that those funds that are appropriate for distribution reach the intended recipients.