

Ulster County Economic Development Alliance

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To: March Gallagher, Ulster County Comptroller; Charles Dinstuhl, Director of Internal Audit and Control

From: Amanda LaValle, CEO/President UCEDA, Deputy County Executive *ALL*

CC: Sarah Haley, Chairperson UCEDA; Jen Metzger, Ulster County Executive; Christopher Jaros, CFO UCEDA; Roseann Daw, Ulster County Commissioner of Finance; and, Joshua Stratton-Rayner, Interim Director Economic Development

Re: Response to Draft Audit of the Ulster County "CARES II" Grant Program

Date: 8/3/2023

Thank you for this opportunity to comment on the draft audit findings for the "CARES II" program provided to us on 7/21/23. We truly appreciate the time the Comptroller's office has spent on the expediated review of this program.

After we received your audit announcement on 6/2/23, UCEDA staff began compiling documents and reviewing all phases of the CARES II program development in concert with the County Executive's Office staff. This task proved challenging in some respects as there was significant turnover of UCEDA staff in the second quarter of 2023. As further confirmed and detailed by your draft audit findings, this initial review began a process of substantiating the incongruity between the legislative intent and the programmatic delivery. On 6/16/23, the County Executive in conjunction with UCEDA notified all awarded businesses of a programmatic "pause" to allow for review and evaluation of the program.

Overall, we concur with your principal findings: There were serious and concerning discrepancies between the intent of the program and its implementation. In authorizing the CARES II Program, it was clearly the Ulster County Legislature's intent to fund only qualifying Low to Moderate Income (LMI) businesses. This was stated in Resolution No. 29 of 2022 appropriating funds the CARES II program as well as in the contract executed between the County and the Ulster County Economic Development Alliance to implement the CARES II Program. Former UCEDA staff erred in the fall of 2022 in developing programmatic scoring guidelines for awards by incorporating income as one of several evaluative criteria in the scoring matrix rather than as a screen for grant eligibility. Your office's further review of the awardees found that out of 40 executed award contracts, 21 businesses met the programmatic definition of LMI.

UCEDA, as well as the Office of the County Executive, have undergone a change in leadership in the time since the program was developed and those errors were made. As a new administration, County

Executive Metzger has prioritized addressing many of the Comptroller's stated concerns regarding UCEDA; significant changes are already in process.

Response to Findings

1- Unclear Contractual Language: We agree that the contractual language is unclear in several key areas. In consideration of contract development context, we particularly note your Executive Summary comment that the program, and the contract, was modeled after a similar grant program that was developed by the New York State Division of Housing and Community Renewal and locally administered by Ulster County in cooperation with UCEDA.

2 – Contractual Requirements Were Ignored in Administering the Program: We agree with the overall finding that certain important contractual requirements were not followed by UCEDA staff in the program design or administration. Former supervisory staff disregarded portions of the contract, took undue latitude with other terms of the contract, and directed subordinate staff accordingly.

3 – Misleading Marketing of the CARES II Grant Program: We concur with the finding that contractual requirements and specific language from the contract, particularly concerning applicant eligibility, were not reflected in the program application or in other aspects of program administration by former UCEDA staff, including marketing.

4 – Ineligible applications were sent to the scoring committee: We agree with this finding that applications were sent to the committee for scoring that were not properly vetted for income eligibility. Income eligibility should have been used as a screen, and ineligible applications should not have progressed to full committee review.

5 – Errors were found in the aggregation of the application scoring data: We agree with this finding. There were consequential errors in the spreadsheet used to aggregate the scoring. As noted in the draft audit, the former President/CEO of UCEDA and Director of Ulster County Department of Economic Development had sole control over those worksheets.

Discussion and Programmatic Response

In our review of CARES II we have concluded that the former President / CEO, who also served as the Director of Economic Development, was responsible for incongruities between the contract and its execution. Upon the former President/CEO's departure from County service, I assumed the role although it has not historically been filled by a Deputy County Executive. A new Director of Economic Development will be joining the staff in the coming weeks pending legislative confirmation and will over the coming months take over as President/CEO of UCEDA. Meanwhile, we are taking necessary steps to review both UCEDA and County processes and procedures, including those relating to program development and grant-making, to ensure sound and accountable decision-making and prevent the kind of problems that occurred in the CARES II program. To that end:



- The UCEDA Board is in the process of procuring an outside financial and operations management consultant to review existing procedures and policies (available on the [website](#)) and provide guidance on procedures to solidify and expand internal controls. The recommendations of the consultant will be used to draft an internal compliance strategy for UCEDA. This strategy will be a comprehensive plan to ensure UCEDA adheres to all relevant laws, regulations, contractual requirements, and internal policies. We anticipate this strategy would focus on the promotion of ethical conduct, preventing conflicts of interest, safeguarding data, maintaining transparency, and assessing staff capacity and resourcing. We anticipate that we will make significant progress to this end within the next 3-4 months although the full process may extend into 2024.
- The County Executive has directed staff to identify boards and commissions with fiduciary responsibilities that should have expanded training requirements. The trainings should raise awareness about the importance of compliance and the potential risks associated with non-compliance. We would welcome the opportunity to work with the Comptroller's office on the development of a curriculum for that training.
- Although historically the County's role in the field has been limited, County staff are working to identify departments and agencies that oversee grant programs to ensure appropriate internal procedures are in place for program development and evaluation. These procedures will include review of the program development, scoring criteria, and any evaluation spreadsheets by qualified staff who are not directly involved in the program development. We also will be reviewing guidance/training that the NYS Comptroller provides to NYS Agencies administering grant programs. (Example materials [available here.](#))

Summary and Conclusion

UCEDA plays a valuable and unique role in County government as an economic development tool for the betterment of Ulster County. UCEDA's status as a public authority allows increased latitude to perform certain tasks related to its mission. Clarity of purpose, accuracy of execution, and a continual culture of impeccable transparency are critical not only to effective performance of this valuable role but to earning and retaining public trust in the organization.

As detailed above, we have initiated and are committed to reestablishing and developing procedures at UCEDA to address the issues examined in this audit as well as to addressing other transparency and accountability concerns. We understand that an effective compliance strategy is an ongoing process that requires commitment from all levels of both UCEDA and the County. We believe that by prioritizing compliance and ethics, UCEDA can rebuild trust with stakeholders and foster a culture of integrity. Again, we would like to thank the staff of the Comptroller's Office for their review and expertise in this review and look forward to our continuing communication in improving these processes.

