

THOMAS P. DiNAPOLI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 24, 2015

Howard Zemsky
Commissioner
Department of Economic Development
Empire State Development Corp
633 3rd Ave - 37th Floor
New York, NY 10017

Re: Final Report 2015-BSE1-01

Dear Mr. Zemsky:

As part of our daily audit, we examined¹ vouchers payable to the Local Development Corporation of Laurelton, Rosedale and Springfield Gardens (LDC) which claimed \$65,000 from the Department of Economic Development (Department) under contract M050231. Under the contract, the LDC was to provide assistance to local businesses during the period April 1, 2005 through August 31, 2014. We found only \$4,284.09 of these claims were for appropriate expenses. The remaining \$60,715.91 in amounts claimed represented expenses unsupported or previously reimbursed under other contracts.

On April 28, 2014, the Department made a \$16,250.00 advance payment to the LDC. On June 9, 2014, the LDC claimed the remaining \$48,750.00 of the contract amount. To receive the second claim, the LDC needed to demonstrate that the entire \$65,000.00 in expenses was incurred during the contract period for work relevant to the contract objectives, and was for expenses not previously paid from another funding source.

The LDC was able to substantiate only \$4,284.09 in expenses under the contract. As a result, we rejected the LDC's claim for \$48,750.00. Consequently, the LDC has retained \$11,965.91 in advance funds for unsubstantiated expenses (\$16,250.00 advance less \$4,284.09 in supported expenses).

We shared a draft report with Department officials and considered their comments (Attachment A) in preparing this final report. The officials agreed with the findings and stated that they are working to recover \$11,965.91 in funds that could not be substantiated by the LDC. In addition, the Department will scrutinize payments submitted for contract #M050231 to ensure they are supported by sufficient and appropriate evidence.

¹ We performed our examination in accordance with the State Comptroller's authority set forth in article V, Section 1 of the State Constitution, as well as Article II, Section 8, and Article VII, Section 111 of the State Finance Law.

Recommendations

1. *Recover from the LDC \$11,965.91 in advances as appropriate.*
2. *Ensure future requests for payment under contract M050231 are supported by sufficient, appropriate evidence.*

We thank the management and staff of the Department for the courtesies and cooperation extended to our auditors. Since your response to our draft report is in agreement with the recommendation, there is no need for further response. If you choose to provide a response, we would appreciate receiving it by September 24, 2015 indicating any actions planned to address the recommendation in this report.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

Enc: Attachment A

cc: Edward Hamilton, Senior Deputy Commissioner
Vivian Reichenbach, Director, Internal Audit



July 30, 2015

Bernard J. McHugh
Director of State Expenditures
Office of State Comptroller
110 State Street, 11th Floor
Albany, New York 12236

Re: Response to Draft Report 2015-BSE1-01

Dear Mr. McHugh:

The Department of Economic Development (DED) received the Office of the State Comptroller's (OSC) draft report on the OSC review of 2014 vouchers for DED's contract M050231 with the Local Development Corporation of Laurelton, Rosedale and Springfield Gardens (LDC).

DED staff met with OSC staff prior to receipt of the report to review the steps that OSC took; both in OSC's routine review of submitted vouchers of the LDC, and the site visit OSC staff made to the office of LDC for onsite interviews of LDC staff and review of source material.

OSC's report provided two recommendations for DED to address. DED is in agreement with both as summarized here:

- DED is working to recover \$11,965.91 in funds from the advance payment to the LDC that could not be substantiated on request for further documentation.
- DED will scrutinize any future requests for payment under contract M050231 to insure they are supported by sufficient and appropriate evidence.

In addition to the suggestions to enhance procedures in the review of any future LDC submissions, DED will apply the suggestions from this OSC review to improve monitoring and payment procedures for all grant contracts.

Please feel free to contact me at ed.hamilton@esd.ny.gov or 518-292-5709 for any questions or further discussion.

Sincerely,

A handwritten signature in black ink that reads "Ed J. Hamilton". The signature is written in a cursive style.

Ed J Hamilton
Senior Deputy Commissioner, Finance and Administration