



# Schenectady County Industrial Development Agency

## Project Approval and Monitoring

### Report of Examination

Period Covered:

January 1, 2013 — August 31, 2014

2014M-338



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

April 2015

Dear Agency Officials:

A top priority of the Office of the State Comptroller is to help local officials manage government resources efficiently and effectively and, by so doing, provide accountability for public dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments and certain other public entities statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard governmental assets.

Following is a report of our audit of the Schenectady County Industrial Development Agency, entitled Project Approval and Monitoring. This audit was conducted pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution and Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for agency officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*

# Introduction

## Background

Industrial Development Agencies (IDAs) are independent public benefit corporations whose purpose is to promote, develop and assist industrial, manufacturing, warehousing, commercial, research and recreation facilities. The overall goal of IDAs is to advance the job opportunities, health, general prosperity and economic welfare of the people of the State. Typically, projects that receive IDA benefits involve the acquisition, construction or major renovation of buildings or other structures and generate short- and long-term employment in construction and operation-related jobs.

The Schenectady County IDA (SCIDA) was created in 1978 for the purpose of encouraging economic growth. The benefits available to companies who receive SCIDA support include New York State mortgage and sales tax exemptions, real property tax abatement and low interest bonds. In return, many of the projects that benefit from SCIDA assistance create new jobs or retain existing jobs in the community and make annual payments in lieu of taxes (PILOTs)<sup>1</sup> to help offset the loss of revenues from tax exemptions provided to the projects. SCIDA reported benefits totaling approximately \$1.5 million for 29 projects for 2013. These benefits were in the form of reducing taxes that the projects would have paid if the projects occurred without assistance from SCIDA.

SCIDA is governed by a seven-member Board of Directors (Board) appointed by the Schenectady County Legislature. The Board is responsible for the general management and control of SCIDA's financial and operational affairs. The Metroplex Development Authority (MDA) performs all the administrative and accounting services for SCIDA in exchange for service fees paid by SCIDA. The Executive Director of the MDA also serves as the Executive Director of SCIDA, and the MDA's Director of Finance serves as SCIDA's Chief Financial Officer.

## Objective

The objective of our audit was to review SCIDA's process for evaluating and monitoring projects. Our audit addressed the following related questions:

- Did SCIDA enter into adequate agreements with and evaluate the performance of the businesses that were granted benefits and incentives within the SCIDA PILOT program?

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<sup>1</sup> PILOTs are amounts paid for certain tax-exempt parcels in lieu of real property taxes that would otherwise have been paid, had the property not been tax-exempt.

**Scope and  
Methodology**

We examined SCIDA’s records and project files for the period January 1, 2013 through August 31, 2014. We extended our scope back to 2003 to include PILOT payments.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix C of this report.

**Comments of  
Agency Officials and  
Corrective Action**

The results of our audit and recommendations have been discussed with Agency officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, Agency officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comments on issues raised in the Agency’s response letter.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Board Secretary’s office.

## Project Monitoring

The General Municipal Law provides that certain types of projects are eligible for IDA economic assistance. IDAs should establish procedures to monitor performance, in an economically quantifiable and easily comparable measurement, to ensure that the community is benefiting from the firm or business activities, as stated in the application. IDAs should incorporate recapture or claw-back provisions in project agreements to allow the IDAs to recoup previously granted benefits if job creation or retention or other economic goals or other terms of the agreements are not met. Additionally, to ensure that financial benefits are properly administered, IDAs must have a process in place to monitor PILOT payments made by businesses to the affected taxing jurisdictions.

SCIDA officials monitored job creation performance by collecting data from businesses on an annual basis, but because they did not include recapture provisions<sup>2</sup> in their PILOT agreements, they were unable to recover economic benefits if companies did not meet their job creation goals. Our review of 10 projects disclosed that one business met its job creation goal, five businesses did not meet their goals and we were unable to determine whether four businesses met their goals. Additionally, because SCIDA did not adequately monitor PILOT payments, SCIDA was unaware that affected taxing jurisdictions were underpaid \$94,341 from 2003 to 2014.

### Job Creation Performance

IDAs are responsible for establishing a process to monitor and enforce agreed-upon job expectations. Additionally, IDAs may place provisions in project contracts that allow them to recapture, or recover, economic benefits if companies do not meet their project goals. Penalties for non-performance such as a shortfall in job creation or other promised benefits could take various forms. For example, a business could be prohibited from reapplying for an incentive program, or a recapture provision could require the business to return all or part of the tax exemptions received. A recapture provision may be based on the number of new jobs created, a specific length of time a business must stay at a subsidized location or other factors determined by an IDA.

Annually, SCIDA requests current employment numbers from the businesses it provides benefits to and uses those figures in its annual report and to monitor project performance. However, SCIDA does

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<sup>2</sup> Although the PILOT agreements allowed for the recapture of benefits for the non-payment of PILOTs, they did not contain provisions to recapture benefits for the failure to meet job creation goals.

not include provisions in the agreements it enters into with the businesses or have an effective process in place to recapture benefits provided to the businesses when the businesses do not meet their employment goals. We examined the annual reporting forms for 10 projects receiving benefits in 2013. For three projects, we were unable to determine whether the job creation goals were met because the businesses did not report sufficient information to SCIDA.<sup>3</sup> A fourth project, which was first approved in 1985, was for the redevelopment of several properties located in an industrial park. This project originally included eleven buildings that were owned by a property development and management company, which then leased the properties to tenants. Since the initial project approval, SCIDA has extended and amended the PILOT agreement on several occasions, to exclude parcels which the property development and management company sold. These amendments also included the addition of one new parcel which the property development and management company purchased. In 2013, SCIDA provided financial benefits to this company for three properties and nine buildings in the industrial park. While the company reported a job creation goal of 550 employees on the 1985 PILOT application, due to the multiple amendments to the original PILOT agreement, it was not possible for us to determine what the current job creation goal was. According to the company's website, space within six of those nine buildings was available for lease as of August 31, 2014. The job creation goals established by the property management company are based on estimated jobs created by the tenants who occupy these buildings. Providing financial benefits to a property management and redevelopment business rather than directly to the businesses leasing those properties increases the risk that the financial benefits may not be received by the intended businesses – those occupying the properties and creating jobs.

For the remaining six projects, we found that one project met its job creation goal but the other five projects did not meet their goals.

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<sup>3</sup> One business did not report its 2013 employment levels to SCIDA, the second business did not report the number of jobs existing prior to SCIDA's involvement and SCIDA did not have the original project application on file for the third business.

Figure 1: Job Creation Performance					
Project	Jobs Before SCIDA Involvement	Jobs Created (or Decreased) During SCIDA Involvement	Total Jobs Reported as of 12/31/13	Total Job Creation Goal <sup>a</sup>	Shortage of Jobs vs Job Creation Goals
1	0	20	20	40	20
2	0	80	80	110	30
3	0	4	4	4	0
4	4	2	6	8	2
5	0	34	34	75	41
6	188	(24)	164	189	25
<b>Total</b>	<b>192</b>	<b>116</b>	<b>308</b>	<b>426</b>	<b>118</b>

<sup>a</sup> The businesses are generally given two years to reach their total job creation goal. All six of these projects entered agreements with SCIDA prior to or in 2011 and should have been at their job creation goal by December 31, 2013.

The five projects which did not meet their job creation goals created 118 fewer jobs than estimated on their project applications. Moreover, one project<sup>4</sup> reported that the business employed 188 individuals prior to SCIDA providing them with benefits and planned to create one additional job. However, as of December 31, 2013, this business reported only 164 jobs, 24 fewer jobs than before the business received SCIDA benefits.

When project applicants receive tax benefits without creating and retaining jobs as promised in their applications, the community does not receive the expected benefits.

### Monitoring PILOTs

Real property owned by an IDA is entitled to an exemption from real property taxes. These exemptions are passed through to assisted businesses. In most cases, a portion of the property taxes forgone is recaptured via PILOTs made by recipients of IDA benefits to affected taxing jurisdictions (i.e., local governments and school districts). To ensure that these benefits are properly administered, it is crucial for an IDA to have a process in place to monitor the PILOTs and take action in a timely manner when businesses fail to make accurate PILOT payments.

SCIDA's PILOT agreements make the businesses responsible for remitting PILOT payments directly to the affected taxing jurisdiction. SCIDA does not have a process in place to adequately monitor these payments. According to SCIDA officials, they attempted to gather

<sup>4</sup> Project number 6 in Figure 1

PILOT billing information from the affected taxing jurisdictions by requesting the information from them and relied on the taxing jurisdictions to contact them if they have questions or concerns regarding the billing or collection of PILOT payments. We reviewed the PILOT agreements for 10 projects and obtained and reviewed all available PILOT payment information<sup>5</sup> from the various affected taxing jurisdictions from 2003 to 2014. Payments for nine projects were made accurately or had only minor variances, totaling \$94,341 in underpayments. However, one project agreement provides for the payment of a 7.5 percent fee<sup>6</sup> for the business' failure to construct a building. Although the County and the affected town each billed the business for and received this 7.5 percent fee, the affected school district did not. As a result, the school district did not receive \$91,814 to which it was entitled. While SCIDA notified the affected taxing jurisdictions of the PILOT provision requiring the business to pay the 7.5 percent fee, SCIDA did not subsequently verify that each affected taxing jurisdiction did in fact bill for and receive this fee.

These underpayments occurred because SCIDA did not adequately monitor PILOTs billed and collected by taxing jurisdictions. In addition to the financial impact these errors had on municipalities, PILOT billing errors may cause municipalities and the public to have an unfavorable view of future SCIDA tax exemption and PILOT proposals. If municipal officials conclude that they are not receiving all required tax and PILOT payments, they may be less likely to support current or future projects.

## Recommendations

The Board should:

1. Ensure that all project agreements contain a recapture clause that would allow SCIDA to recover the financial incentives provided if businesses do not produce the intended benefits and should invoke the recapture provision, as appropriate, if a recipient does not meet performance expectations.
2. Provide financial benefits directly to the businesses providing jobs and not to leasing agents.
3. Establish and implement procedures to ensure that PILOT payments are made accurately and timely.

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<sup>5</sup> For seven projects, we were able to obtain PILOT payment information from the affected taxing jurisdictions for the entire term of the PILOT. However, for three of the projects, we were unable to obtain some historical payment information from one or more taxing jurisdictions due to the age of the PILOTs and the length of time that had passed since the payments were made.

<sup>6</sup> Calculated as 7.5 percent of the total PILOT payment for each year

**APPENDIX A**  
**RESPONSE FROM AGENCY OFFICIALS**

The Agency officials' response to this audit can be found on the following pages.



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March 13, 2015

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Dear [REDACTED]

The Schenectady County IDA (SCIDA) appreciates the opportunity to respond to the report entitled "Project Approval and Monitoring" prepared by OSC's Division of Local Government and School Accountability.

### **Report Recommendations**

#### **1. Recapture Provisions**

The report's main recommendation is that SCIDA should include recapture provisions in its agreements so that the IDA can potentially recover incentives from companies that do not meet project goals.

SCIDA monitors its project portfolio very carefully. Existing PILOTS contain provisions to terminate agreements if PILOT payments are not paid on time, if the project has substantially changed, or if the company does not submit information to the SCIDA in a timely manner.

See  
Note 1  
Page 13

We will review this recommendation with the SCIDA Board.

#### **2. No Benefits to Leasing Agents**

The report's second recommendation is that SCIDA not provide benefits to "leasing agents." We respectfully disagree with this finding.

See  
Note 2  
Page 13

First, we believe the term should be developer not leasing agent. Because many companies prefer to lease and not own their facilities, we need to offer IDA benefits to developers. Our recent success in attracting CTDI to the Town of Glenville with more than 500 new jobs shows that we need to continue to work with both companies and developers to bring new investments and jobs to our community.

### **3. Pilot Payments**

The report also suggests that SCIDA establish procedures to ensure that PILOT payments are made accurately and timely. Of course, we agree that this is important. That is why we are pleased with OSC's findings that during the period covered by the report (2003 to 2014) SCIDA PILOT payments were "made accurately or had only minor variances for nine of the ten projects reviewed."

We are proud of the work we have done to generate substantial new PILOT revenue for our community as outlined in our annual PILOT report. PILOT revenue now approaches \$15 million annually.

After looking at PILOT payments for ten projects for more than ten years, the one project where OSC found a discrepancy was a penalty payment owed by the SI Group. Both the County and Town filed for and received this penalty payment. SCIDA notified the school district of this penalty and we fully documented our efforts to alert the school district to the availability of this penalty payment. Unfortunately, the school district never collected the penalty payment. OSC categorized this failure to collect a penalty as an underpayment of a PILOT. We disagree with this finding.

See  
Note 3  
Page 13

It is important to note that the SI Group project which involved the penalty payment was originated by the Rotterdam IDA not the SCIDA. SCIDA took over operations of the Rotterdam IDA at the request of the Town after the Town IDA disbanded when the Authorities Budget Office determined that the Rotterdam IDA had no outstanding bond debt.

#### **Job Goals – Ten Projects Reviewed**

The report states that OSC was unable to determine whether job creation goals were met for four of ten projects selected by OSC for review. For six other projects, the report found that one met job goals but five others did not. In total, OSC found that SCIDA was short 118 jobs in meeting job goals for the ten projects they reviewed.

We disagree with this finding. For the ten projects covered by the OSC report, we are pleased to report that SCIDA projects surpassed job goals by 515.5 jobs.

See  
Note 4  
Page 13

While the OSC report failed to identify the ten projects we are pleased to do so.

The first four projects that were reviewed include: GE, FedEx Freight, Railex, and the Glenville Business and Technology Park. All four projects met goal.

GE reported employment at the Main Energy Campus to be 4,179 FTE's. The GE campus in downtown Schenectady has added over 1,000 new jobs since 2004 including GE's Power and Water Headquarters (relocated to Schenectady from Atlanta), GE's Renewable Energy Headquarters, and a new Energy Storage production facility as well as expanded steam turbine and generator manufacturing capabilities.

See  
Note 5  
Page 13

The second project was FedEx Freight located at the Rotterdam Corporate Park. The job goal was 63. The company reported 127.5 FTE's for the period ending 12/31/13. The company exceeded its job goal by 64.5 jobs.

See  
Note 6  
Page 13

The third project involves Railex in Rotterdam. Railex has rapidly expanded and has exceeded its job goals. Employment was zero when the project started. Railex selected Schenectady County after an extensive search of multiple locations on the East Coast. The company currently has facilities in Washington State, Florida and California and is growing rapidly. The company reported 344 jobs at the end of 2013 exceeding goal by 44 jobs.

See  
Note 7  
Page 14

The fourth project involves the former Scotia Navy Depot which is now called the Glenville Business & Tech Park. The project has resulted in 558.5 jobs. The job goal was 550 so the goal for this project was exceeded by 8.5 FTE's. In addition, during 2013, we recruited another new business to this business park. This company worked with SCIDA and a local developer to construct a new 151,000 square foot building. The facility is now open and it employs more than 500 workers. The company is called CTDI. They are a top supplier to the telecommunications industry. When CTDI's 500 new jobs are added to the employment reports above, the Glenville Business and Technology Park exceeded employment goals by 508.5 jobs.

See  
Note 8  
Page 14

For the remaining six projects listed in the report, OSC does not identify the names of companies. We are pleased to do so.

The first project listed is the demolition of the blighted Capitol Plaza in Rotterdam and the construction of new buildings at this site. This is another successful SCIDA project. The project was designed more to accomplish blight removal than job creation, which is a core mission for SCIDA. The replacement of a vacant and blighted building at this site with two new buildings has sparked additional building and new investment in this commercial corridor. While the project is under its job goal of 40, updated job reports show total employment at 26.5 FTE's resulting in a shortfall of 13.5 FTE's.

See  
Note 9  
Page 14

The second project is the DEC building in Rotterdam. This project involved construction of a regional office for lease by NYS DEC. The original goal for this project was 110 jobs. The 12/31/13 report shows 80 jobs. These are State jobs and the reduced number was due to State agency cutbacks. This project met the job goal of 110 before agency cutbacks. This project was originated by the former Rotterdam IDA not SCIDA. When OSC audited the Rotterdam IDA in 2010, the audit found that this project had exceeded its job goal by 11 FTE's in 2008.

The next project is the United Suites project which met its job goal.

The Fortitech project in Glenville is the next project in this group of six projects reviewed by OSC. This is another successful SCIDA project. It involved construction of a new 48,000 square foot facility for the fast growing Fortitech Corporation. This new facility was built on formerly County-owned land at the Airport Business Park. The new facility in Glenville helped Fortitech continue to grow and expand in Schenectady County – a key element of the Glenville project as the company's facility in the City of Schenectady is operating at full capacity. The Fortitech facility in Schenectady reported 332 jobs last year.

See  
Note 10  
Page 14

In Glenville, Fortitech started with 0 jobs (the site was vacant) and the company reported 6 FTE's at the end of 2013 which is two short of the goal of 8 FTE's. We recently checked with the company and found that employment in 2014 increased to 10 FTE's so the company has now surpassed its employment goal. We do not understand why the OSC report lists 4 jobs as the number which existed at the site before SCIDA involvement in the project. This is an error as the site was vacant before it was purchased by Fortitech.

See  
Note 11  
Page 14

The next project in this grouping is Unilux Advanced Manufacturing. The company produces large industrial boilers. The company's business was negatively impacted by the recession. The company paid full property taxes so recapture of Pilot payments is a moot issue. The company relocated from Toronto to Niskayuna so the project created net new jobs and revenues for the community. We agree with the findings that the company fell short of its 75 job goal by 41 positions in 2013, but the community has benefited from the new jobs and substantial new tax revenues created by the project. We appreciate the fact that the company moved to Schenectady County from Toronto. We also note that the company has reported an increase of 6 FTE's in their 2014 report for a total of 40 FTE's.

See  
Note 12  
Page 14

See  
Note 13  
Page 14

The final project in this group of six projects reviewed by OSC involves the SI Group. The project was originated by the now-defunct Rotterdam IDA in 2008. The SCIDA had no involvement with this project when it was developed. The project was supposed to retain 188 jobs and create one new job for a total of 189 jobs. The company decided not to proceed with a \$12 million energy efficiency project. Employment as of 12/31/13 was 164 -- 25 short of the goal. The company has paid a penalty under terms of the original PILOT agreement.

See  
Note 14  
Page 15

If you need more information, please feel free to contact me at (518) 377-1109, ext. 102.

Sincerely,

Jayne B. Lahut  
Executive Director

## APPENDIX B

### OSC COMMENTS ON THE AGENCY'S RESPONSE

#### Note 1

While PILOT agreements allow SCIDA to terminate a PILOT agreement when a business does not make timely PILOT payments, substantially changes the project or does not timely submit information to SCIDA, the PILOT agreements do not include recapture provisions for the failure to meet job creation or other project goals.

#### Note 2

As noted in the report, providing PILOT benefits to a property management and development business rather than directly to the businesses leasing the properties increases the risk that the PILOT benefits may not be received by the intended businesses.

#### Note 3

This business' failure to pay the 7.5 percent penalty (\$91,341) for not constructing a building is an underpayment of a PILOT because the penalty is a provision of the PILOT agreement and was not enforced by SCIDA.

#### Note 4

SCIDA officials were given the opportunity to provide us with adequate documentation to support their job creation figures, but the documentation that was provided to us by SCIDA officials was inadequate. For example, SCIDA officials provided us with an internal document detailing job creation numbers; however, there was no source documentation to support all of those figures.

#### Note 5

While we noted that this business reported 4,179 jobs as of December 31, 2013, the business's application for benefits did not clearly establish the number of jobs existing prior to SCIDA involvement but indicated that the purpose of the project was to retain jobs at the business' existing facility and encourage future expansion. However, this information is necessary to determine the number of jobs actually created since SCIDA became involved in the project. As a result, we could not determine whether this business met its goal of creating and/or retaining jobs.

#### Note 6

At the end of our audit fieldwork, this business had not yet reported 2013 employment figures to SCIDA. SCIDA obtained these figures from the business in February 2015, after we had completed fieldwork and our report.

#### Note 7

We requested this information from SCIDA officials. However, they did not provide us with a project application for this project to document the job creation goal. According to SCIDA officials, they were unable to locate this documentation.

#### Note 8

As noted in our report, SCIDA first provided this business with a PILOT agreement in 1985 and has since modified and extended the terms of the PILOT agreement several times. These modifications included the exclusion of properties and addition of properties to the PILOT agreement. Despite SCIDA's position that the job creation goal was 500, it is unclear what the actual total job creation goal of the properties currently covered by the PILOT agreement was.

#### Note 9

SCIDA officials provided this information to us at the exit discussion. These job creation numbers are as of December 31, 2014, which is outside of the audit scope period.

#### Note 10

The facility referenced by SCIDA officials is located in the City of Schenectady and is not a part of the Fortitech PILOT agreement for the Glenville location covered under the SCIDA PILOT agreement. Therefore, we did not review the job creation performance at this facility.

#### Note 11

Our report lists four jobs as the number which existed prior to SCIDA involvement, because that is the number of jobs the business reported as existing jobs on their application for SCIDA benefits, which is on file at SCIDA.

#### Note 12

Recapture of PILOT payments is not a moot issue. This company paid the equivalent of its full share of property taxes because the property was eligible for a qualified empire zone credit. According to the PILOT agreement, the business is to pay 100 percent of what its tax liability would be if it were taxable for the first 10 years of the PILOT agreement, as long as the company continued to receive the qualified empire zone credit. Further, the PILOT agreement allows for reduced PILOTs for years 11 through 15 of the PILOT agreement. A recapture of PILOT payments should be included because the company will receive PILOT benefits that are less than 100 percent of what its tax liability would be in years 11 through 15 or if it stops receiving a qualified empire zone credit prior to year 11.

#### Note 13

SCIDA officials provided this information to us at the exit discussion; we note these job creation numbers are as of December 31, 2014, which is outside of the audit scope period.

Note 14

As noted in our report, the business paid the penalty to only two of the three affected taxing jurisdictions. Furthermore, this penalty is associated with the business's failure to construct a building as agreed to in the PILOT agreement. The business has not paid any penalty associated with its failure to meet its job creation and retention goals.

## APPENDIX C

### AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to review SCIDA's practices for evaluating and monitoring projects sponsored by SCIDA that were active for the year ending December 31, 2013. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We reviewed the minutes of the Board's proceedings and interviewed SCIDA officials to gain an understanding of SCIDA's processes surrounding project approval and monitoring, and property transactions.
- We reviewed the policies and procedures related to the project application process and to project approval, monitoring and evaluation.
- We reviewed project records and assessment rolls.
- We interviewed officials to identify SCIDA-sponsored projects since the start of our audit period.
- We reviewed PILOT agreements and inquired with SCIDA officials as to whether they had considered recapturing benefits from business owners who fell short of their performance goals.
- We selected a judgmental sample of 10 projects based on the project approval dates, exemption amounts and estimated project amounts. We obtained all information for these projects, including projects files, PILOT agreements and lease agreements.
- For the same sample of 10 projects, we reviewed project documents to identify job creation goals and reviewed annual reports from participating businesses to determine whether they met those goals. We also obtained and reviewed PILOT payment data from the appropriate taxing jurisdictions to verify that PILOT payments were made accurately.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## APPENDIX D

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