September 2017

James Dacey, Chair
Board of Directors
City of Auburn Industrial Development Authority
2 State Street
Auburn, New York 13021

Report Number: S9-15-69

Dear Chair Dacey and Members of the Board of Directors:

A top priority of the Office of the State Comptroller is to help local officials manage their 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 governance. Audits can also identify strategies to reduce costs and to strengthen controls intended to safeguard assets.

In accordance with these goals, we conducted an audit of six Industrial Development Agencies (IDAs) throughout New York State. The objective of our audit was to determine whether the IDA Board of Directors provides effective oversight of the IDA’s projects. We included the City of Auburn IDA (Agency) in this audit. Within the scope of this audit, we examined the Agency policies and procedures and reviewed records and project files for the audit period January 1, 2014 through May 31, 2015. For selected projects, we expanded the audit period back to June 27, 2001. This audit was conducted pursuant to Article X, Section 5 of the State Constitution and the State Comptroller’s authority as set forth in Article 3 of the New York State General Municipal Law.

This draft report of examination letter contains our findings and recommendations specific to the Agency. We discussed the findings and recommendations with Agency officials and considered their comments, which are included in Appendix B, in preparing this report. Agency officials generally agreed with our recommendations and indicated they plan to initiate corrective action. At the completion of our audit of the six IDAs, we prepared a global report that summarizes the significant issues we identified at the IDAs audited.
Summary of Findings

We found the Board of Directors (Board) could do more to provide effective oversight of the Authority’s operations. While the Board uses a standard project application, it has not developed project selection criteria and does not require applicant information to be verified or confirmed before it approves a project for financial assistance. Although the use of project selection criteria was not required at the time of our audit, legislation that became effective June 2016 requires IDAs to develop and use project selection criteria for new projects.

We reviewed the project selection process for five projects and found that Agency officials did have criteria to evaluate these projects. However, Board members indicated that they use their collective personal knowledge to evaluate the applicant’s cost estimates and job creation goals. These projects have collectively received tax abatements of $3.1 million and tax exemptions of $620,000. The Board also approves sales tax exemptions. However, it does not establish a maximum sales tax exemption benefit and, therefore, does not monitor a project’s sales tax exemption usage.

Although the Board adopted a monitoring policy in October 2014, the policy has not been implemented and, while the Authority generally uses a uniform project agreement, project agreements lack important provisions. The Board also adopted a Uniform Tax Exemption Policy (UTEP), which includes provisions for the recapture or “claw-back” of financial assistance when project goals are not met. However, the Board has inconsistently incorporated “claw-back” language in Authority project agreements.

In addition, the information submitted by project owners is not verified. Although Agency officials were not required by statute to verify submitted project information, Agency officials should ensure that the submitted information reflects the actual results of project activity. The Board does not require project owners to provide documentation to support the number of jobs or salaries the projects were expected to create or retain. We reviewed 15 approved projects and found 12 project owners reported they created and retained the jobs indicated in their project agreements, but there was no documentation to support these assertions. The remaining three project owners reported that they did not meet their job goals. Of the 778 jobs expected to be created or retained for the three projects, 367 (47 percent) were reported as created or retained.

We also found the Board has not developed adequate policies and procedures to report reliable project information from project owners. As a result, statutory information the Agency must provide in an annual report to the New York State Authorities Budget Office and the Office of the State Comptroller is not always accurate.

Background and Methodology

An IDA is an independent public benefit corporation whose purpose is to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial, research and recreation and certain other facilities. The overall goal of an IDA is to advance the job opportunities, health, general prosperity and economic welfare of the people of the State.
IDAs are authorized to provide financial assistance for certain types of projects. Financial assistance includes the issuance of bonds by the IDA to finance construction of a project and straight-lease transactions. Since the property and activities of IDAs are tax exempt, the IDA may pass the benefits of certain tax exemptions (e.g., real property, sales and mortgage recording taxes) to the private entities that undertake the projects. The loss of revenue associated with these tax exemptions can be offset with an agreement for payments in lieu of taxes (PILOTs), under which the private entity agrees to pay all or a portion of the taxes that would otherwise have been imposed had the project not been an IDA project. The role of the IDA is not just to act as the conduit for financial assistance, but also to monitor the success, progress and cost-benefit of projects, including whether projects are honoring their commitments and agreements.

In June 2016, new legislation became effective to increase the accountability and improve the efficiency and transparency of IDA operations.\(^1\) For new projects, the law requires standard application forms for requests for financial assistance, uniform criteria for the evaluation and selection for each category of projects for which financial assistance is provided, uniform project agreements, annual assessments on project progress including job creation and retention, as well as policies to recapture, discontinue or modify financial assistance or tax exemptions.

The Agency, created in 1969, is governed by the Board composed of nine members who are appointed by the Mayor of the City of Auburn. The Board is responsible for the general management and control of the Agency. A Board member’s role and responsibilities include executing direct oversight of the Agency’s officers; understanding, reviewing and monitoring financial controls and operating decisions; adopting organizational policies; and performing their duties “in good faith and with the degree of diligence, care and skill which an ordinary prudent person in a like position would use under similar circumstances.”\(^2\) An Executive Director and Assistant Treasurer manage the Authority’s day-to-day operations.\(^3\)

For calendar year 2014, the Agency’s annual report included 16 active projects including two active bonds and 14 active PILOT agreements. The Agency had approximately $1.3 million in expenditures in 2014, funded primarily with fees charged for processing project applications and for administering benefits granted to approved projects.

To complete our objective, we interviewed the Board members and Agency officials, and we examined Agency records and project files for the period January 1, 2014 through May 31, 2015. For selected projects, we expanded the audit period back to June 27, 2001.

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 are included in Appendix C of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

---

\(^1\) Chapter 563 of the Laws of 2015.
\(^2\) New York State Public Authorities Law, Section 2824
\(^3\) The Authority contracted with the Cayuga Economic Development Agency to provide staffing to the Authority.
Project Approval

The Board is responsible for reviewing the merits of each project and then making project approval or denial decisions. Because tax benefits granted by the Board to approved projects result in a cost to the community, it is important for the Board to evaluate the merit of each project and the benefits the community should realize from the Agency’s investment. Promoting the use of a standard application when project owners request financial assistance from the Agency can help ensure consistency in the evaluation of projects.

Although not required at the time of our audit, the Board should adopt uniform criteria for the evaluation and selection of each category of projects (e.g., manufacturing, wholesale, distribution, retail, tourism and housing) for which financial assistance would be provided. Such practices should also include documenting the rationale for approving financial assistance and verifying information provided in the application.

As a matter of good business practice, a standard application should include, among other things:

- A description of the proposed project, including the amount and type of financial assistance requested and an estimate of the capital costs of the project;
- The number of and estimates of salary and fringe benefits for full-time equivalent jobs that would be retained or created if the financial assistance is provided and the projected timeframes for creation of new jobs;
- A statement acknowledging the submission of any knowingly false or misleading information may lead to immediate termination of any financial assistance and reimbursement of an amount equal to all or part of any tax exemptions claimed as a result of the project;
- A statement that the information is true under penalty of perjury;
- A statement that Agency assistance is necessary to undertake the project; and
- A statement that the project owner is in substantial compliance with all laws, rules and regulations.

Good business practices also promote that an IDA’s uniform evaluation criteria should, at a minimum, require that prior to approval of any financial assistance, the IDA should verify and evaluate all material information provided with the application. It should also undertake a written cost-benefit analysis that identifies the extent to which a project will create or retain permanent, private sector investment generated or likely to be generated by the proposed project, the likelihood of accomplishing the proposed project in a timely manner, and the extent to which the proposed project will provide additional revenue for municipalities and school districts.

We found that the Board uses a standard project application. However, although not required during our audit period, the Board did not develop uniform project selection criteria for all projects...
and it does not always document its rationale for awarding financial assistance to the projects. We also found that, although the application includes a description of the project, cost and performance estimates, and other pertinent information, the Board does not require information such as job creation and retention estimates to be verified or confirmed before the Board votes on awarding financial assistance to the applicant. Board members use their collective personal knowledge to evaluate the applicant’s cost estimates and job creation goals.

In addition, the standard application does not include statements that information is accurate under penalty of perjury or that false information can lead to termination of financial assistance, IDA assistance is necessary to complete the project, and that the applicant is compliant with all laws and regulations. The standard application used by the Agency also does not require the submission of information on fringe benefits estimates for jobs created or retained. While this information was not required to be part of a project agreement at the time of our audit, it is required under the new legislation for new projects.

We judgmentally selected five projects with project costs totaling about $32.1 million to review the project selection process (Figure 1).

<table>
<thead>
<tr>
<th>Project Approval Date</th>
<th>Description</th>
<th>Project Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auburn Community Hotel LP (4/13/2011)</td>
<td>Development of a 68,000 square foot hotel and conference center.</td>
<td>$11,057,381</td>
</tr>
<tr>
<td>AAF McQuay International (7/29/2002)</td>
<td>Construction of a manufacturing facility.</td>
<td>$9,500,000</td>
</tr>
<tr>
<td>JBJ Real Property, LLC (1/1/2013)</td>
<td>Redevelopment of the existing structure into 30 apartment lofts and seven storefronts.</td>
<td>$6,700,000</td>
</tr>
<tr>
<td>Goulds Pumps, Inc. (6/27/2001)</td>
<td>Expansion of a facility by adding 45,000 square feet of manufacturing and warehouse space.</td>
<td>$3,400,000</td>
</tr>
<tr>
<td>Seminary Commons, LLC (8/1/2011)</td>
<td>Redevelopment of a 38,000 square foot shopping center.</td>
<td>$1,450,000</td>
</tr>
</tbody>
</table>

Agency officials provided documentation that was used to evaluate all five projects and how the Board arrived at its decision to approve these projects. All five projects had uniform tax exemption policy (UTEP) deviation forms explaining how the Board arrived at its decision to approve these projects. These include factors for consideration, such as the nature of project, location of project, current property condition, current economic condition of area, extent to which jobs will be created and retained, tax exemptions, impact on local business and so on. The projects have received $3.1 million in property tax abatements and tax exemptions totaling $620,000. Figure 3 in Appendix A provides additional details on the tax exemptions received by these projects.

The Board has not developed uniform criteria to use in evaluating all projects that apply for financial assistance and does not verify the information provided on applications. As a result, the Board may not have accurate and meaningful information on which to make its decisions.

---

4 Per Agency officials, projects with PILOT terms over 10 years have UTEP deviation forms.
**Project Monitoring**

A significant Board responsibility is to monitor and evaluate the performance of projects receiving financial assistance to determine whether they are meeting the goals included in their applications, such as the number of jobs to be created. The Board should evaluate each project’s performance to ensure the project fulfills the commitments made to the residents in exchange for the financial assistance awarded. Although not required at the time of our audit, a uniform project agreement between the IDA and the project owners receiving financial assistance should be in place and used to monitor and evaluate projects’ performance. In addition, Agency officials should also use each project’s required annual status report to assist in monitoring project performance. Without effective monitoring, the community may not receive the expected benefits from the financial assistance provided.

While the Board developed a UTEP and a project monitoring policy that would be useful to assess each project, the Agency did not implement the monitoring policy. The Board generally uses a uniform project agreement but has not established an adequate process to verify employment numbers reported by project owners.

Although the Board adopted a monitoring policy on October 22, 2014, the Agency has not complied with the policy. The policy requires the Agency to conduct an annual site visit for each company that has a PILOT agreement. The visit should determine the status of any improvements and the company’s progress toward achieving the project goals. The policy also requires the Agency’s representative to discuss financial operation and performance shortfalls, to obtain a visual representation of employment levels and look for new construction.

After the site visit, the representative must prepare a Board report that describes each company’s progress toward meeting the project goal(s). Board members are required to review the reports and relevant project data, compare them to the original agreed upon project goals and determine what actions may be needed. The policy requires site visits to be conducted and reports completed throughout the year. While 14 projects have a PILOT agreement, as of October 2, 2015, only one report was prepared and presented to the Board.

**Project Agreements** – To properly monitor projects, IDAs should adopt and use uniform project agreements. A uniform project agreement should, at a minimum, include:

- The Agency purpose to be achieved by the project;
- A description of the project and the financial assistance to be provided;
- A requirement for an annual certification by the project owner, occupant or operator of full-time equivalent jobs created and retained as a result of the financial assistance;
- The dates when PILOT payments are to be made and estimates of the amounts or formulas by which these amounts are calculated;
- A provision for the suspension or discontinuance of financial assistance, or for the modification of any PILOT agreement to require increased payments, for certain defined performance shortfalls;
• A provision for the return of all or a part of the financial assistance provided for in accordance with Agency policy; and

• A provision that the business certify, under penalty of perjury, that it is in substantial compliance with all laws, rules and regulations.

The Agency’s project agreement contains most of the best practice components. However, for our sample of five projects, we found the project agreements were missing components that could help the Agency more effectively monitor the projects. For example, the agreements do not state the Agency purpose to be achieved, require updated information if salaries or benefits for these jobs change, or state under penalty of perjury that the project owner is compliant with all laws and regulations.

An IDA board can also exempt purchases made in support of approved projects from State and local sales taxes. Although the Board approves sales tax exemptions, it does not establish a maximum sales tax exemption benefit and does not monitor a project’s sales tax exemption usage.

Job Performance – The Board does not require project owners provide documentation supporting the number of jobs or salaries associated with the jobs they purportedly created or retained. While this documentation was not required during our audit, it would provide Agency officials with information to assess whether each project’s stated goals are being met. The Board and Agency officials rely on the project owner’s integrity to ensure the number of jobs created and retained are accurately reported. As a result, the Agency does not know if promised jobs were actually created or retained or if the employees were paid at rates stated in the project application.

We reviewed 15 approved projects\(^5\) to determine whether they created and retained the number of jobs specified in their project agreements. We found 12 project owners agreed to create and/or retain 979 jobs and they reported they created and retained 1,338 jobs. However, the remaining three project owners reported they did not (Figure 2). For example, these projects should have created and retained a total of 778 jobs. The 2014 annual reports for the projects indicate that 367 jobs were created or retained, a shortfall of 411 (53 percent).

![Figure 2: Projects Falling Short of Job Creation and Retention Goals](image)

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Project Approval Date</th>
<th>Job Creation and Retention Figures</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAF McQuay International</td>
<td>(7/29/2002)</td>
<td>709</td>
<td>335</td>
</tr>
<tr>
<td>Seminary Commons, LLC</td>
<td>(8/1/2011)</td>
<td>64</td>
<td>30</td>
</tr>
<tr>
<td>RM11 Holdings, LLC</td>
<td>(4/1/2013)</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td><strong>778</strong></td>
<td><strong>367</strong></td>
</tr>
</tbody>
</table>

Although the Board adopted a UTEP, which includes provisions for the recapture or claw-back of financial assistance when project goals are not met, the Board has inconsistently incorporated

---

\(^5\) The Agency’s 2014 annual report included 16 approved projects. Of these, we reviewed 15 approved projects that should have created or retained jobs, as they were not in the construction phase.
claw-back language in the Authority’s project agreements and has never clawed back financial assistance. For example, the Board approved a project in 2001 and included job creation and retention claw-back language. However, two projects the Board approved in 2011 lacked similar provisions.

The project agreements for the three projects noted in Figure 2 lack claw-back provisions. When claw-back language is omitted from project agreements, recapturing financial assistance if a project owner fails to fulfill the terms of the agreement becomes difficult to accomplish. Agency officials said that most projects met their job goals and that the few that fell short did not have claw-back provision in the agreements. Therefore, enforcing them would not be possible.

By not adequately monitoring ongoing projects or verifying reported employment data, the Board does not know whether project owners are fulfilling their job goal commitments. As a result, there is an increased risk that projects received tax benefits and Agency financing without fulfilling their commitments to the community.

**Annual Reporting**

IDAs are required to maintain specific information on all projects for which they approve financial assistance. While the project owner is responsible for providing project information to the IDA, the IDA is responsible for collecting and reporting the data. IDAs use this information to submit an annual report of their operations and financial activity, including information on projects which receive financial assistance, to the Authorities Budget Office and the Office of the State Comptroller. Before the Agency submits its annual report, the Board should review the information for accuracy. The Agency’s Executive Director must then certify that it is complete and accurate. Good business practices require the Board to establish policies and procedures for obtaining and reporting reliable project information.

To develop the annual report, the Agency sends a letter to each project owner requesting updated project information, including current employment numbers. To determine whether the Agency correctly reported project information, we compared the 2014 annual report, which included 16 projects, to project documentation maintained by Agency officials.

We found nine projects had erroneous information. The projects had incorrect job creation and retention numbers. For example, the Authority has consistently reported the AAF McQuay International project would retain 483 jobs and create five jobs. However, the project application indicated 651 jobs would be retained and 58 jobs would be created. Authority officials said they used the job creation and retention numbers the project owner reported instead of the figures detailed in the project agreement.

The Assistant Treasurer is responsible for collecting and tracking the project information received from project owners and inputs and reviews the project data, while the Executive Director certifies the annual report. Although the Executive Director certified the annual report, the Agency’s review did not identify the erroneous project information. We believe the errors were caused, in part, because the Board has not established adequate policies and procedures to report reliable project information. The implementation of adequate policies and procedures and the Board’s review of the information prior to the Executive Director’s certification of the annual report may have identified these errors and helped ensure accurate project information was publicly reported.
Recommendations

The Board of Directors should:

1. Develop and implement uniform project selection criteria and document the rationale for awarding financial assistance to project owners.

2. Require financial assistance application information to be verified and confirmed before the Board approves new projects.

3. Ensure the Authority implements the project monitoring policy.

4. Require all new project agreements to include policies to recapture, discontinue or modify financial assistance or tax exemptions.

5. Develop and implement policies and procedures for reporting reliable project information for the Agency’s annual report.

6. Ensure the annual report filed with the Authorities Budget Office and the Office of the State Comptroller is accurate.

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 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.

Our office is available to assist you upon request. If you have any further questions, please contact Ann Singer, Chief Examiner of the Statewide Regional and Projects Unit, at (607) 721-8306.

We thank Agency officials and staff for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller
### Figure 3: Tax Exemptions Provided to Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Project Approval Date</th>
<th>Property Tax Abatementa</th>
<th>Tax Exemptions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auburn Community Hotel LP</td>
<td>(4/13/2011)</td>
<td>$362,678</td>
<td>$336,000</td>
<td>$8,791,517</td>
</tr>
<tr>
<td>Goulds Pumps, Inc.</td>
<td>(6/27/2001)</td>
<td>$2,354,088</td>
<td>($101,632)b</td>
<td>$2,276,456</td>
</tr>
<tr>
<td>JBJ Real Property, LLC</td>
<td>(1/1/2013)</td>
<td>$313,083</td>
<td>$176,000</td>
<td>$760,618</td>
</tr>
<tr>
<td>Seminary Commons, LLC</td>
<td>(6/27/2011)</td>
<td>$64,809</td>
<td>$15,000</td>
<td>$511,866</td>
</tr>
<tr>
<td>AAF McQuay</td>
<td>(7/29/2002)</td>
<td>$5,149</td>
<td>Unknownd</td>
<td>($332,908)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$3,119,807</strong></td>
<td><strong>$551,000</strong></td>
<td><strong>$12,007,549</strong></td>
</tr>
</tbody>
</table>

a) Amounts were provided by the Agency from PILOT schedules for each project.
b) The project received high tax abatements when it started but now pays more in property taxes than it would have without the PILOT agreement.
c) The project was assigned in 2002. The original owner received the significant property tax abatements. The new owner’s PILOT agreement will likely result in higher taxes than would be paid had the agreement not have been entered into.
d) The project application does not indicate if tax exemptions were granted, and Agency officials were unable to provide documentation to support whether exemptions were granted. As a result, we could not determine the exemption values.
APPENDIX B

RESPONSE FROM AGENCY OFFICIALS

The Agency officials’ response to this audit can be found on the following pages.
April 13, 2017

Ann Singer  
Chief Examiner  
State Office Building, Suite 1702  
44 Hawley Street  
Binghamton, New York 13901-4417  
Phone: (607) 721-8306  |  Fax (607) 721-8313

Re: Audit Response, Auburn Industrial Development Authority

Dear Ms. Singer:

Please accept this letter as the Auburn Industrial Development Authority’s (“AIDA”) response to the Draft Audit Report number S9-15-69 dated March 2017, as well as the Authority’s corrective action plan pending board approval. While the findings of the report are factually accurate, we would like to note that regulations and best practices have evolved substantially over time. The projects audited were initiated at various times over the last two decades, with best practices varying at different points in time. While AIDA aims to follow current best practices, it is worth noting that current best practices are difficult to apply to applications and agreements initiated even five years ago, let alone twenty years ago.

Additionally, since the audit team performed their work in the summer of 2015, AIDA has implemented steps to address many of the recommendations and findings listed in this report. Such actions and plans are as follows:

**Audit Recommendation:** Develop and implement uniform project selection criteria and document the rationale for awarding financial assistance to project owners.

**Implementation Action:** Uniform project selection criteria were implemented in compliance with Chapter 563 of the Laws of 2015. These criteria are/will be reflected in written cost benefit analyses for each project.

**Implementation Date:** The resolution adopting the uniform project selection criteria was approved July 20, 2016. Cost benefit analyses will be prepared for each application received.

**Person Responsible for Implementation:** Authority staff (Executive Director and Assistant Treasurer/Secretary) are responsible for preparing written cost benefit analyses for projects that address the uniform project selection criteria.

**Audit Recommendation:** Require financial assistance application information to be verified and confirmed before the Board approves new projects.

**Implementation Action:** The Authority will request NYS-45s to verify existing levels of employment for retention and cost quotes to verify budget estimates when such documentation is appropriate based on the application and project. For instance, a new business that is starting in or moving to the City of Auburn may not have any jobs at the time of application or relevant NY-45s.
**Implementation Date:** These steps will be taken for all future applications for assistance.

**Person Responsible for Implementation:** Authority staff (Executive Director and Assistant Treasurer/Secretary) are responsible for collecting this verification from applicants.

**Audit Recommendation:** Ensure the Authority implements the project monitoring policy.

**Implementation Action:** Authority staff has created a visitation plan for 2017 to ensure that project monitoring visits are conducted in alignment with the Authority’s project monitoring policy.

**Implementation Date:** Visitations and reports will occur in quarters 2, 3 and 4 of 2017.

**Person Responsible for Implementation:** The Cayuga Economic Development Agency’s Economic Development Specialist will perform these visitations, with the Authority’s Executive Director and Assistant Treasurer/Secretary providing back up as needed. The Authority’s Executive Director is responsible for ensure visitations are completed.

**Audit Recommendation:** Require all new project agreements to include policies to recapture, discontinue or modify financial assistance or tax exemptions.

**Implementation Action:** A Project Recapture and Termination Policy and uniform Project Agreement were implemented in compliance with Chapter 563 of the Laws of 2015. The uniform Project Agreement includes terms regarding recapture and references the Project Recapture and Termination Policy.

**Implementation Date:** The resolution adopting the Project Recapture and Termination Policy and uniform Project Agreement was approved July 20, 2016.

**Person Responsible for Implementation:** The Authority’s legal team is responsible for preparing these policies and agreements for closing, and Authority staff is responsible for monitoring performance related to recapture terms.

**Audit Recommendation:** Develop and implement policies and procedures for reporting reliable project information for the Agency’s annual report.

**Implementation Action:** The Authority is now requesting NYS-45s with the annual monitoring forms to verify employment data on an annual basis, which will help to ensure accuracy of annual reporting.

**Implementation Date:** NYS-45s were requested from all active projects as part of the 2016 year end monitoring.

**Person Responsible for Implementation:** The Authority Assistant Treasurer is responsible for requesting and collecting NYS-45s and other annual monitoring forms.

**Audit Recommendation:** Ensure the annual report filed with the Authorities Budget Office and the Office of the State Comptroller is accurate.

**Implementation Action:** In addition to the actions listed above, the Board of Directors is provided with a copy of draft annual reporting documents to review and comment at least a week prior to certification. Furthermore, all new project entries are now aligned with project application documents, and historical data that did not align with previous application documents is being updated.
Implementation Date: The Authority Board drafts of the PARIS reporting documents on March 11, 2016 for the FY2015 reporting year and on March 22, 2017 for the FY2016 reporting year. While it is our understanding that many of the inconsistencies the report notes in the PARIS reporting related to job creation and retention goals reflect advice that accounting and auditing staff received from the Office of the State Comptroller and/or Authorities Budget Office at the time of the original entry, the Authority submitted a request on March 4, 2016 to adjust past entries as recommended by the audit team of the Office of the State Comptroller. This request experienced a delivery error, and the request was resubmitted on April 5, 2017 and is being processed.

Person Responsible for Implementation: The Authority’s Assistant Treasurer/Secretary is responsible for preparing annual PARIS reporting document and distributing drafts to the Board of Directors. The Authority’s Executive Director certifies the annual reports. The Authority’s Executive Director is working with staff at the State Comptroller’s Office to finalize historical data changes.

In addition to these responses, the Authority would like to address two other comments found within the report:

1. Recent projects do establish maximum limits for sales tax exemption, and ST340s are collected annually during the term of the exemption to monitor the utilization of this benefit.
2. The current standard application includes statements that information is accurate under penalty of perjury and that knowingly false or misleading information “may lead to the immediate termination of any financial assistance and the reimbursement of an amount equal to all or part of any tax exemptions claimed”; that the applicant is compliant with all applicable laws and regulations; and a question asking whether the assistance is necessary to complete the project.

It is worth noting that the Authority is appreciative of the professionalism with which this audit was conducted. The audit team treated staff and board members with the utmost respect and have been responsive to inquiries during and since the field work. For any additional information, do not hesitate to contact our office.

Sincerely,

Tracy Verrier
Executive Director
APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to determine if the Agency’s Board was providing effective oversight responsibilities of the Agency’s operations for the period January 1, 2014 through May 31, 2015. For selected projects, we extended our audit period back to the date of their inception.

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed the Board and Agency officials to understand and assess the Agency’s processes and procedures.
- We reviewed the Agency’s policies, including the UTEP, to identify written criteria outlining an applicant’s eligibility for sponsorship and the benefits that are offered.
- We judgmentally selected five projects to obtain a sample of various sizes and types of projects for further review and testing. This testing included, among other things, comparing amounts projected to be spent and amounts actually spent, comparing the reported actual job numbers by the businesses to projected jobs on the application, and reviewing PILOT agreements and payments to ensure that they were accurate and complied with the agreements.
- We reviewed Board minutes to identify project monitoring or job creation discussions and reports to the Board regarding projects failing to achieve project goals.
- We reviewed the Agency’s project application, project agreements and any applicable evaluation criteria and compared them to the new legislation.

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.