



AUG 18 2017

OFFICE OF THE STATE COMPTROLLER
THOMAS P. DINAPOLI
COMPTROLLER

August 15, 2017

Hon. Andrew M. Cuomo
Governor
NYS Executive Chamber
State Capitol, 2nd Floor
Albany, New York 12224

Hon. Thomas P. DiNapoli
Comptroller
Office of the New York State Comptroller
110 State Street, 15th Floor
Albany, New York 12236

Senator John J. Flanagan
President Pro Tempore, NYS Senate
State Capitol, Room 330
Albany, New York 12224

Assemblyman Carl E. Heastie
Speaker, NYS Assembly
Legislative Office Building, Room 932
Albany, New York 12248

Senator Catharine Young
Chair, Senate Finance Committee
State Capitol, Room 428
Albany, New York 12224

Assemblyman Herman D. Farrell
Chairman, Assembly Ways and Means
Committee
Legislative Office Building, Room 923
Albany, New York 12248

Assemblyman Joseph D. Morelle
Majority Leader, NYS Assembly
Legislative Office Building, Room 926
Albany, New York 12248

Assemblyman Brian Kolb
Assembly Minority Leader
Legislative Office Building, Room 933
Albany, New York 12248

Senator Liz Krueger
Ranking Minority Member
Senate Finance Committee
Legislative Office Building, Room 617
Albany, New York 12247

Assemblyman Bob Oaks
Ranking Minority Member
Assembly Ways and Means Committee
NYS Assembly
Capitol Building, Room 444
Albany, New York 12248

Senator Andrea Stewart-Cousins
Senate Minority Leader, NYS Senate
Legislative Office Building, Room 907
Albany, New York 12247

Dear Sir/Madam:

In accordance with the provisions of Section 170 of the Executive Law, we are hereby submitting to your Office a copy of Empire State Development's ("ESD") 90-day response regarding recommendations for corrective action set forth in the Office of the New York State

Comptroller's ("OSC") audit report *Compliance With Outcome Reporting Requirements* (2016-S-40).

Notably, ESD submits that OSC compromised ESD's audit response by inserting its rebuttal throughout the body of ESD's response. By repeatedly modifying our response in this manner, OSC deprived ESD of a fair opportunity to respond to OSC's findings. Instead, OSC should have followed its long standing practice of placing its rebuttal at the end of the audited agency's response.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Benson V. Martin". The signature is fluid and cursive, with the first name "Benson" being more prominent.

Benson V. Martin
Director of Compliance

Attachment

Attachment A:

The Empire State Development Corporation (ESD) is committed to transparency and complying with all statutory and regulatory reporting obligations. ESD provides the following 90-day response to OSC's report findings.

Background

In May 2017, OSC issued a Final Audit Report assessing ESD's compliance with statutory and regulatory reporting requirements. Based on its auditors' fieldwork, OSC recommended that ESD: 1) develop and adhere to procedures for meeting statutory outcome and other reporting requirements; 2) review information contained in summary outcome reports to ensure all active programs are included; 3) ensure that all existing subsidiary corporations meet Public Authorities Law reporting requirements; and 4) ensure required reports are issued in a timely manner to provide policy makers with relevant information to evaluate the various economic development programs. The implementation status of these recommendations is as follows:

OSC Recommendations and ESD Response

OSC Recommendation 1: *Develop and adhere to procedures for meeting statutory outcome and other reporting requirements.*

ESD is implementing new internal controls to ensure continued compliance with all reporting requirements. Specifically, ESD is working to:

- Centralize our report submission process to allow a team of ESD staff members to monitor and manage all statutory and regulatory mandated reports;
- Provide all ESD senior officials with monthly updates about upcoming reporting due dates and recently submitted reports; and
- Keep all of ESD's submitted statutory and regulatory mandated reports in a centrally located file for quick reference in addition to its program-specific areas.

ESD has made great progress in developing these new internal controls, reviewing all of its reporting statutes and regulations, centralizing its reporting requirement management, and streamlining its reporting. We expect to fully implement these controls and complete this process within the next four months.

OSC Recommendation 2: *Review information contained in summary outcome reports to ensure all active programs are included.*

The abovementioned internal control enhancements will continue to ensure compliance with these requirements.

OSC Recommendation 3: *Ensure that all existing subsidiary corporations meeting Public Authorities Law reporting requirements.*

As stated in our response, the 158 entities that ESD purportedly failed to report, do not actually require ESD-generated reports. These subsidiaries fall into distinct non-reporting categories: (i) 5 entities that are local development corporations, not ESD subsidiaries; (ii) 44 housing corporations that were transferred to another State agency and are no longer under ESD; (iii) 98 housing corporations that do not have a continuing financial obligation to ESD and in which ESD no longer has an interest; and (iv) 11 housing corporations that do not have continuing financial obligations to ESD and which ESD does not manage or control.

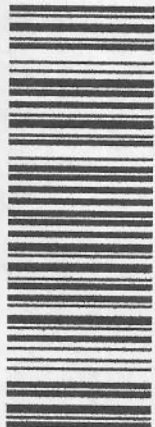
To avoid future confusion by OSC, ESD noted in its most recent Public Authority Information System ("PARIS") submission that the majority of its listed subsidiaries are inactive or have been transferred to another agency. We further noted that ESD is currently working with the New York State Department of State to have the public records of these entities reflect that ESD no longer has an interest. ESD expects to remove the inactive and transferred subsidiaries from its PARIS subsidiary list by June 2018.

OSC Recommendation 4: *Ensure required reports are issued in a timely manner to provide policy makers with relevant information to evaluate the various economic development programs.*

The abovementioned internal control enhancements will continue to ensure compliance with these requirements. We expect to fully implement these control enhancements within the next four months.

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