



May 15, 2017

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

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

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

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

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

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

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

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

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

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

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

**RECEIVED**  
EXECUTIVE CORRESPONDENCE

MAY 23 2017

OFFICE OF THE STATE COMPTROLLER  
THOMAS P. DINAPOLI  
COMPTROLLER

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 audit report *Oversight of International Offices* (2016-F-1).

Notably, ESD submits that it should have been provided the opportunity to review the revised final report prior to publication. If you have any questions, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in blue ink that reads "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 properly monitoring international contracts and comporting with all statutory and contractual obligations. ESD provides the following 90-day response to OSC's report findings.

### Background

In December 2016, OSC issued the Draft Follow-Up Report to assess the implementation of the two recommendations in the Initial Report.<sup>1</sup> OSC found that Global NY partially implemented OSC's Recommendation One (to monitor international office contracts to ensure that international offices are meeting contract requirements and are operating to benefit New York companies and the New York State economy) and fully implemented Recommendation Two (regarding reimbursement for actual expenses). OSC subsequently issued a follow-up report to said recommendations which ESD is responding to as follows:

### OSC Recommendations and ESD Response

***OSC Recommendation 1: Monitor the performance of foreign representatives to ensure that international offices are meeting contract requirements and are operating to the benefit of New York companies and economy.***

OSC Recommendation Status: Partially Implemented

ESD Response to Recommendation Status:

ESD disagrees with OSC's draft finding that ESD's new controls to monitor the performance of international contracts are inadequate. ESD Global NY staff members properly monitor international contracts and comport with all statutory and contractual obligations.

Since OSC's Initial Report in 2013, Global NY has implemented numerous updates to enhance its monitoring and tracking of foreign representatives, such as adopting and implementing the customized Microsoft Dynamics Client Resource Management platform ("CRM System") in spring 2015. Moreover, ESD is continuously improving its processes and controls. For example, ESD staff implemented a series of CRM System enhancements in February and July 2016, respectively. ESD's enhancements were implemented post OSC's audit period.

In addition, to ensure that foreign representatives meet the contractual performance metrics, all reported export sales are captured and entered into the CRM System. Global NY monitors compliance with contractual performance metrics such as:

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<sup>1</sup>OSC, *Office of International Offices*, 2012-S-17 (Albany, NY: June 28, 2013).

- Conducting monthly calls with individual foreign contract representative to discuss new, on-going and completed export assistance requests (EARs) and foreign direct investment (FDI) leads. EARs help NYS companies identify manufacturing representatives and distributors. FDI leads work to bring foreign investment to NYS;
- Monthly tracking of EARs and FDI leads for each foreign contract representative resulting in quarterly ESD Executive Management Dashboard reporting;
- Requiring contract representatives to track their total EARs and FDI leads throughout the year in the CRM System and report on them in their mandatory annual report. After the annual report is submitted to Global NY, staff members determine whether the contractor achieved the contractual metrics stated and, if not, develop mitigation plans to achieve the metrics in the coming year;
- Requiring contract representatives to visit NYS each year and speak directly to businesses across the state to educate them on market-specific opportunities; this leads to more EARs. The contract representatives also meet with economic development organizations to discuss FDI opportunities and leads; and
- Requiring contract representatives to participate, on ESD's behalf, in federal government-organized events in their respective countries for FDI leads; this has led to an increase in vetted potential leads.

**OSC Recommendation 2:** *Ensure that foreign representatives are only reimbursed for actual and necessary expenses incurred in the operations of international offices.*

**OSC Recommendation Status Update 2:** Implemented

ESD Response to Recommendation Status Update 2: ESD agrees with the recommendation status update 2.