DIVISION OF LOCAL GOVERNMENT AND SCHOOL ACCOUNTABILITY

REPORT OF EXAMINATION | 2022M-28

Herkimer County Industrial Development Agency

Project Approval and Monitoring

JULY 2022

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

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Report Highlights

Herkimer County Industrial Development Agency

Audit Objective

Determine whether the Herkimer County Industrial Development Agency (HCIDA) Board and officials properly approved and monitored projects.

Key Findings

The Board and officials did not properly approve and monitor projects. Therefore, the Board could not effectively evaluate projects or hold project owners accountable.

- The Board did not verify applicants' project information or complete cost-benefit analyses (CBAs) before approving projects.
- The Board and officials did not obtain information to monitor capital investment and salaries and did not have an adequate process to verify job creation and retention.
- The Board and officials did not adequately monitor sales tax exemptions claimed by project owners. One project exceeded its authorized exemption amount by $6,155, and the Board and officials were unaware that two other projects had reported inaccurate sales tax exemptions.

Key Recommendations

- Ensure project application information is supported by adequate documentation and complete CBAs before approving projects.
- Recapture sales tax exemption benefits that exceed amounts authorized.

HCIDA officials generally agreed with our recommendations and indicated they plan to initiate corrective action. Appendix D includes our comment on an issue raised in HCIDA's response.

Background

HCIDA is an independent public benefit corporation that was established in 1970.

All seven members of HCIDA's Board are appointed by the Herkimer County Legislature. The Board is responsible for HCIDA's general management and financial and operational affairs.

The Board appoints an Executive Director who is responsible for HCIDA's day-to-day operations.

HCIDA funds its operations in part with fees charged for processing applications and for administering financial assistance.

HCIDA annually reports information, including granted tax exemptions, payments in lieu of taxes (PILOT) and project employment, for its approved projects.

Quick Facts 2020 HCIDA Annual Report	
Active Projects	17
Tax Exemptions	$3.6 million
PILOTs	$1.3 million

Audit Period

June 15, 2016 – March 22, 2022

Project Approval and Monitoring[1]

How Should IDA Projects Be Properly Approved?

Tax exemptions provided through industrial development agencies (IDAs) often result in a significant cost to the community. As a result, officials must ensure project approval decisions are based on accurate and reliable information. Because project applicants have a significant interest in their projects being approved, IDA officials should verify the material representations made by applicants in their applications. This verification includes requiring applicants to submit supporting documentation and reviewing the provided information for reasonableness.

For projects starting after June 15, 2016, IDAs must prepare a written CBA for each proposed project. Each CBA must compare the cost of the requested assistance to intended benefits, which helps IDA boards determine whether to approve or deny projects.

CBAs must identify the extent to which a project will create or retain permanent jobs, the estimated value of any tax exemptions to be provided, amount of capital investment needed and likelihood of timely project completion. CBAs also must include the extent of additional sources of revenue that projects will provide for surrounding local governments and school districts. An IDA board should consider the CBA's results when evaluating a project's eligibility for assistance and to ensure taxpayers receive adequate benefits.

Officials Did Not Verify Applicant Information

When a business applies to HCIDA for financial assistance, it must complete an application and report its intended capital investment associated with its project. This includes the cost of site acquisition, construction, renovation and equipment purchases.

The applicant also must report the current number of jobs prior to the start of the project, estimated number of jobs that will be retained or created upon project completion, and the average salary for all jobs to be retained or created. However, HCIDA officials did not establish adequate procedures to ensure the reliability of investment and job information data included on project applications.

HCIDA approved 18 projects from 2007 to 2021 that were still active as of the end of August 2021 (Figure 1[2]). We reviewed the application files for 11[3] of the 18 projects that received tax exemptions from HCIDA and were approved after June 15, 2016. All 11 projects included investment goals on their applications indicating

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1 Refer to Appendix A for more information about the purposes, powers and duties of industrial development agencies.

2 These business and industrial parks contained some of the active projects that we reviewed.

3 Refer to Appendix B for more information on the 11 projects that we reviewed.

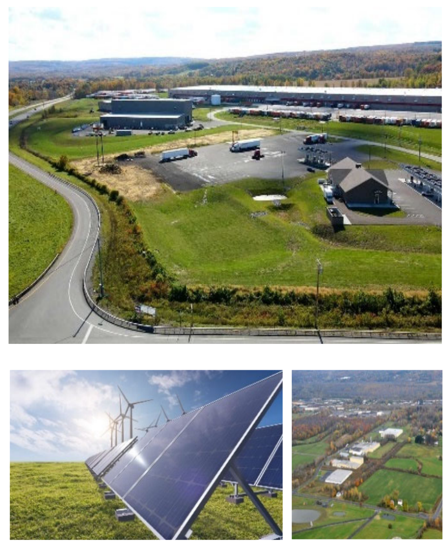
that they would spend a combined total of $131.8 million on project improvements.

However, 10 applicants did not submit any supporting documentation, such as detailed site plans, construction budgets or contractor estimates. Also, HCIDA officials did not otherwise obtain this information to verify the reasonableness of these investment goals.

In addition, five of the 11 projects had job retention goals stated on their applications indicating that they would retain a combined total of 372 existing jobs with annual wages totaling $17 million. However, four project owners did not submit supporting documentation to provide evidence of existing job numbers and/or associated annual wages. As a result, officials could not verify this information or establish a reliable base line for preproject employment and salary levels for these projects.

FIGURE 1

Select HCIDA Active Projects: Frankfort South Business Park (top), Little Falls Solar (bottom left) and West Frankfort Industrial Park (bottom right).



The Executive Director told us he was unaware that applicants should submit documentation to support capital investment and job retention goals, as stated on their applications. When material information – especially related to investment or job goals – is not or cannot be verified, HCIDA has an increased risk that this information could be inaccurate and that applicants could obtain tax exemptions to which they are not entitled. Furthermore, because HCIDA officials did not verify existing jobs to establish a reliable base line, they could not accurately measure job creation and retention. For example, if an applicant understated current job numbers in an application and HCIDA officials did not identify this error, the reported number of new jobs created in future years could be inflated.

Cost-Benefit Analyses Were Not Completed for Approved Projects

HCIDA officials did not complete a CBA for any of the 11 projects that we reviewed, and the project applications did not state the total value of all benefits the projects expected to provide to the community. Without calculating each project's total benefits to the community, HCIDA officials could not compare these benefits to costs. Also, they did not demonstrate that the approval of these projects, and the subsequent tax exemptions received, were in the taxpayers' best interests.

The Executive Director told us that he relied on legal counsel to keep him abreast of legislative changes involving IDAs. He also told us that in early 2021 he became aware of the need for formal written CBAs. Before our fieldwork ended, the Board authorized the purchase of third-party software to help HCIDA officials generate CBAs for future projects.

Without calculating each project's total benefits to the community, HCIDA officials could not compare these benefits to costs.

How Should IDA Projects Be Properly Monitored?

For each project that continues to receive financial assistance, or is otherwise active, IDA officials must assess the project's annual progress toward achieving investment and job retention or creation goals, or other project objectives listed in the project's application and project agreement. IDA officials must submit this assessment to the IDA board.

Furthermore, IDA officials should ensure that project agreements clearly state the time frame for completing project goals. During officials' annual project assessments, they also should determine whether projects are completing these goals within required time frames.

When an IDA board approves sales and use tax exemptions for a project, the IDA must file form ST-60, which states the value of these exemptions, with the New York State Department of Taxation and Finance (Tax Department). Also, project owners must annually report their actual sales and use tax savings to the Tax Department on form ST-340.

IDAs are required to recapture any sales tax benefits that exceed authorized amounts and remit the funds to the Tax Department. Therefore, IDA officials must have a process in place to monitor the sales and use tax exemptions claimed by each project and compare the total exemptions claimed to the authorized amounts.

Each year, IDAs also must report certain information for their approved projects to the New York State Authorities Budget Office (ABO) and the Office of the State Comptroller (OSC) by filing an annual report with the Public Authorities Reporting Information System (PARIS). This information includes, but is not limited to, types of projects approved during the year, applicant information, granted tax exemptions, PILOT amounts and projected and actual employment figures.

IDAs should have supplemental documentation for this reported information, such as copies of quarterly wage reports (NYS-45 form, the quarterly combined withholding, wage reporting and unemployment insurance return), annual sales and use tax exemptions claimed on ST-340 forms, and property assessments and tax rates used to calculate the value of real property tax exemptions. Before an IDA submits its annual PARIS report, the IDA board and officials should review the information to verify its accuracy.

Officials Did Not Properly Monitor Projects

HCIDA sends an annual questionnaire to all project owners with an active project to obtain information on tax exemptions received and current progress toward achieving application goals. However, HCIDA officials did not ensure that the questionnaire addressed all material project goals. Also, officials did not ensure that project owners submitted supporting documentation that would enable officials to verify the accuracy of the reported information.

…[O]fficials did not monitor the actual capital investment of approved projects and could not determine whether investment goals were being achieved.

Capital Investment – HCIDA's project application requires businesses to state the amount of capital investment that they intend to invest in their projects. This investment amount eventually could affect the assessed value of a project's real property. It also directly affects the amount of taxes that local taxing jurisdictions will receive after a facility is constructed or renovated and is no longer exempt from taxes. Therefore, it is important that HCIDA officials verify the amount of capital that the project applicants invest to ensure that the actual investment agrees with the amount on the application.

All 11 projects we reviewed included investment goals on the project owners' applications indicating they would spend a combined total of $131.8 million on project improvements. However, HCIDA's annual questionnaire did not ask businesses to report the actual amount of capital invested in their projects, or require them to submit documentation indicating this amount. As a result, officials did not monitor the actual capital investment of approved projects and could not determine whether investment goals were being achieved. Officials told us they were unaware that they were required to monitor project owners' capital investments.

Because HCIDA officials did not have a process to monitor actual capital investments, HCIDA officials could not determine whether project owners invested in their projects as indicated on their applications. Officials also could not ensure that the community received the intended benefits of these investments.

Sales Tax Exemptions – All 11 projects we reviewed received sales and use tax exemptions. Combined, these projects were authorized to receive exemptions totaling $6.6 million, as shown on ST-60 forms filed with the Tax Department.

HCIDA's annual questionnaire required project owners to report the actual amount of sales tax savings during each year and submit ST-340 forms to HCIDA as supporting documentation. Beginning with projects that reported sales tax savings for 2020, HCIDA officials tracked the amount of tax exemptions reported by each project annually.

Officials compared total exemptions taken over the life of each project to the amount of sales tax exemptions allowed for each project, as authorized by HCIDA on each project's ST-60 form. The Board reviewed the annual PARIS report, which showed the value of sales tax exemptions taken by each project during the year. However, HCIDA officials did not submit the 2020 comparison (sales tax exemptions taken to amounts allowed) to the Board because it was not part of HCIDA officials' reporting process to include this information.

In addition, officials did not have a process in place to follow up with project owners who did not submit required ST-340 forms with their annual questionnaires. For all 11 projects, we reviewed their annual questionnaires and accompanying supporting documentation submitted for the years that the projects were active. We found that HCIDA officials did not receive or otherwise obtain ST-340 forms for four projects, which officials needed to verify reported sales tax exemptions.

For all 11 projects, we also compared authorized sales tax exemptions (as shown on ST-60 forms) to actual sales tax savings (as shown on available ST-340 forms, or otherwise reported on annual questionnaires) for all years that each project was active. We found that three projects exceeded their authorized sales tax exemption amounts by a combined total of $50,956.

…HCIDA's internal analysis identified that these three projects exceeded their authorized exemptions.

In addition, HCIDA's internal analysis identified that these three projects exceeded their authorized exemptions. A project owner with two separate projects did not submit an ST-340 form to HCIDA when reporting sales tax exemptions on its annual questionnaires. Also, HCIDA did not otherwise obtain this form.

Upon our request, HCIDA officials asked the project owner to submit ST-340 forms for both projects for 2020. In providing the forms, the project owner found they had mistakenly overreported 2020 sales tax exemptions. These mistakes made it appear as though the projects exceeded their authorized sales tax exemption amount in 2020. The project owner filed amended ST-340 forms with the Tax Department and HCIDA to correct the mistakes.

The remaining project exceeded its authorized exemption amount by $6,155, according to the ST-340 forms on file. The Executive Director told us that – based on advice from previous counsel and language on the ST-60 form – officials believed the sales tax exemptions authorized were only estimates. Consequently, officials did not closely monitor sales tax exemptions and attempt to recapture savings in excess of amounts authorized.

During our fieldwork, we explained to HCIDA officials that the sales tax exemption amounts included on the ST-60 forms represented amounts authorized by the

Board, which projects should not exceed. If the Board wanted to allow a project to exceed its authorized amount, HCIDA would need to submit another ST-60 form to the Tax Department with the updated exemption amount.

We also referred officials to the applicable law stating these requirements and to other resources for more information. In addition, we referred officials to the ST-65 Tax Department form used to recapture and remit sales tax exemptions from projects that received excessive exemptions.

Because HCIDA did not have an adequate process to verify reported exemptions taken, or monitor the exemptions claimed by each project and address identified discrepancies, one project exceeded its authorized exemption amount without consequence. Also, until HCIDA officials contacted the project owner to obtain supporting ST-340 forms, they were unaware that two other projects had inaccurately reported sales tax exemptions.

<u>Job Performance</u> – HCIDA's annual questionnaire required project owners to report the number of full-time equivalent (FTE) jobs at their project locations at the end of each year. However, project owners did not always submit supporting documentation for these reported job numbers with their questionnaires. In 2020, HCIDA officials began requiring project owners to submit this documentation.

Of the 11 projects that we reviewed, eight included job goals on their applications. We reviewed the 2020 questionnaires and accompanying supporting documentation for these eight projects. While each project reported their current FTE jobs to HCIDA on its questionnaire, four projects did not submit – and HCIDA officials did not otherwise obtain – documentation such as payroll reports or NYS-45 forms to verify reported FTE jobs.

Furthermore, officials did not have a process in place to monitor the salaries associated with reported FTE jobs and did not ask project owners to report salary information on the annual questionnaire. The Executive Director was unaware that HCIDA should be monitoring this information.

The Board reviewed the annual PARIS report and used it as a tool to monitor projects' job goals. While the PARIS report showed each project's job goal (i.e., total FTE jobs to be retained and/or created) and current FTE jobs, it does not show the date when job goals were to be met. As a result, the Board did not know when projects should be held accountable for meeting job goals.

The recapture provisions in the project agreements for the eight projects provided a limited amount of time to construct each project – generally two years from the date of the agreement. The project agreements also required project owners to submit certificates of occupancy to HCIDA as proof of project completion.

In addition, the project agreements required projects to meet their job goals within a stated time frame, ranging from between one and seven years. However, due to ambiguous language in the project agreements, it is unclear whether the time frame for meeting job goals began on the date of the agreement, once a project facility was built, or at the end of the allowed construction period. Further, despite the certificate of occupancy requirement in project agreements, HCIDA officials told us they did not obtain certificates of occupancy from projects. As a result, officials did not track the date when projects were fully constructed.

…[The Board] could not effectively identify job performance shortfalls and hold project owners accountable.

Of the eight projects, six were built and fully operational at the end of 2020. The project owners of these six projects stated on their applications that they would retain and/or create a combined total of 779 FTE jobs. Based on self-reported job information, two projects exceeded their job goals by a combined total of 267 FTE jobs and four did not meet their job goals by a combined total of 50 FTE jobs, or 13 percent. However, due to the ambiguous language in their project agreements, it is unclear whether these four projects had additional time to meet their job goals or if their time had expired, which would cause HCIDA officials to consider recapturing benefits.

The Executive Director agreed that the project agreements did not clearly state when job goals should be achieved. He also told us that HCIDA would work with its legal counsel to determine when job goals should be achieved and to ensure clear language is included in project agreements going forward.

Because the Board did not have an adequate process to verify and obtain job and salary information, compare this information to stated job goals and identify the date when projects are required to achieve these goals, it could not effectively identify job performance shortfalls and hold project owners accountable. As a result, the community may not receive the intended benefits from retained or newly created jobs.

Annual Reporting – A HCIDA employee prepared the annual PARIS report using information from approved projects' applications, annual questionnaires and other supporting documentation, such as PILOT payments received and real property assessments and tax rates. The employee printed a draft copy of the report and provided it to the Board and Executive Director for review. After receiving Board approval, the employee filed the PARIS report with the ABO, as required.

We reviewed the accuracy of HCIDA's 2020 PARIS report, which included 10 of the 11 projects that we reviewed.[4] We found that real property tax exemptions for two projects, Little Falls Solar and Little Falls Solar I, were not reported to PARIS. As a result, the tax exemption benefits provided to these two projects were underreported by a combined $110,020.

4 One project was not included on the 2020 PARIS report because it was approved in July 2021.

HCIDA officials included a note in PARIS stating that they did not report the real property tax exemptions for these solar projects because the PILOT payments for both projects were not based on the assessed value of each project's property. Also, the Executive Director told us he believed the assessed value of the property associated with one of the solar projects was excessively high, which caused the value of the project's real property tax exemption to also be high. The real property tax exemption is the amount of property taxes that a project owner would owe if HCIDA had not sponsored the project.

However, regardless of whether the PILOT granted to these projects is based on something other than the assessed value of each project's property or whether IDA officials disagree with these assessments, HCIDA should have reported the amount of property taxes that the project owner would have paid if HCIDA had not sponsored the projects.

Incomplete reporting reduces transparency by providing inaccurate information to the Board, taxpayers and other interested parties. Before the end of our fieldwork, HCIDA officials updated the 2020 PARIS report to include the additional $110,020 of real property tax exemptions for these two projects.

What Do We Recommend?

The Board and HCIDA officials should:

1. Ensure that capital investment and current employment information provided on project applications is supported by adequate documentation.
2. Complete CBAs before approving projects and ensure that they adequately compare project costs to benefits.
3. Monitor projects' actual capital investments and assess whether actual investments are consistent with investment goals as stated on applications.
4. Ensure project owners submit adequate documentation when reporting annual project performance information. Also, develop procedures to ensure this information is provided to the Board for evaluation and compared to project goals as stated on applications.
5. Develop procedures to follow up with project owners who do not submit required documentation, such as annual sales tax exemption reports, quarterly wage reports and certificates of occupancy.
6. Ensure that comparative sales tax exemption information is provided to the Board for its review.

7. Recapture sales tax exemption benefits that exceed amounts authorized and remit the funds to the Tax Department.
8. Consider revising the terms of project agreement recapture provisions to clearly state deadlines for achieving job creation and retention goals.
9. Ensure PARIS reports are accurate, and adequately document all information included in these reports.

Appendix A: Purpose, Powers and Duties of an IDA

IDAs are established by special acts of the State Legislature to advance the job opportunities, economic welfare, health and general prosperity of the people of New York State. They provide financial assistance to businesses to encourage various types of economic development projects, including industrial, manufacturing, warehousing, commercial, research and recreational facilities. The powers and duties of IDAs are set forth under GML.[5]

A business may apply to any IDA that has jurisdiction where the business operates, or plans to operate, for financial support for construction, expansion, or renovation. If the IDA approves the business's application, the business's property and improvements become an IDA project, and the business typically becomes the project operator. This means that the IDA takes possession of the title of property owned by the business, or it enters into a lease-leaseback agreement[6] for the property owned or leased by the business.

This arrangement provides financial assistance to the business because the property is then tax-exempt under GML,[7] which means it is eligible for exemption from various taxes, including real property, mortgage recording and sales taxes for some purchases. The business also may be eligible for tax-exempt financing through the IDA.

IDAs do not impose taxes. They generally fund their operations by charging fees to businesses that receive their financial assistance. HCIDA funds its operations with application and project-closing fees charged to applicants seeking financial assistance.

However, IDA activities can affect taxpayers in their communities. If an IDA project is receiving property tax exemptions, it can reduce a local government's or school district's property tax base, which may then increase other residents' property tax bills.

In return for tax exemptions and financial assistance, many project owner occupants, or operators (project owners) who receive IDA financial assistance promise to create new jobs or retain existing jobs in the community and invest in constructing new buildings or renovating existing buildings. To help offset the loss of revenues from the tax exemptions provided, the project owners agree to make PILOT payments to the affected taxing jurisdictions (i.e., local governments and school districts).

5 New York State General Municipal Law (GML), Section 858

6 In a lease-leaseback agreement, the IDA takes possession of the project's property. With the ending of the project term, the project is leased back to the operator (project owner), its exemption from property taxes ceases and it is usually returned to the taxable portion of the real property tax roll.

7 GML, Section 874(1)

The amount and frequency of PILOT payments are stated in uniform project agreements[8] established between the IDA and the businesses. The agreements themselves are governed by the IDA's uniform tax exemption policy.

8 These agreements are also referred to as uniform project closing agreements, especially when an IDA assumes ownership of property owned by a project owner.

Appendix B: Additional Project Information

Figure 2: Active Projects Reviewed During Audit

Project Name	Project Applications			2020 PARIS Report
	Total Project Amount	Jobs to be Created	Jobs to be Retained	Net Tax Exemptions Received
Tractor Supply Company	$94,700,000	350	0	$2,694,394
Schuyler Warehouse Development, LLC	7,092,000	0	0	0[a]
Salvatore Longo Realty, LLC	5,747,368	25	246	826
Little Falls Solar I, LLC	4,131,203	0	0	10,349[b]
Little Falls Solar, LLC	4,068,361	0	0	169,684[b]
JBF Stainless, LLC	4,013,000	10	43	44,131
Higby Gold, Inc. d/b/a Adirondack Food and Fuel	3,368,000	40	0	13,892
Old Forge Properties d/b/a Enchanted Forest Water Safari	3,000,000	2	36	84,543
HPK Industries	2,900,000	24	26	35,030
Mohawk Hospital Equipment, Inc. d/b/a Mohawk Healthcare	1,855,000	6	21	30,452
131 Riverside, LLC	930,000	6	0	0
Totals	**$131,804,932**	**463**	**372**	**$3,083,301**

a) This project was not included on the 2020 PARIS report because it was approved in 2021.

b) Amounts include adjustments to 2020 reported figures as submitted to PARIS during our audit fieldwork

Appendix C: Response From IDA Officials

Herkimer County IDA
Industrial Development Agency

June 9, 2022

Via email Muni-Syracuse@osc.state.ny.us and caps@osc.state.ny.us

Ms. Rebecca Wilcox, Chief Examiner
Syracuse Regional Office
Office of the State Comptroller
Division of Local Governments and School Accountability
State Office Building, Room 409
333 E. Washington Street
Syracuse, NY 13202-1428

RE: Audit Report Title: Project Approval and Monitoring Draft Report of Examination
Audit Report Number: 2022M-28

Please consider this the Agency's written response and corrective action plan to the subject audit.

We are agreement with the first two key findings included in the draft report. We respectfully disagree with the third finding which states the sales tax exemption amount exceeded its authorized exemption amount by $6,155. The NYS Form ST-60 requests an **estimated** value of New York State and Local sales and use tax exemption; therefore, the best estimated value was used at the time of the issuance of the ST-60. Since the form requests an **estimated** value, it seems ambiguous to claim the company exceeded the amount.

See Note 1 Page 16

For each recommendation included in the audit report, the following is our corrective actions taken or proposed.

1. **Audit Recommendation:**

- Ensure project application information is supported by adequate documentation and complete CBAs before approving projects.

Implementation Plan of Action:

- The following items have been added to the IDA application: Provide supporting documentation such as detailed site plans, construction budgets or contractor estimates for capital investment and supporting documentation such as NYS-45 to verify current employment. IDA officials will be responsible to ensure all information is included prior to board review and consideration.

- The application has been revised to request information needed to complete a detailed CBA. During the audit field work, the Agency purchased third party CBA software to evaluate projects in more detail. A copy of the completed CBA will be

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prepared by IDA officials a copy will be provided to the Board with each completed application. This will provide essential information to compare the benefits to costs.

Implementation Date: Implemented 2/1/2022

Person Responsible for Implementation: Piseck/Holleran

2. **Audit Recommendation:**

- Recapture sales tax exemption benefits that exceed amounts authorized

Implementation Plan of Action:

- The NYS ST-60 form requests an **estimated** value of New York State and local sales and use tax exemption. The best estimated value was used at the time of the issuance of the ST-60. Since the form requests an **estimated** value, it seems ambiguous to claim the company exceeded the amount. HPK manufactures personal protective equipment and was expanding its manufacturing in the height of the COVID 19 pandemic. The company's main focus was to get product out the door at that crucial time. Since there is not a definitive threshold on the NYS ST-60 form, our Agency does not agree that recapture of $6,155 is warranted for the HPK project referenced in the key findings.

See Note 1 Page 16

- Going forward, annually (February-March) the IDA officials will prepare a comparison report (sales tax exemptions taken to amounts allowed). This report will be provided to the Board to consider whether or not recapture of excessive sales tax exemptions from the project should be pursued.

- IDA officials will closely monitor and request sales tax exemption reports on a quarterly basis during the exemption period for all projects.

Implementation Date: Implemented June 2022

Person Responsible for Implementation: Piseck/Holleran

Signed:

Vincent J. Bono, Chairman
Chairman

copy by email:
John Piseck, Jr., CEO

Herkimer County IDA Industrial Development Agency

Appendix D: OSC Comment on the IDA's Response

Note 1

General Municipal Law Section 875 requires IDAs to maintain records on projects' sales tax exemptions, recapture sales tax exemptions taken that were not authorized and remit recaptured sales tax exemptions to the Tax Department.

Although HCIDA officials believed the sales tax exemptions were only estimates, these amounts are authorized by the Board and projects should not exceed them. When an IDA modifies a project – such as increasing or decreasing the authorized sales and use tax exemption – IDA officials must file an updated ST-60 form, IDA Appointment of Project Operator or Agent For Sales Tax Purposes, within 30 days.

Appendix E: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed HCIDA officials and reviewed HCIDA's written policies and procedures to gain an understanding of the project application, approval, monitoring and reporting process.
- We identified all 18 projects that HCIDA approved from 2006 through 2021, which were granted tax exemptions and still active (receiving benefits) as of August 31, 2021. We then selected all 11 of the 18 projects that began after June 15, 2016 and were still active as of August 31, 2021. We reviewed these 11 projects to determine whether:
  - The Board approved the projects through a resolution.
  - Project owners completed a standard application and submitted appropriate documentation for material assertions in the applications.
  - Officials prepared a cost-benefit analysis for each project.
  - Project agreements included goals and recapture provisions.
  - Projects exceeded their approved sales tax exemption amounts. We compared approved sales tax amounts on ST-60 forms to actual exemptions reported. For projects that exceeded exemption amounts, we interviewed officials to determine whether HICDA attempted to invoke recapture provisions. For projects that did not have ST-340 forms, we asked officials to obtain these forms from project owners and reviewed them when submitted.
  - HCIDA officials obtained adequate project performance information related to jobs, salaries and capital investment. We assessed whether officials verified reported information by reviewing supporting documentation, compared reported information to project goals as stated in applications and provided reported information to the Board.
  - Reported information on the December 31, 2020 annual PARIS report was accurate. We traced reported information to project applications, annual questionnaires and other supporting documentation.
  - PILOT payments totaling $126,767 (due in 2020) were paid. We traced the payments to receipt records and amounts forwarded to affected taxing jurisdictions.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

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.

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 provided 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 the CAP available for public review in HCIDA's office.

Appendix F: Resources and Services

Regional Office Directory
www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas
www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems
www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management
www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans
www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders
www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller
www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers
www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics
www.osc.state.ny.us/local-government/academy

Contact

Office of the New York State Comptroller
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