



Auburn Industrial Development Authority

Project Approval and Monitoring

2025M-15 | April 2025

Contents

- Audit Results 1**
 - Audit Summary 1
- Project Approval and Monitoring Findings and Recommendations 3**
 - Finding 1 – The Board and AIDA officials did not review all supplemental documentation for project approval. 3
 - Recommendation. 3
 - Finding 2 – The Board and AIDA officials did not properly monitor projects.. . . . 4
 - Recommendations 5
- Appendix A: Profile, Criteria and Resources. 6**
- Appendix B: Response From Authority Officials 8**
- Appendix C: Audit Methodology and Standards. 9**

Audit Results

Auburn Industrial Development Authority



Audit Objective

Audit Period

Did the Auburn Industrial Development Authority (AIDA) Board and officials properly approve and monitor projects?

January 1, 2023 – February 3, 2025

Understanding the Program

Industrial Development Agencies (IDAs) are established to provide financial assistance to businesses to encourage various types of economic development projects.

The AIDA Board (Board) is responsible for the general management and control of AIDA, including project approval and monitoring. An Interim Executive Director is responsible for AIDA's day-to-day operations.

For 2023, AIDA reported 16 active projects with project costs totaling \$102 million to the New York State Authorities Budget Office, including one active bond and 15 active Payments in Lieu of Taxes (PILOT) agreements. AIDA also had approximately \$1.3 million in expenditures, including distributions of \$1.27 million for 14 PILOTs.

Audit Summary

The Board and AIDA officials did not properly approve and monitor projects. The Board and AIDA officials did not review all supplemental documentation for project approval or properly monitor the 16 active projects.

AIDA officials did not require project owners to submit supporting documentation for capital investment and job data with applications and ensure project owners submitted the required annual reporting form and supporting documentation (NY-45 forms) needed to monitor project goals, including job retention and creation. In addition, AIDA officials did not conduct policy-required site visits in 2023 and 2024. As a result, the Board and AIDA officials did not adequately monitor job creation and retention and did not determine the reasons for all of the variances between 2023 year-end jobs and project goals or document their assessments. They also did not pursue recapture of sales and use taxes or termination of PILOTs and other financial assistance when goals were not met. The Board and AIDA officials also did not properly monitor PILOTs, totaling \$1.27 million in 2023 and \$1 million in 2024, which resulted in late distributions to affected taxing jurisdictions in 2023.

Without the appropriate required reporting form and supporting documentation from the project owners, the Board cannot help ensure AIDA's mission to advance the job opportunities, general prosperity, sustainability and economic welfare of the taxpayers is achieved. The Board also cannot ensure the reasonableness of the project owner's self-reported information. Furthermore, without site visits, AIDA officials have less assurance that capital investments and the jobs being reported are accurate and reasonable. In addition, issues with PILOT distributions may cause officials and the public to have an unfavorable view of future AIDA projects and PILOT agreements.

The report includes five recommendations that, if implemented, will improve AIDA's project approval and monitoring practices. AIDA officials agreed with our findings and recommendations and indicated they have initiated corrective action.

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. Our methodology and standards are included in Appendix C.

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 the New York State 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 AIDA's offices.

Project Approval and Monitoring Findings and Recommendations

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 in their applications.

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.

More details on the criteria used in this report as well as a resource we make available to local officials that can help officials improve operations (Figure 1) are included in Appendix A.

Finding 1 – The Board and AIDA officials did not review all supplemental documentation for project approval.

The Board and AIDA officials did not review all supplemental documentation for project approval. The Board and AIDA officials did not establish adequate procedures to ensure that project applicants and those with approved projects submitted the necessary supporting documentation for capital investment and job data. The Interim Executive Director told us that they did not have capital investment and initial job numbers for the one project approved during the audit period because the Board did not require this information as part of the application process. Without this information, AIDA officials cannot determine the reasonableness of investment goals to ensure applicants obtain the exemptions that they are entitled to or establish a reliable baseline for pre-project employment and salary levels to use when evaluating job retention and creation.

Recommendation

The Board and AIDA officials should:

1. Require project owners to submit supporting documentation for capital investment and current job information on project applications.

Finding 2 – The Board and AIDA officials did not properly monitor projects.

For 2023, AIDA officials did not ensure that owners for 11 of the 16 reviewed projects submitted both the required annual reporting form and relevant supporting documentation (NY-45 forms) to monitor project goals including job retention and creation. Furthermore, AIDA officials' project monitoring was hindered because they did not conduct policy-required site visits in 2023 and 2024. Site visits would have helped provide assurance that AIDA's mission to advance the job opportunities, general prosperity, sustainability and economic welfare of the taxpayers is achieved, such as, the jobs being reported were accurate and reasonable.

We reviewed all 15 active projects that were not in the construction phase to determine whether each met the full-time equivalent (FTE) job goals outlined in their project agreement. Eight projects did not meet job goals at the end of 2023. Three projects had variances with jobs reported that were less than 50 percent of their original projected goals, with variances ranging from 34 to 113 FTE jobs.

While the Board and AIDA officials were aware of the reasons for the variances for the three projects, they did not follow up with project owners or determine the reasons for all of the variances and evaluate their reasonableness. In addition, the Board and AIDA officials did not document their assessments, including any reasons for shortfalls and the Board's justification for not pursuing recapture of sales and use taxes or termination of PILOTs and other financial assistance. The Interim Executive Director and Board Chair told us that in recent years the Board was more focused on the quality of jobs rather than quantity and now include salary information for jobs on the annual reporting forms, which we confirmed through review of project files. However, this desire or focus was not stated in Board policy or addressed in approved project requirements. Without adequately monitoring projects, the Board has limited assurance that the job goals established in the project agreements are met.

The Board and AIDA officials also did not properly monitor project PILOTs. PILOTs for both years (14 active PILOTs in 2023 and 13 active PILOTs in 2024) were billed, paid and distributed in the appropriate amounts. However, PILOTs for 2023 (totaling \$1.27 million) were distributed to affected taxing jurisdictions between seven and 100 days late. After this was brought to AIDA officials' attention, officials made sure all PILOT payments for 2024 (totaling \$1 million) were distributed to affected taxing jurisdictions timely. The Interim Executive Director and two Board members said that this occurred because the former bookkeeper was unaware of the distribution requirement for PILOTs. However, had the Board or other AIDA officials adequately monitored PILOT distributions, they could have identified the late payments. In addition to the financial impact late PILOT distributions can have on affected taxing jurisdictions, issues with PILOTs may cause officials and the public to have an unfavorable view of future AIDA projects and PILOT agreements, and officials may be less likely to support future projects.

Recommendations

The Board and AIDA officials should:

2. Ensure project owners submit both the required annual reporting form and relevant supporting documentation (NY-45 forms or other documentation) for all projects.
3. Ensure compliance with the monitoring policy, including conducting annual project site visits.
4. Compare jobs reported to project goals and document assessments, including any reasons for shortfalls and the Board's justification for not pursuing recapture of sales and use taxes or termination of PILOTs and other financial assistance, as applicable.
5. Establish and implement written policies and procedures to properly monitor PILOTs to help ensure all are billed, paid and distributed accurately and timely.

Appendix A: Profile, Criteria and Resources

Profile

AIDA was created in 1969 to promote development and economic growth of the City of Auburn (City), in Cayuga County, and to assist in attracting industry to the City through bond and sale/leaseback financing programs and other activities. AIDA is governed by a nine-member Board appointed by the City Mayor. The Board is responsible for the general management and control of AIDA, including project approval and monitoring.

The Cayuga Economic Development Agency (CEDA) provided administrative services including a bookkeeper and Executive Director to AIDA prior to April 2024, when the County disbanded CEDA. AIDA then contracted with a provider for an Interim Executive Director who is responsible for AIDA's day-to-day operations.

Criteria – Project Approval and Monitoring

IDAs are required by New York State General Municipal Law (GML) Section 859-a to develop a standard application form that must include:

- The name and address of the applicant,
- A description of the proposed project,
- The amount and type of financial assistance requested,
- An estimate of the project's capital costs,
- The projected number of jobs to be retained or created and
- A statement acknowledging that the submission of any knowingly false or misleading information may lead to termination of any financial assistance.

Also, an IDA, pursuant to GML Section 859-a, can require applicants to submit supplemental information with their applications. This could include supporting documents and information the IDA board needs to assist in evaluating the project.

IDA officials should monitor PILOTs to help ensure bills are calculated accurately and in accordance with approved PILOT agreements. IDAs are required by GML Section 874 and New York State Public Authorities Law Section 2327 to distribute PILOT payments to each affected taxing jurisdiction within 30 days of receipt. An IDA should have a system in place to track PILOTs to help ensure that businesses make payments in a timely manner and officials accurately distribute amounts owed to affected taxing jurisdictions as required.

Annually, IDA officials must assess and submit to the board the progress of each project, which continues to receive financial assistance or is otherwise active, toward achieving the project goals (capital investment, job retention or creation, or other objectives) approved in the project agreement.

According to AIDA's monitoring policy and standard application:

- Project owners must annually submit to AIDA a standard reporting form and quarterly wage reports (NY-45 form) to support job creation and retention and
- An annual sales and use tax exemptions claimed report (ST-340 form).

The policy also requires an annual site visit and subsequent report that the Board will use in determining project progress in meeting goals. If the project goals are not met, AIDA policy allows AIDA to recapture a portion of sales and use taxes or terminate PILOTs and other financial assistance.

Additional Project Approval and Monitoring Resources

In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

FIGURE 1: OSC Publication

Local Government Publication
available on our website to help
officials.

*Performance of Industrial Development Agencies
in New York State: 2024 Annual Report*



Performance of Industrial Development Agencies in New York State

2024 Annual Report
(Data for Fiscal Year Ending 2022)
May 2024

<https://www.osc.ny.gov/files/local-government/publications/pdf/ida-performance-report-2024.pdf>

Appendix B: Response From Authority Officials



April 16, 2025

Chief of Municipal Audits
Office of the New York State Comptroller
110 State Street
Albany, NY 12236

To Whom It May Concern:

The Auburn Industrial Development Authority (AIDA) has received and reviewed the draft Project Approval and Monitoring Report of Examination conducted by the Office of the State Comptroller. The board and staff agree that the findings are fairly stated and appreciate the recommendations provided. AIDA has already begun to implement new processes to address aspects the report's findings, and in alignment with the audit process will create a corrective action plan to improve upon all findings.

We found the audit team to be professional and helpful and are very willing to make improvements that will ultimately enhance AIDA's impact in the community.

Sincerely,

Gwen Webber-McLeod
Chair



2 State Street, Auburn, NY 13021
www.takerootinauburn.org
Where possibility takes root.

Appendix C: Audit Methodology and Standards

We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed AIDA officials and reviewed AIDA's written policies and procedures to gain an understanding of the project application, approval, monitoring and reporting processes.
- We reviewed the project file for the one project approved during the audit period to determine whether the application was complete, included supporting documentation as appropriate and whether AIDA officials completed a cost-benefit analysis for the project. We also reviewed Board meeting minutes applicable to the project to determine whether processes were appropriately followed.
- We reviewed all 14 PILOTs for 2023 (totaling \$1.27 million) and 13 PILOTs for 2024 (totaling \$1 million), to determine whether all PILOTs had an active PILOT agreement and were appropriately and timely billed, received and distributed to affected taxing jurisdictions.
- We reviewed job data collected for the 16 active projects in 2023, including one in the construction phase. We reviewed NY-45 forms and supporting annual report forms and compared them to the original project agreement estimates and the annual report to determine whether the projects' job creation and retention goals were met. We discussed the differences with the Interim Executive Director to determine whether the Board and AIDA officials monitored the variances, identified any explanations and assessed their reasonableness and reviewed any Board documented actions or justifications for not seeking recapture.

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.

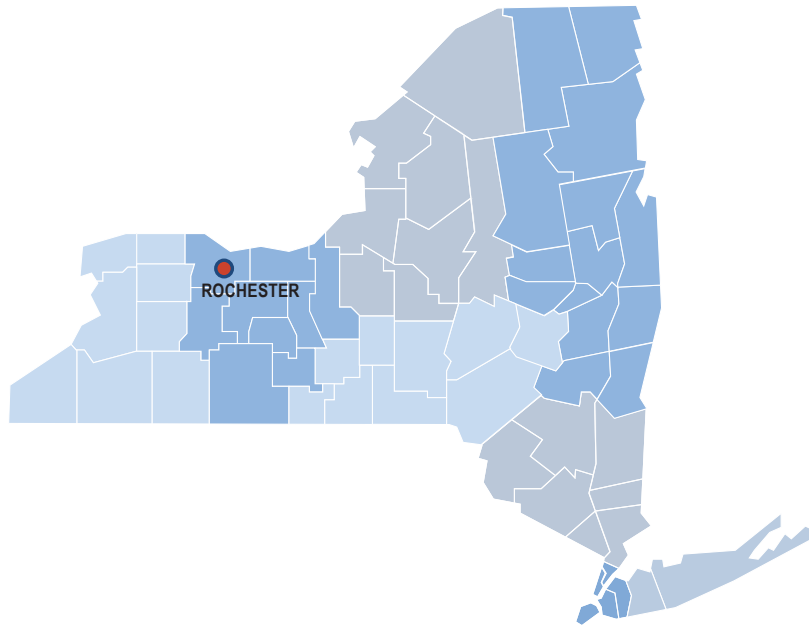
Contact

ROCHESTER REGIONAL OFFICE – Stephanie Howes, Chief of Municipal Audits

The Powers Building • 16 West Main Street – Suite 522 • Rochester, New York 14614-1608

Tel (585) 454-2460 • Fax (585) 454-3545 • Email: Muni-Rochester@osc.ny.gov

Serving: Cayuga, Livingston, Monroe, Ontario, Schuyler, Seneca, Steuben, Wayne, Yates counties



Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503