

THOMAS P. DINAPOLI
STATE COMPTROLLER



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ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

February 14, 2024

Hope Knight
President, CEO, and Commissioner
Empire State Development
633 Third Avenue
37th Floor
New York, NY 10017

Re: Project Tracking Systems and
Economic Assistance Program
Evaluations
Report 2023-F-23

Dear Ms. Knight:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 and Article X, Section 5 of the State Constitution and Section 2803 of the Public Authorities Law, we have followed up on the actions taken by officials of Empire State Development (ESD) to implement the recommendations contained in our initial audit report, *Project Tracking Systems and Economic Assistance Program Evaluations* (Report [2019-S-48](#)).

Background, Scope, and Objective

ESD is the chief agency responsible for the coordination of the State's economic development programs. Its mission is to promote a vigorous and growing State economy; encourage business investment and job creation; and support diverse, prosperous local economies across New York State through the efficient use of loans, grants, tax credits, real estate development, marketing, and other forms of assistance. ESD offers more than 50 programs, encompassing more than 5,000 associated projects.

ESD is statutorily required to report on its economic assistance programs, including both program-specific reporting as well as generalized reporting on its portfolio of economic assistance programs. Furthermore, ESD is mandated to perform periodic evaluations to determine the economic impacts of those programs on the State's economy.

Over the years, ESD has primarily tracked its programs using an in-house project tracking system as well as desktop applications. In November 2016, ESD's Board of Directors approved the selection of Microsoft Dynamics (Dynamics) to replace its existing project tracking system to reduce duplicative data entry, facilitate greater sharing of information, simplify project reporting, and create a central data warehouse. In January 2017, ESD hired a contractor to migrate projects from the in-house project tracking system to Dynamics and integrate its supporting databases. The migration of ESD's loan and grant projects to Dynamics was completed in early 2019.

The objective of our initial audit, issued October 2021 and covering the period January 2016 to April 2021, was to determine if ESD maintained adequate information systems for the collection of relevant data to effectively manage and report on the economic assistance programs it administers and ensure programs meet desired outcomes. We found, with few exceptions, that ESD did not evaluate its economic assistance programs to ensure they meet intended goals and further ESD's mission. Also, we found ESD generally collected and maintained relevant information to effectively manage, track, and report on its economic assistance projects, but after implementing Dynamics, ESD continued to use multiple systems to capture such data.

The objective of our follow-up was to assess the extent of implementation, as of September 2023, of the two recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

ESD has made some progress in addressing the two issues we identified in the initial audit report. Of the initial report's two audit recommendations, both have been partially implemented.

Follow-Up Observations

Recommendation 1

Conduct and document periodic program evaluations of economic assistance programs to assess performance and ensure programs are meeting desired outcomes.

Status – Partially Implemented

Agency Action – Article 8 of the New York State Tax Law required the Department of Taxation and Finance (Tax and Finance) to contract with an economic impact firm for the purposes of conducting an independent, comprehensive analysis of each tax credit, tax deduction, and tax incentive. In 2022, Tax and Finance contracted with a vendor to evaluate various State tax credit programs (programs) administered by various agencies – including 11 administered by ESD. ESD officials stated they provided up to 10 years of program data for the independent assessment and evaluation of the 11 programs. The final report is scheduled to be issued in 2024. However, other than the 11 programs evaluated under the contract with Tax and Finance, ESD did not provide support that it completed evaluations of any of its other programs.

Recommendation 2

Identify additional economic assistance programs that would benefit from migration to Dynamics.

Status – Partially Implemented

Agency Action – ESD now fully utilizes Dynamics for intake of applications, which enables ESD to use Dynamics for new programs from the onset and track data for public reporting. In our original audit, ESD identified seven programs – including the film tax credit programs, START-UP NY, and the Life Sciences Tax Credit Program – that it planned to migrate to Dynamics. In its 180-day response to our audit, ESD asserted that it was still on track to migrate those seven programs. However, in September 2023, officials

indicated they had not yet completed the migration of any of those programs into Dynamics but plan to migrate them over the next 24 months.

Major contributors to this report were Richard Podagrosi, Kathleen Garceau, and James Rappaport.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We thank ESD management and staff for the courtesies and cooperation extended to our auditors during this follow-up.

Very truly yours,

Heather Pratt
Audit Director

cc: Felisa R. Hochheiser, Empire State Development