

Empire State Development

Anita W. Laremont

Senior Vice President - Legal
and General Counsel

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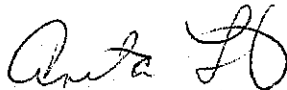
Mr. Frank J. Houston
Office of the State Comptroller
Division of State Government Accountability
123 William Street, 21st Floor
New York, NY 10038-3804

Re: Audit Report #2008-S-162

Dear Mr. Houston:

Attached please find Empire State Development Corporation's response to your letter dated December 3, 2009, indicating the steps ESDC has taken to implement to the recommendations included in final audit report #2008-S-162. Please let me know if you have any questions.

Sincerely,



Anita Laremont
Senior Vice President, Legal, and General Counsel

cc: Dennis M. Mullen
Douglas Wehrle
Susan Shaffer

Empire State Development Corporation

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STEPS TAKEN TO IMPLEMENT RECOMMENDATIONS
Office of the State Comptroller Audit 2008-S-162

Recommendations

1. *Remit to the State the \$2.4 million in undisbursed grant funds from completed and terminated projects, and review project records to determine whether any other such funds should be refunded.*

ESDC worked with DOB to reallocate all funds noted by OSC except for one project, a member item, which cannot be reallocated at the discretion of ESDC and DOB. ESDC is actively working with DOB to review all project records and reallocate available funds.

2. *Monitor project information to ensure that the data in PTS is current, accurate and valid, particularly for project status, project cost, and ESDC funding levels.*
 - Project status
 - In January 2009, a quarterly status review of open projects was implemented.
 - Project cost
 - During summer 2009, the Loans and Grants intern compared Directors' Materials to PTS records for projects approved during the past three years and corrected project cost in PTS as needed. For current projects, project cost information is now reviewed through a report issued at the time of Directors' approval.
 - ESDC funding levels
 - The discrepancies noted by the OSC audit resulted from changing funding level changes over a project's lifetime and how PTS reflects these changes; in addition, all except one of the six projects noted were not overseen the Loans and Grants department. To address the first issue, while PTS fields and process steps were previously altered in order to better document funding changes, staff has been reminded of this process. To address both issues, the quarterly status review implemented in 2009 notes discrepancies between funding amounts in various sections of PTS so that all staff can ensure that funding levels are correctly indicated.
3. *Develop routine database reports capable of identifying all active projects as of a certain date and use these reports to facilitate management's monitoring and analysis of outstanding funding commitments.*

ESDC actively continues to focus on constant monitoring of PTS accuracy through automated checks, reports, and review of information at key steps in the ESDC approval and disbursement process. As mentioned above, in January 2009, ESDC implemented a comprehensive quarterly review of all open projects, including project status and anticipated funding flow. While this report was unrelated to the OSC audit, its goals overlap with the OSC audit recommendations. The report provides both summary and project-level detail on ESDC's approvals and funding needs and has proven highly useful for ESDC management in monitoring and understanding ESDC's funding commitments.