

Empire State Development

September 25, 2013

Honorable Andrew M. Cuomo
Governor of New York
Executive Chamber
State Capitol
Albany, NY 12224

Honorable Thomas P. DiNapoli
Office of the State Comptroller
633 Third Avenue, 31st Floor
New York, NY 10017

Re: Office of the State Comptroller's Audit Report 2012-S-7
Oversight of International Offices

Gentlemen:

Pursuant to section 170 of the Executive Law, I write to advise you of the steps Empire State Development ("ESD") has taken to implement the recommendations contained in the Office of the State Comptroller's Audit Report 2012-S-7, Oversight of International Offices, dated June 28, 2013 (the "Audit Report"). A copy of the Audit Report is attached for your convenience.

Recommendation No. 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.

As stated in ESD's letter to Bob Mainello, Audit Supervisor of the Office of the State Comptroller ("OSC"), dated April 12, 2013 (the "April 12, 2013 letter"), and as noted in the Audit Report itself, ESD has initiated a Client Resource Management System (CRMS) to provide management with more comprehensive data tracking and performance information regarding ESD's foreign activities. This system will provide an online and robust vehicle for reviewing international activity based on management identified metrics including: investment by foreign offices and sectors; sales; agent distributor results; work orders and lead informational regional tracking; and technical assistance and outreach. ESD continues to implement this system in its "pilot" phase to ensure more effective monitoring of the performance of foreign offices.

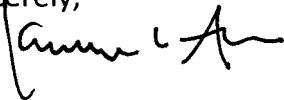
Recommendation No. 2

Ensure that foreign representatives are only reimbursed for actual and necessary expenses incurred in the operation of international offices.

As stated in the April 12, 2013 letter and acknowledged by OSC in the Audit Report, "ESD has made significant improvements when processing payments to foreign representatives," and "adequate documentation [is now] available to support payments made to ESD's foreign representatives. . ." As recommended by the Audit Report, ESD continues to enforce its strengthened controls acknowledged in the Audit Report. The Audit Report further noted that "[c]ontinued compliance with these strengthened controls should provide ESD management with reasonable assurance that they are paying for actual expenses incurred, which are related to activities authorized by the contracts with its foreign representatives."

Further, as ESD stated in the April 12, 2013 letter, ESD is committed to continuing quality improvement initiatives and has made every effort to ensure that the documentation identified by OSC as obligatory to support payments made to foreign representatives is obtained. In addition, ESD continues to maintain a practice to withhold payments when adequate documentation is not provided.

Sincerely,



Kenneth Adams
President & CEO, Empire State Development
Commissioner, NYS Department of Economic Development

- c: Honorable Robert Duffy, Lieutenant Governor and President, NYS Senate
 Honorable Dean G. Skelos, NYS Senate Majority leader
 Honorable Andrea Stewart-Cousins, NYS Senate Minority Leader
 Honorable John A. DeFrancisco, NYS Senate Chair, Finance Committee
 Honorable Liz Krueger, NYS Senate Ranking Minority Member, Finance
 Committee
 Honorable Sheldon Silver, NYS Assembly Speaker
 Honorable Joseph Morelle, NYS Assembly Majority Leader
 Honorable Brian M. Kolb, NYS Assembly Minority Leader
 Honorable Herman Farrell, Jr., NYS Assembly Chair, Ways and Means Committee