

Contact: Brett Spielberg | Director of Public Information
Cell: 516-329-5171 | Email – bspielberg@nassaucountyny.gov
For Immediate Release – December 29, 2020



Office of the Nassau County Comptroller
Jack Schnirman – Comptroller

*240 Old Country Road
Mineola, NY 11501
Tel: (516) 571-2386 / Fax: (516) 571-5900*

**Nassau County Comptroller Jack Schnirman Releases Audit of
Nassau County Industrial Development Agency**

MINEOLA - Nassau County Comptroller Jack Schnirman announced that the Comptroller's Office has completed the audit of the Nassau County IDA (NCIDA), reviewing the time period between 2015-2019 to determine the NCIDA's economic benefit to residents and taxpayers. This audit progressed collaboratively with the NCIDA's new leadership and the Comptroller's Office, providing a roadmap of reform for the Agency and best practices to implement that have seen the NCIDA take more aggressive measures to ensure accountability, including clawing back money if jobs goals are not met.

All Nassau residents and taxpayers deserve a return on our investments (i.e. tax abatements) and can benefit from an IDA which brings jobs and prosperity to Nassau County, which operates transparently, is open to public input and respects public concerns. The Nassau County IDA's mission and public purpose is to support and promote economic development and job growth in Nassau County by helping businesses relocate to the County and expand operations. The NCIDA is an important mechanism to increase the prosperity of the County.

"We came in to ask these questions to find out if we are getting the best return on our investment as well as informing people of the process. I made it a priority to audit the Nassau County IDA so that residents and taxpayers would have a clear picture if the Agency was providing value to the County and our economy," said **Nassau County Comptroller Jack Schnirman**. "This audit shows that rigorous reform at the IDA is improving its public benefit, but there is a need for vigilance and transparency to ensure it can operate to its full potential. Recent steps by the IDA to claw back benefits from businesses that did not hit their stated jobs goals demonstrates that as a result of this Audit, the IDA is working smarter and more aggressively, and to the benefit of all of us."

Auditors found that while all projects sampled provided an economic benefit, such as the development or renovation of commercial property used for business and residential housing, employment goals were not always met. In some instances, job reporting was inaccurate and not properly monitored, and auditors identified issues with third-party consultant economic impact reports and other vendors, in addition to internal control weaknesses.

Findings of the Audit included:

www.nassaucountyny.gov/comptroller | facebook.com/nccomptroller | twitter.com/nccomptroller

CONFIDENTIAL DRAFT – NOT FOR RELEASE

- 69% of the projects reviewed had not achieved their employment goals in one or more years as required by Nassau County IDA agreements, including six projects where employment goals were not met for all four years of the term;
- Employment goals were limited (zero to 13 full time jobs) in almost 50% of the projects tested, representing tax revenue of \$112.8 million being abated;
- The NCIDA failed to recapture benefits and disburse funds to the taxing jurisdictions within 30 days as required, taking as long as 16 months to complete the recapture process;
- The NCIDA was not reviewing the accuracy of the number of employees listed on required job confirmation submitted by project recipients, for example one project recipient reported 543 jobs to the NCIDA but only reported five jobs to New York State for the same time period.
- A consultant was paid \$556,250 to attract cyber companies to the County, however there was no indication that any new companies moved to the County, and the consultant was paid to induce a company in which he was a partner.
- An existing public relations firm was used to “flow through” \$375,000 in funds for the NCIDA’s advertising campaign to other firms in order to avoid the RFP process, and 87% of the advertising funds were targeted Nassau County, which is counter-productive to bringing new firms to the County.
- Internal controls were inadequate resulting in weaknesses in various accounting, disbursement and documentation practices, including: improper use of petty cash was identified, there was no written petty cash policy, a tax identification number on IRS Form 1099 was incorrect and the auto mileage log was inadequately maintained.
- A former NCIDA officer may have violated the NCIDA Code of Ethics by residing in an NCIDA project, and the Agency’s Code of Ethics needs improvements.
- NCIDA board members paid for a \$1,600 holiday dinner by using mileage reimbursement funds without written Board approval.

Recapturing benefits and properly disbursing funds to taxing districts has been a critical issue highlighted by the Comptroller’s Office, with a [previous audit of the Department of Assessment’s Collection of Payments in Lieu of Taxes \(PILOT\) Revenue in 2018](#), which found that the Nassau Department of Assessment did not record nor receive the County’s portion of \$7.6 million in PILOT revenues from the Town of Hempstead. That audit by the Comptroller’s Office ultimately recovered \$7.6 million for Nassau County.

The audit released today also highlighted the issue of third-party consultant economic impact analysis reports, which provide important information about a project’s proposed benefits prior to any decision being made on a project. These reports were implemented in response to the prior audit of the NCIDA that was issued by the Nassau County Comptroller in 2011. Key findings from the current audit included:

- The reports for 30% of the projects reviewed were prepared after the public hearing, which impacts an informed decision-making process;

www.nassaucountyny.gov/comptroller | facebook.com/nccomptroller | twitter.com/nccomptroller

- The timeframe for report preparation for 45% of the projects reviewed could not be determined, and it was therefore unclear if they were prepared before the public hearings;
- The reports for 18 projects did not show the impact of tax abatement to affected jurisdictions, including Nassau County, towns, school districts and/or other municipalities; and
- No evidence was found that the IDA calculated or identified the estimated cost benefit ratios for proposed projects.

The Nassau County IDA agreed with most of the recommendations and has undertaken corrective actions under its new leadership with efforts to improve internal controls of its financial reporting to ensure total transparency and timeliness of record-keeping. The current IDA Board and management have adopted more stringent protocols, negotiating to reduce PILOTs; increase job covenants; and when applicable, increase the amount of workforce housing to be created by projects.

"The IDA has worked collaboratively with the Comptroller to ensure that we take whatever steps are necessary to avoid any of the problems caused by the prior administration from ever happening again," said Richard Kessel, Chairman of the Board of the Nassau County IDA.

The Agency is also actively monitoring job creation compliance and where requirements are not met and has taken action to pursue termination and / or recapture. To that end, the IDA recently clawed back more than \$300,000 from a firm reviewed in this audit process for failing to keep job creation promises.

"The IDA exists to spark job growth and support businesses, providing real economic benefit to Nassau County residents," concluded Schnirman. "This audit shows that not only can we make things work better and more transparently, but most of all we can get the best value for our residents and taxpayers. In this economic climate, we need job creation, we need to grow our tax base, and we need to keep competitive as a region."

###