Authorities Budget Office
Review of Activities and Expenditures
Griffiss Local Development Corporation
April 30, 2014

Local development corporations (LDCs) are not-for-profit corporations incorporated pursuant to Section 1411 of Not for Profit Corporation Law. The general statutory purpose of an LDC is to reduce unemployment, promote and maintain employment opportunities, aid communities attract new industry or to encourage the development or retention of existing industries, and lessen the burdens of government and act in the public interest. In furtherance of these public purposes, an LDC has the power to construct and rehabilitate industrial or manufacturing facilities to be used by others; provide grants and loans; borrow money; issue debt; and acquire, sell or lease real property below market value. Any county, city, town or village in New York State, alone or in combination, may cause the incorporation of a LDC by public officers or private individuals.

Section 2(2)b of Public Authorities Law defines local authorities to include not for profit corporations affiliated with, sponsored by, or created by a county, city, town or village government. By law, the operations, practices and reports of these LDCs are subject to the review and analysis of the ABO. The ABO is undertaking a series of reviews of selected LDCs across the state to develop a better understanding of the public purposes for which each LDC was formed, and to provide insight into how these corporations function, how each relates to the local government for whose benefit it was created, and the types of activities on which the LDC expends public funds.

These reviews are intended to focus on the following analytical issues:

- The specific mission of the LDC and the purpose(s) for which it was formed.
- The LDC's corporate governance structure, including its relation to the municipal government and other local authorities.
- The sources of LDC funding.
- The programs, services and public objectives supported by LDC funding.
- Activities of the LDC, if any, that may be inconsistent with or tangential to its core mission.

This report reviewed the extent to which the activities and expenditures of the Griffiss Local Development Corporation are consistent with and advance the public purpose for which it was formed. This included GLDC's role in the redevelopment of the Griffiss Air Force Base, and its governance and financial relations with other entities charged with supporting its mission.

Mission of the Griffiss Local Development Corporation

The Griffiss Local Development Corporation (GLDC) had its genesis in Section 110 of Chapter 63 of the Laws of 1994. A first year appropriation of state funds was contingent on the formation of a local development corporation organized with the cooperation of the Griffiss Redevelopment Planning Council, Oneida County and the City of Rome. GLDC was formed under Section 1411 of Not for Profit Corporation Law as the successor to the Griffiss Redevelopment Planning Council to design and implement a strategy for the redevelopment of the Griffiss Air Force Base (Base) and the Rome Laboratory (Lab). As articulated in its Certificate of Incorporation, the core mission of GLDC is to develop, maintain, strengthen and expand the use and viability of the Base, to continue research and development projects associated with the Lab to enhance its competitive position and reduce its costs, and to stimulate job growth in the City of Rome. GLDC's primary focus is on the development of the Griffiss Business and Technology Park (Park), which occupies much of the Base.

The Griffiss Air Force Base comprises approximately 3,500 acres. Since the Base's closure in 1994, about 45 percent of the property has been transferred to Oneida County (and is now the Oneida County International Airport) or the State of New York. The Air Force currently retains ownership of approximately 5 percent of the property. As property was decommissioned by the Air Force, title was acquired by the Oneida County Industrial Development Agency (OCIDA). The OCIDA subsequently transferred property to GLDC for redevelopment, consistent with the base redevelopment master plan. Approximately 21 percent of the Base has been sold or developed for commercial, educational or residential use. The remaining 29 percent is currently held by GLDC for future reuse and development.

GLDC reports that it received more than $90 million in government contributions from 1994 through 2012. This total constitutes nearly 59 percent of all revenues received by GLDC during this period. At least $32 million, or 36 percent of its government funding, has come from direct New York State appropriations.

Governance of the Business and Technology Park

As a prerequisite for receiving State support, Chapter 63 of the Laws of 1994 stated that GLDC was to be governed by a fifteen member board, comprised of appointees of the Governor, the State Legislature, Oneida County, and the City of Rome. In 2011, the GLDC board amended its by-laws to transition to an eventual 12 member self-appointing board of directors as vacancies occur. The current GLDC board has 12 directors, 10 of whom were initially appointed under the original governance structure.

Although GLDC is the entity charged with redeveloping the Base and implementing the re-use plan, it does not have its own executive, administrative or financial staff. GLDC's only employees are eight individuals responsible for maintaining the facilities and grounds in the Park. GLDC relies on five separate corporate entities to carry out its mission and to manage its operations and finances.

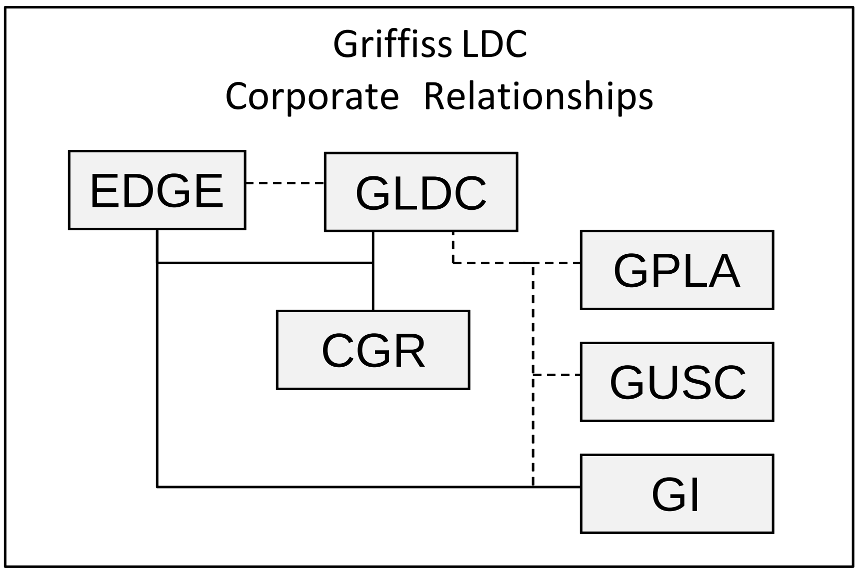
Mohawk Valley Economic Development Growth Enterprise Corporation (EDGE) is a not-for-profit economic development organization serving both Oneida and Herkimer counties, initially created in 1963. Its focus is not just on attracting businesses to the Base and Park, but to market economic development and employment opportunities throughout both counties. GLDC has a contractual agreement with EDGE for administrative services, as well as the majority of functions related to developing the Park. EDGE is responsible for guidelines for the development of the Park, marketing and developing proposals for prospective Park tenants, managing Park properties and assisting GLDC in developing, renovating and improving the Park. The GLDC board has also appointed the current President of EDGE as its Authorized Representative to perform all duties generally associated with the position of President or chief executive officer. The Authorized Representative has the authority to negotiate and sign contracts, except for real property and debt transactions, and otherwise act on the board's behalf.

Griffiss Utility Service Corporation (GUSC) was formed in 2000 to upgrade, operate and maintain the power plant that provides electricity and heat to Base tenants. GUSC is governed by a seven member board of directors and has its own administrative staff. Providing electricity and heat to Base tenants is part of developing and maintaining the Base, but rather than operate and maintain the power plant itself, GLDC formed a separate entity. GUSC's primary sources of revenue are from the sale of steam heat and the distribution of electricity to the organizations that are located on the Base. GUSC provides a portion of its revenues to GLDC to finance the capital improvements GLDC made at the power plant and for ongoing development in the Park. According to its audited financial statements for 2011 and 2012, GUSC received $22.1 million in revenues while expenses totaled $20.5 million. GLDC officials indicated that its relationship with GUSC is a customer-vendor relationship. However, this perspective does not address GUSC's role in supporting GLDC's mission and ignores GUSC's payments to GLDC to finance the capital improvements and ongoing development activity.

Griffiss Institute (GI) was formed in 2002 to conduct research and provide training in cyber security issues to private industry, academia and government for developing solutions to critical cyber security problems. GI is governed by a six member board of directors and has a limited number of management staff. Additionally, GI pays individuals to work with Air Force Research Laboratory (AFRL) researchers, and is reimbursed by AFRL for these costs. Ensuring that research and development projects associated with AFRL are continued to enhance AFRL's competitive position and reduce its costs is part of GLDC's mission, but rather than doing this itself, GLDC relies on GI. GLDC provides space for GI operations and pays the Institute's utility costs at no charge to GI. The Institute received $4.1 million from January 2011 through September 2013 with payments of $3.9 million.

Griffiss Park Landowners Association (GPLA) was formed in 2008 by GLDC to assume its responsibility to manage and maintain the common areas within the Park, such as hiking trails, a sculpture park, and signs. GPLA functions as a landowners association, overseen by its own board of directors. Property owners and tenants are assessed a fee to fund the maintenance of the common areas. However, GPLA has no staff and relies on GLDC employees to maintain the common area property. For the period of our review, GPLA received almost $1 million in common area assessment fees and had payments totaling more than $850,000.

Cardinal Griffiss Realty, LLC (CGR) was formed in 2010 by GLDC and EDGE so a specific project could qualify for Federal New Market Tax credits. The total cost of the project was approximately $10.6 million, funded by $2.4 million from the sale of federal tax credits, $3.1 million from GLDC funds, and $5.1 million in loans from various economic development organizations and commercial banks. The project was completed in 2011.

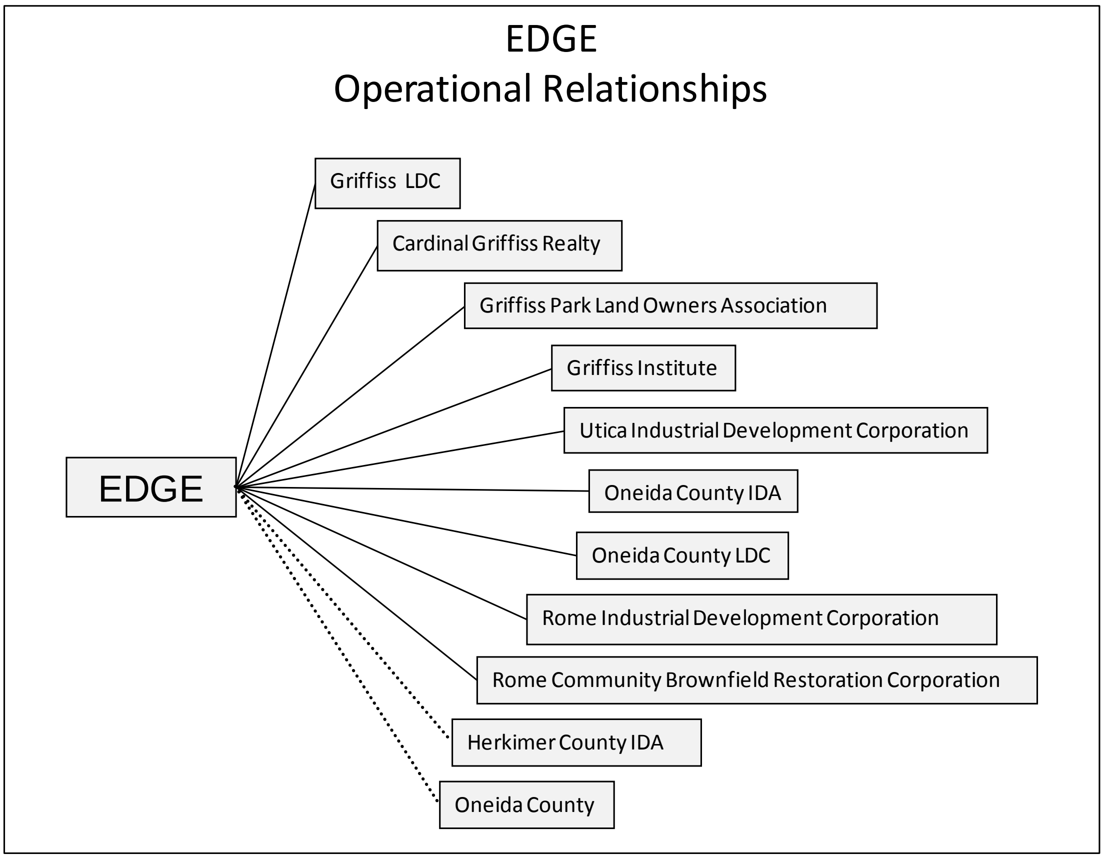


Service Agreements with EDGE

Since the GLDC board chose not to retain executive, management and financial staff, it must contract for those services. Since January 1996, GLDC has engaged EDGE to administer its operations and finances. Under this agreement, EDGE is to provide general administrative and staff support to GLDC. The agreement prohibits EDGE from exercising any management control over GLDC or its employees. Yet, EDGE is responsible for marketing and developing the Park and the county airport; managing contracts with private firms for the development, construction and rehabilitation of buildings in the Park; and providing other economic development assistance to GLDC.

In addition, EDGE provides administrative support and financial services to GPLA and GI. The current EDGE President sits on the boards of directors of GPLA and GI, and EDGE is a part owner of Cardinal Griffiss Realty, LLC. In total, these three corporations and GLDC paid EDGE more than $1.4 million from January 2011 through September 2013, of which $1.3 million came from GLDC pursuant to its service agreement.

EDGE provides similar administrative, marketing or economic development services to other entities in the region. EDGE has various agreements with Oneida County, Oneida County Industrial Development Agency, Oneida County Local Development Corporation, Herkimer Industrial Development Agency, Rome Industrial Development Corporation, Utica Industrial Development Corporation, and Rome Community Brownfield Restoration Corporation. These entities pay EDGE approximately $758,000 annually.



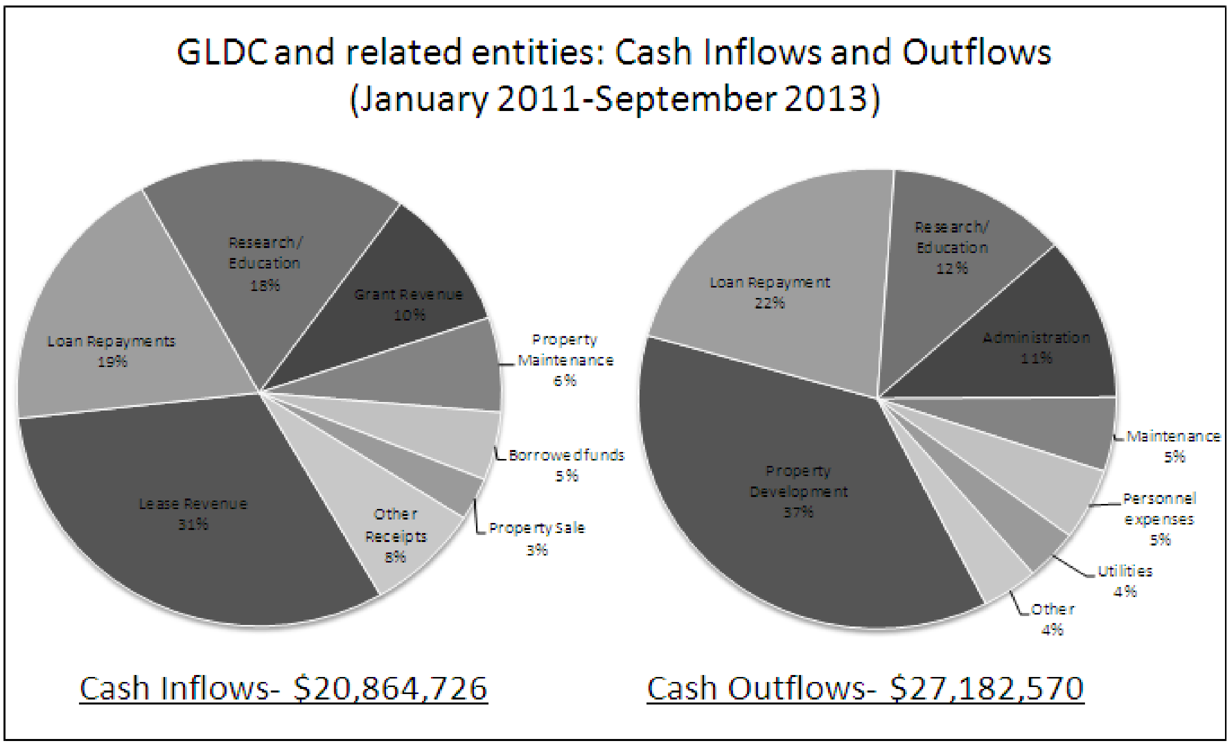
Solid Line denotes EDGE maintains financial and administrative records
Dotted Line denotes EDGE has other service arrangements

GLDC Finances and Financial Relationships

Between January 1, 2011 and September 30, 2013, GLDC and its related entities had approximately $20.8 million in receipts and more than $27 million in disbursements. EDGE processed all of these transactions per its service agreement with GLDC. The majority of receipts were for property leases, loan repayments, payments from the Air Force for research and education, maintenance fees, and grants. Payments over this period were primarily for property development, debt service, research and education, and administrative costs. EDGE also managed 17 GLDC loans with an original value of more than $25 million.

During this time, GLDC spent more than $10 million on Base development and infrastructure improvements. GLDC obtained grants or borrowed money from commercial banks and local economic development organizations, including EDGE. These funds are used for capital improvements or as a source for loans to businesses or other economic development organizations, including a subsidiary of EDGE. From January 2011 through September 2013, GLDC received over $2 million in grants from the State for development projects.

GLDC's reliance on government funding has steadily decreased since its inception. GLDC initially received almost 100 percent of its funds from government, including more than $1.76 million from the Empire State Development Corporation specifically for its administrative activities. Between January 2011 and September 2013, however, GLDC received only 10 percent of its revenues from government sources.



Note: The chart does not include the financials for GUSC and EDGE

GLDC Mission Driven Activities

The decision of the federal government to close the Griffiss Air Force Base could have had a crippling impact on the economy and labor market of the City of Rome and Oneida County. The work of GLDC and its related corporations and EDGE has mitigated this potential impact and produced positive results, consistent with the statutory mission for which GLDC was created. GLDC has remediated environmental issues, demolished buildings with structural problems, rehabilitated or constructed buildings for specific industries or businesses, and expanded the local property tax base.

The Business and Technology Park currently has more than 80 public and private tenants. Tenants include banks, hotels, business offices, manufacturing companies, and distribution centers. GLDC currently owns nine buildings in the Park with space leased to 10 organizations. According to GLDC's 2013 Annual Report, over 5,800 jobs have been created on the Base, and over $5.5 million in tax revenue is being generated.

Activities Inconsistent with GLDC Mission

While GLDC can point to significant accomplishments, this review identified instances where GLDC resources were used for purposes and activities inconsistent with its intended purpose, its Certificate of Incorporation, or existing agreements. For example, GLDC paid $309,000 from January 2011 through September 2013 to a consulting firm that typically engages in lobbying activities. Section 1411 of the Not-for-Profit Corporation Law and GLDC's Certificate of Incorporation establish a clear and absolute bar prohibiting any attempt to influence legislation by propaganda or otherwise.

In spite of this prohibition, GLDC's 2012 federal 990 tax filing reported that it paid a consulting firm to meet with state elected officials regarding passage of certain legislation. GLDC has also reported to the NYS Joint Commission on Public Ethics (JCOPE) that it has paid over $350,000 for lobbying activities. It is our understanding that the accepted meaning of Section 1411 prevents an entity such as GLDC from engaging outside lobbyists, directing third parties to communicate with government officials on its behalf, or working with these parties on testimony or other communications that are presented as if representing the positions of such parties. This position is supported by recent actions by the New York State Attorney General, who determined that while many types of not-for-profit corporations are subject to some form of lobbying restrictions, LDCs are subject to a total ban on lobbying under Section 1411(c) of the Not-for-Profit Corporation Law. GLDC officials indicate that its use of lobbyists is primarily limited to safeguarding and/or enhancing the remaining military missions at the Base. Nevertheless, we believe that these activities, as described, are strictly prohibited by Section 1411 and GLDC's Certificate of Incorporation.

In another example, we found that GLDC's maintenance staff was directed by EDGE management to perform work at buildings and properties outside the Park that are owned by EDGE or by entities managed by EDGE. For example, GLDC employees provided maintenance services to 5900 Success Drive, which is a subsidiary of EDGE. In addition, GLDC employees provided maintenance services for the Rome Industrial Development Corporation and the Rome Community Brownfield Restoration Corporation, as well as for the Marcy Nanotech site. We found no documentation that the GLDC board of directors was aware of or approved of these assignments. Although GLDC was reimbursed $13,216, the provision of such services represents an improper use of GLDC staff. The GLDC board contends that these transactions are valid and justified since GLDC maintenance staff are underutilized and GLDC is paid for this work. However, we believe that these transactions are inappropriate since they constitute a use of GLDC's resources to maintain property GLDC has no legal authority to maintain. Moreover, EDGE has no authority to manage or assign

GLDC staff to perform this work outside the Base since its agreement with GLDC provides only that it will oversee the services provided by GLDC facilities staff.

Inadequate Financial Oversight

As indicated, to accomplish its mission of redeveloping, maintaining and operating the Base, the GLDC board has formed and/or relied on related entities to address specific aspects of its mission. Each of these related entities has its own board of directors (except for Cardinal Griffiss Realty, LLC) but no administrative or financial staff (except for GUSC). Administrative services are provided by EDGE. The GLDC board has designated the current President of EDGE as its Authorized Representative to perform the duties of chief executive and to negotiate and sign contracts, documents and other instruments relating to the normal business activities of GLDC, without prior board review and approval, other than property or debt transactions. With the consent of the board, the Authorized Representative may act on behalf of GLDC without such limitations. Under this designation, the Authorized Representative is also responsible for preparing and overseeing the service agreement between GLDC and his employer – EDGE – and monitoring the GLDC budget which funds the agreement. Yet, the GLDC board indicates that it has not delegated to EDGE any of its management or fiduciary obligations.

Further, EDGE maintains the financial records for GPLA and GI without an administrative agreement with these entities, and GPLA does not pay EDGE for administering its funds. Instead, EDGE provides these services under its service agreement with GLDC. This concentration of authority over financial transactions has centered accountability in EDGE with little direct oversight by the GLDC board. We identified numerous errors and incorrect transactions in the financial records maintained by EDGE for each of the entities. For the period January 2011 through September 2013, we identified 198 transactions that were attributable to accounting errors or resulted in the inappropriate expenditure of GLDC's funds in the first instance. These transactions totaled over $287,000.

While the GLDC board argues that it exercises full management control over its operations and EDGE's administrative activities, we found no indication that GLDC board members took any proactive steps to make sure these errors were corrected or to prevent their continuation. There is also no indication that these transactions were brought to the attention of the directors or discussed at regular meetings of the board. A review of GLDC board minutes shows that the presentation of the financial statements by EDGE were routine with nothing out of the ordinary to report.

As the following transactions demonstrate, it appears that GLDC allows EDGE to charge, or make payments from, the wrong accounts, or to move funds between accounts. GLDC officials dispute this characterization. GLDC claims that all obligations were properly incurred, charged to the correct corporation, and approved only with sufficient documentation. However, this claim fails to adequately address the specific transactions where funds are transferred between the accounts of different entities without any justifying documentation, or why a GLDC board member would co-sign checks for incorrect payments.

GLDC allowed EDGE staff to credit payments on a non-existent loan. The GPLA board approved a project in February 2012 to improve signage at the entrance to the Park. The GLDC board agreed to provide a loan to GPLA to finance a portion of the project cost. In January 2013 EDGE staff transferred a total of $13,748 from GPLA's account to GLDC's account. The transaction records indicated that this was a re-payment of the GLDC loan. Upon our inquiry, EDGE staff indicated that the transfer was made even though the loan was never made and no loan agreement between GLDC and GPLA was ever executed. Further, in January 2013 EDGE staff reported to the GLDC board that GPLA is funding the sign project. There was no justification for this fund transfer. EDGE staff realized this error in March 2013 and no additional payments were made. However, these funds were not transferred back to GPLA's account until October 2013, more than seven months after the inappropriate payment was discovered. This resulted in GLDC's financial records being overstated from January 2013 through October 2013. There is no record that the errors, the decision to delay repayment, or the overstated financial records were discussed with GLDC's board. Instead, during this timeframe EDGE staff generally reported to the board that there were no significant variances in the financial data, or that there was nothing out of the ordinary to report.

GLDC allowed EDGE to use GLDC funds for its own benefit. From January 2011 through November 2011 EDGE's subsidiary, 394 Hangar Road Corporation (Hangar Road), paid $9,822 to GLDC to lease a Bobcat skid-steer loader with snow blower. EDGE staff told us that, while there was no formal lease agreement in place, the transaction was a lease/purchase arrangement. There is no record of the title to the equipment being transferred from GLDC to Hangar Road, and GLDC officials acknowledged that GLDC retained legal title to the Bobcat. Yet, in January 2012 EDGE staff took $15,000 from GLDC's account and deposited it in Hangar Road's account. The transaction was explained as GLDC purchasing the equipment back from Hangar Road. To support this, EDGE's President produced a bill of sale from Hangar Road to GLDC. However, neither EDGE nor GLDC could produce any record that Hangar Road had ever purchased or acquired title to the equipment. From November 2011 through January 2012 EDGE staff reported to the GLDC board that there were no major financial issues to report. Nor is there any indication in the public record that the GLDC board questioned this transaction.

The GLDC board indicated that this transaction does not support the statement that the funds are used for EDGE's benefit, since it does not involve EDGE, but involves Hangar Road. This position fails to recognize that Hangar Road is an EDGE subsidiary. GLDC officials also indicate that the equipment was originally purchased by GLDC to be leased directly to Hangar Road. GLDC board members did not explain why the equipment purchase was approved by GLDC if it was to be used by the private 394 Hanger Road Corporation. GLDC officials explained that the lease payments were intended to finance the acquisition of the equipment by Hangar Road from GLDC, and that the $15,000 payment from GLDC represented the accumulated equity that Hangar Road had acquired by the time the lease was terminated. Yet GLDC officials acknowledge that there are no written agreements or documents that exist to support this arrangement. GLDC's official explanation of this transaction is essentially that GLDC purchased the equipment for the exclusive use of a private entity unaffiliated with GLDC, that the GLDC board authorized this purchase and financing structure, and that after three years, when Hangar Road determined it no longer needed the equipment, the GLDC board authorized a refund of the majority of the lease payments that Hangar Road had made. The GLDC board argues that this transaction was proper in all respects.

In addition, we identified 23 transactions totaling more than $119,000 where GLDC funds were used to pay costs incurred by EDGE or an EDGE subsidiary. For example, EDGE employees used GLDC funds to pay invoices totaling $110,890 on behalf of Hangar Road. These invoices represented purchases from two vendors for work done at Hangar Road. EDGE employees told us that invoices from a vendor were mistakenly sent to GLDC for payment rather than to Hangar Road. Although EDGE staff maintains the accounts for both organizations, and would have been aware that Hangar Road purchased the items from the vendor, staff did not immediately correct this billing mistake. Instead, payment was made from GLDC accounts and EDGE staff later transferred the funds from Hangar Road's account to GLDC's account. The GLDC board argues that it is easier, and more effective, to pay such costs through GLDC in the first instance and to reconcile those bills among the responsible corporations at a later date, and that this approach ultimately charges purchases to the correct entity. GLDC officials indicated that the errors were detected and corrected in a timely manner. However, this contention is not supported by the transaction details. Specifically, between January 12 and January 18, 2011 EDGE staff paid two contractors a total of $63,684 out of GLDC funds for work those contractors performed for Hangar Road. EDGE staff transferred $75,131 from Hangar Road to GLDC on January 21, 2011 as reimbursement. The GLDC board has provided no explanation as to why the amount transferred exceeded the amount spent or identifying that the financial records were overstated by $11,400. After identifying the billing error, EDGE staff paid an additional $47,184 from GLDC funds between February 9 and April 6, 2011 for this same project. Arguing that the board's financial oversight is effective does not explain why payments would continue to be charged to GLDC after the error was first detected. EDGE staff did not transfer the balance of the amount paid by GLDC until May 12, 2011. During this period EDGE staff reported to the GLDC board that there was nothing out of the ordinary to report. There is no indication in the public record that the GLDC board questioned these transactions or directed that the errors be corrected at any time between January 2011 and May 2011.

We also noted that EDGE staff used $5,845 of GLDC funds to pay for subscription television service and furniture before subsequently reimbursing GLDC for these payments (as much as six months after the invoice was paid). We could find no justification for these purchases, any pre-approvals by the GLDC board of directors, or indication that these purchases directly benefitted GLDC. The GLDC board does not disagree that these funds were used for EDGE's operations, and generally characterize these transactions as errors. Yet, a member of the GLDC board signed checks authorizing these payments.

GLDC has allowed its credit cards to be used by EDGE as the equivalent of a cash advance. We identified six purchases totaling more than $10,000 made by EDGE staff for other entities using GLDC's credit cards. For example, in July 2013 EDGE employees purchased $1,494 of computer equipment for use by EDGE staff using GLDC funds. These funds were later repaid by EDGE in September 2013 without interest. GLDC officials explained that GLDC's credit cards were used because EDGE staff did not have sufficient credit approval to make the purchase with EDGE funds. According to GLDC's own policies a GLDC board member had to approve and co-sign this payment.

In another example, an EDGE employee used a GLDC credit card to charge more than $1,300 in travel costs to attend a training course. The GLDC board argued that the use of a GLDC credit card by EDGE staff was appropriate and necessary since the EDGE credit limit was insufficient to cover these expenses. The signature of a GLDC board member was required to make this payment. GLDC was ultimately reimbursed for this charge.

In addition, at various times during 2011 and 2012, Hangar Road purchased supplies and materials totaling $2,592 using GLDC credit accounts. EDGE staff subsequently transferred funds from Hangar Road's account to GLDC's account to cover these purchases. On another occasion, EDGE staff used GLDC's credit card to purchase computer equipment totaling $6,721 for the Oneida County IDA (OCIDA), an entity that has a staffing services agreement with EDGE. EDGE staff later transferred funds from OCIDA to GLDC to cover this purchase. GLDC officials indicated that GLDC funds were used to purchase the equipment for OCIDA because EDGE staff did not have sufficient credit approval available for the transaction. This does not justify why GLDC funds are used by EDGE staff to purchase items that are not for GLDC, or why a GLDC board member would sign for such purchases. The GLDC board has indicated that it will strengthen its internal protocols on the use of credit cards.

GLDC financial entries made by EDGE frequently contain errors. In addition to the examples cited throughout this report, we identified 54 other errors totaling more than $78,000 made by EDGE staff in providing accounting and financial support to GLDC during the 33 months covered by our review. For example, in September 2012 EDGE staff received two checks payable to Utica Industrial Development Corporation (UIDC). However, these checks were deposited in GLDC's account. EDGE staff transferred the funds from GLDC's account to UIDC's account to correct the error in October 2012.

In another example, GI leased space in its building to a private tenant. However, EDGE staff sent invoices to the company from GLDC. As a result, the company made payment to GLDC instead of GI. EDGE staff first deposited the funds in GLDC's account, and only later transferred the funds to GI.

In another instance, GLDC staff performed maintenance work at Hangar Road. EDGE staff paid GLDC twice for this work from Hangar Road's account. As a result, EDGE staff needed to reimburse Hangar Road for the duplicate payment from GLDC's funds.

GLDC officials responded that these were simply coding errors made by EDGE staff that resulted in funds being deposited or charged to the wrong account. However, these transactions are more significant than simple coding errors, since they involve multiple independent entities. These transactions represent the deposit of revenues to the wrong organization.

GLDC's creation of multiple corporate entities to help govern the Park necessitates redundant financial transactions. As indicated, it is GLDC's mission to develop and maintain the Base and to support research and development projects associated with the Lab. However, rather than carrying out this mission directly, GLDC has caused the creation of other entities to each carry out select components of this mission. As a result, multiple transactions and book keeping entries are needed between these various entities, which would not occur if a single organization carried out the mission. We determined that 522 financial entries, with a total dollar value of more than $6.2 million, were made by EDGE simply because these multiple corporations exist. In just one example, an organization leases property in the Park from GLDC. A portion of the lease payment is designated as a common area maintenance fee, which goes to GPLA since GPLA was created to manage and maintain the common area within the Park. A bookkeeping entry is needed to record the lease payment received by GLDC. Two other bookkeeping entries are required to record the transfer of the common area fee from GLDC to GPLA. However, since GPLA has no employees, additional bookkeeping entries are also needed to transfer payment from GPLA to GLDC for the actual maintenance services that are provided by GLDC employees. This need to record the same payment transaction multiple times inevitably increases the risk that some transactions will be recorded incorrectly.

Conclusion

The Griffiss Local Development Corporation was formed, as a public entity, with clear authority and accountability for managing the multi-million dollar redevelopment of the former Griffiss Air Force Base. This effort, seeded in large part with public funds, has proven to be an ongoing success. We found that the majority of payments and transactions we reviewed are related to this public purpose. Both public and private entities have located to the Business and Technology Park and new jobs have been created.

Acknowledging the successful redevelopment and reuse of the Air Force Base to date cannot, however, excuse the cavalier approach that GLDC's board has taken, as documented in this report, regarding the appropriateness of using GLDC funds to initially finance the operations of other organizations. It is clear from the board's response to our report that the comingling of funds among the various organizations, even for a short period of time, is an acceptable business practice. Nor can it disguise the fact that the organizational structure put in place by GLDC to accomplish its mission complicates governance, oversight, and public accountability.

This review found little evidence that, with the exception of GUSC, the multiple related entities, almost all with their own boards of directors but few to no staff, exert strong oversight of their organizations or the daily operations of the Park. Instead, each has opted to rely extensively on a not-for-profit corporation that argues it is exempt from the public accountability and transparency standards that apply to GLDC. Moreover, the contract between GLDC and EDGE is for development, maintenance, marketing, property management, and administrative services. Under this agreement, the GLDC board cannot transfer its management responsibilities to EDGE. Yet it has done so in practice by designating the current president of EDGE as its Authorized Representative to act as the chief executive officer over the entire Park. This structure increases the potential for conflicts of interest and a lack of transparency. As this report demonstrates, this arrangement contributed to a significant number of erroneous financial transactions during the period of our review, as well as transactions which were not directly related to GLDC's core mission or were inconsistent with provisions of Not-for-Profit Corporation Law.