



NEW YORK STATE SENATOR

Andrea Stewart-Cousins

Legislation to Audit Local Government Subsidiary Organizations

ANDREA STEWART-COUSINS June 24, 2010

| ISSUE: **LOCAL GOVERNMENT, GOVERNMENT OPERATIONS, AGENCIES, BUDGET**

Today, Senator Andrea Stewart-Cousins (35th District – D/WF), Chair of the Senate Local Government Committee, announced that the Senate has approved legislation (S7909) to empower the State Comptroller to conduct audits of local government subsidiary organizations. State Comptroller Thomas DiNapoli drafted the legislation, which Senator Andrea Stewart-Cousins introduced and passed in the Senate with an overwhelming 53-7 majority.

The bill will expand the State Comptroller's express audit authority to include audits of organizations having a financial or business relationship with a municipal corporation or other local government entity.

In 2005, the City of Rochester formed a subsidiary, to purchase and operate a ferry service between Rochester and Toronto. Despite grants from the State totaling \$14 million and a \$1.3 million dollar loan from the City of Rochester, the subsidiary was not profitable. The State Senate and Assembly requested that the Comptroller audit the subsidiary, and the audit revealed that spending had not been disclosed to the public and there was insufficient oversight.

Similarly, in the Town of Cicero, a major development project experienced a financial failure that resulted in the Cicero Local Development Corporation defaulting on \$15.2 million of its 40 year revenue bond. After the Town of Cicero entered into agreements with the CLDC. relative to the bonds and transfer of land, the Town incurred a \$246,929 financial loss and received a downgrade in its bond rating.

“I am pleased to work in partnership with Comptroller DiNapoli on this critical legislation to ensure New York taxpayer dollars are unaccounted for at any level of government. As a result of this bill, subsidiaries of local governments will have greater accountability and transparency to prevent frivolous spending and financially unsound business practices,” said Senator Andrea Stewart-Cousins.