



January 15, 2025

Christopher Jensen, Director
Audit Division
Office of the State Comptroller
P.O. Box 024
Trenton, NJ 08625-0024

RE: Follow-Up Report New Jersey Economic Development Authority: A Performance Audit of Selected State Tax Incentive Programs

Dear Mr. Jensen:

I have received and reviewed the *Follow-Up Report - New Jersey Economic Development Authority: A Performance Audit of Selected State Tax Incentive Programs* provided by your office and am providing the following response for inclusion in the final report.

On behalf of the New Jersey Economic Development Authority (EDA/Authority), I would like to extend our appreciation to the Office of the State Comptroller (OSC) for the comprehensive report and for acknowledging the significant efforts we have made in response to your previous recommendations.

We appreciate the constructive feedback provided by your team, which has been helpful in guiding our efforts to enhance our operations and be better fiduciaries for the citizens of the State of New Jersey. We also appreciate your recognition of the areas where the EDA has successfully implemented your recommendations.

We agree with the fully implemented recommendations of the report and are pleased to confirm that the EDA has already taken substantial steps to address each of the areas highlighted below.

Recommendation 7:

OSC's acknowledgment that "EDA's implementation of this policy is a significant improvement that protects the State's interests by validating eligibility and achievement of pledged economic benefits throughout the eligibility period" is greatly valued.

The Authority is committed to ensuring that the state receives the benefits mandated by the legislature. Our current policy is designed to meet this objective by confirming that businesses fulfill the Net Benefit requirement as determined at the time of their original approval. As such, if a business meets this requirement, no further analysis is deemed necessary.

We are continuously seeking ways to enhance our policies and processes and your detailed analysis and affirmation of our improvements in this area are instrumental in guiding our ongoing efforts. We appreciate the insightful feedback provided by your office and are committed to maintaining these standards to ensure the effective and efficient use of state resources.

Recommendations 8 and 9:

The Authority appreciates OSC recognizing the Authority for fully implementing the recommendations for both the GROW and HUB projects. Your acknowledgment of our progress in these areas reinforces our commitment to excellence in program administration.

As we have previously discussed with your office, some programs in our portfolio do not have an actual job component or do only at the tail end of administration which naturally influences the scope of our implementation efforts.

However, transparency remains a top priority for the EDA, and we are dedicated to ensuring that our operations are conducted openly and with accountability. To this end, we are actively working to enhance the transparency section of our website, making it more comprehensive and accessible for all stakeholders.

We appreciate the guidance and feedback provided by your office and are committed to continuing our efforts to improve transparency and program effectiveness.

Recommendation 10:

The Authority appreciates OSC acknowledging the increased internal controls implemented by the EDA. Your recognition of our efforts underscores our commitment to maintaining robust governance and accountability.

As we have discussed with your office, the Authority engaged one of our external auditors to conduct reviews of programs beyond the GROW initiative. This approach utilizing an external firm ensures that we are consistently applying best practices and further strengthening our internal controls.

Recommendation 14:

The Authority would like to affirm its commitment to ensuring that each business fulfills its promises to the State. Our team diligently reviews the information provided by businesses to verify compliance with their commitments, thereby safeguarding the interests of New Jersey.

Moreover, the Authority is continuously seeking ways to enhance our processes and are currently in the process of updating our document portal. This update aims to provide a more efficient and secure method for handling documentation, further strengthening our ability to monitor and verify business commitments.

Recommendation 20:

The Authority wishes to clarify its position regarding administrative fees. As we have addressed in previous reports and during this latest review, while it is not feasible to alter administrative fees for programs that have already completed their application, approval, and certification processes, we have taken steps to address OSC's concerns in the design of new programs.

Specifically, within the framework of the Economic Recovery Act, we have incorporated adjustments

to administrative fees to better align with the recommendations provided by your office. Although these new programs fall outside the immediate scope of your review, we believe it is important to highlight our proactive response and commitment to integrating your feedback into our future initiatives.

Exceptions from 2019 Report:

The Authority appreciates OSC identifying and acknowledging the recovery efforts related to the exceptions mentioned in your 2019 report. Your insights have helped EDA strengthen our oversight and accountability measures.

As stewards of taxpayer dollars, we take our responsibility very seriously and are committed to ensuring all funds are used appropriately and effectively. In instances where we identify any noncompliance, we are resolute in our efforts to recapture any funding a business was not entitled to receive. This commitment is a cornerstone of our mission to protect and maximize the value of taxpayer investments. We will continue to uphold rigorous policies and procedures to safeguard public funds.

Conclusion:

The collaborative process with your office has been instrumental in ensuring that our actions align with best practices and regulatory standards, and we remain committed to maintaining this momentum.

If you need any additional information, or have any questions regarding our response, please let me know.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Tim Sullivan', with a long horizontal flourish extending to the right.

Tim Sullivan
Chief Executive Officer