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Management

New York City Industrial Development Agency

In planning and performing our audit of the Schedule of Investments of the New York City Industrial Development Agency (the Agency) as of June 30, 2021, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Schedule of Investments, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we noted the following other matter:

Observation

In accordance with Title 7, "Investments of Public Authorities", Section 2925 of the *New York Public Authorities Law,* the Agency is required to adopt comprehensive investment guidelines regarding the investing, monitoring and reporting of funds. New York State guidelines provide for minimum standards; however, the governing body and management have flexibility in designing systems and procedures to meet their specific needs as long as four objectives are met—legality, preservation of principal, liquidity and reasonable return. The investment guidelines are approved annually by the Agency's Board of Directors.

Section VIII "Maximum Maturity" of the Agency's investment guidelines states that the investment portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Additionally, investments should have a stated maturity of no more than two years (24 months) from the date of purchase.

During our current year procedures, we identified that the Agency has one investment with the Federal Farm Credit Bank, totaling $3.2 million at June 30, 2021, where the duration is 27 months. Management has indicated that this decision to invest in this 27-month security was due to the lack of market availability for investments with a maturity date of 24 months or less and sufficient returns at the time of investment. As the investment guidelines allow for those responsible for the day-to-day management of the portfolio to monitor the content, available markets and relative values of competing investments, management asserts that this investment meets the overarching

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requirements and goals of the Investment guidelines relative to legality, preservation of principal, liquidity and reasonable return.

As the Agency's investment guidelines indicates a maximum maturity of two years, management should consider whether additional language should be included in Section VIII to discuss the extent to which management can exercise discretion in fulfilling the overall investment objectives as stated within its guidelines and whether any additional documentation or communication with the Agency's governing body should occur in those circumstances such as the above.

Management Response

As noted by the auditors, the Agency's investment guidelines have four overarching objectives and allows management the flexibility in designing and implementing procedures to meet those objectives. We believe that management's action in this instance was consistent in meeting those objectives, and that no material non-compliance has occurred. We will discuss with the audit committee whether additional clarity is needed in the guidelines regarding management's use of discretion.

The entity's written response to the deficiencies and other matters identified in our audit was not subject to auditing procedures.

This communication is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Ernst + Young LLP

September 30, 2021