

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
Internal Control Report
January 31, 2015 through March 31, 2015

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

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INDEPENDENT ACCOUNTANTS' REPORT

Office of the State Comptroller
State of New York:

We have examined management's assertion included in its representation letter dated September 8, 2015 that the New York State Office of the State Comptroller's internal controls maintained during the period January 31, 2015 through March 31, 2015, are adequate to meet the criteria for maintaining internal control as established in the "New York State Governmental Accountability, Audit and Internal Control Act." The New York State Office of the State Comptroller's management is responsible for maintaining internal controls. Our responsibility is to express an opinion on whether internal control is adequate to meet such criteria based on our examination. The significant objectives and relevant controls supporting management's assertion are in the accompanying Appendix A.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Government Auditing Standards, issued by the Comptroller General of the United States and, accordingly, included obtaining an understanding of internal control over accounting and administrative operations, testing, and examining the design and operating effectiveness of the internal controls, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination did not constitute an audit of any financial statement prepared by the New York State Office of the State Comptroller, nor did it constitute an economy and efficiency or program audit described by Government Auditing Standards.

Because of inherent limitations in any internal control, misstatements due to errors or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over administrative operations to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We understand that the New York State Office of the State Comptroller considers the controls referred to in the first paragraph of this report that meet the criteria for maintaining internal control as established by the "New York State Governmental Accountability, Audit and Internal Control Act," to be adequate for its purpose. In our opinion, based on this understanding and on our examination, the New York State Office of the State Comptroller's internal controls maintained during the period January 31, 2015 through March 31, 2015, are adequate in all material respects to meet the criteria established by the "New York State Governmental Accountability, Audit and Internal Control Act," based upon such criteria.

This report is intended for the information of the New York State Office of the State Comptroller and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Toski & Co., CPAs, P.C.

Williamsville, New York
September 8, 2015

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

OFFICE OF RETIREMENT SERVICES AND PENSION,
INVESTMENT AND CASH MANAGEMENT

DIVISION OF RETIREMENT SERVICES

Objective	Controls
Register employees into the retirement system.	<ul style="list-style-type: none">• Supervisory review exists over member data entered into the Retirement System's database.• New members and their employers are notified of any data entered into the Retirement System's database.• New members are sent a membership packet and employers are sent letters with pertinent membership information.• Segregation of duties is maintained.• There are multiple levels of review to ensure the validity of the signed and notarized membership application.• Indexing of social security numbers, birthdates and memberships with similar names to prevent creation of duplicate memberships.• A MEBEL case is opened for each application received; the telephone registration called in and fax registration received, to account for all membership applications.• Weekly listings of incomplete cases are produced by computer to ensure supervisor's timely, accurate, and complete review of the work assigned to their staff.• Verification of members' employment status to ensure eligible employees are registered to membership.• Verification of title to ensure employees are registered in the proper retirement system.• Plan and rate assignments are validated by computer to ensure they are within eligibility criteria.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

NEW YORK STATE AND LOCAL RETIREMENT SYSTEM

DIVISION OF RETIREMENT SERVICES

Objective	Controls
Determine eligibility and process benefit payments.	<ul style="list-style-type: none">• Retirement applications are reviewed and approved.• Benefit computations are reviewed.• The Retirement System's database is reconciled to the month-end extract of pension payroll information.• Benefit payments are accurately and properly recorded, authorized and in accordance with provisions in the plan documents.• Benefit payments are made only to eligible participants or designated beneficiaries.• The benefit database is compared to independently provided external sources to match for pensioner deaths.• Loans are accurately and properly recorded and authorized.• Loans are made only to eligible members and are in accordance with the provisions of the plan.• Appropriate segregation of duties is maintained.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

NEW YORK STATE AND LOCAL RETIREMENT SYSTEM

DIVISION OF RETIREMENT SERVICES

Objective

Maintain the retirement system general ledger and investment accounting records. Process retirement system cash receipts and administrative cash disbursements.

Controls

- General ledger investment reconciliations are prepared and reviewed monthly.
- Segregation of duties exists over the Retirement System's database.
- Bank reconciliations are prepared daily for trade settlements and monthly by retirement system accounting.
- The Investment Transaction Unit (ITU) inputs investment activity into the Common Retirement Fund based on authorized trade instructions.
- Failed trades are immediately reviewed and resolved.
- Reconciliations are performed daily, weekly and monthly between the activity reported by the custodian bank and the independently maintained records of the common retirement fund.
- Staff have appropriate training and skills to maintain data at industry standard levels.
- The MEBEL database for tax withholdings is reconciled daily to the general ledger.
- Overnight batches are posted and MEBEL subsidiary data is reconciled with general ledger control accounts.
- Journal entries are accurate, reviewed, approved, recorded on a timely basis and substantiated.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

NEW YORK STATE AND LOCAL RETIREMENT SYSTEM

DIVISION OF RETIREMENT SERVICES

Objective

Controls

Receive payroll information from employers and post information to member accounts. Ensure complete and accurate billing of participating employers for contributions due to the retirement system.

- Supervisory review exists over the input into the Retirement System's database of payroll information received from employers.
- Maintenance controls exist over the Retirement System's database.
- Calculations of actual bills are reviewed for accuracy.
- Collection of bills is monitored.
- Segregation of duties is maintained.
- Monthly batch reports are reconciled to cash deposits or automated clearing house draws.
- Outstanding, unpaid annual bills are reviewed and employers are contacted.
- Member contributions are posted timely to member accounts and are reported annually through member annual statements.

Extract the data required to make the annual actuarial valuation. Compile and approve actuarial assumptions utilized.

- An Actuarial Advisory Committee is appointed and annually meets with the Comptroller to discuss all actuarial valuation assumptions and methods.
- Information Technology Services controls exist over data extraction programs.
- Investment performance statistics are compiled and reviewed.
- Contribution rates, actuarial valuations and assumptions are reviewed and approved.
- Annual salary data is distributed to employers for their review.
- Appropriate segregation of duties is maintained.
- Financial auditors annually examine the actuarial data for accuracy and completeness.
- An annual report including census information and valuation output is provided to the NYS Insurance Department for their review.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

NEW YORK STATE AND LOCAL RETIREMENT SYSTEM

DIVISION OF RETIREMENT SERVICES

Objective

Controls

Provide programming and technical support for all system applications.

- A quinquennial review is performed by an external actuarial firm which examines all actuarial assumptions and methodologies and compliance with actuarial standards of practice.
- OSC internal auditors periodically review procedures for compliance with OSC internal controls.
- New System implementation and/or change requests are prepared and approved by the requesting Bureau and approved by the requesting Bureau Director, with co-bureau authorizations as appropriate.
- All system modifications are tested and approved by requesting Bureau representatives before migration.
- Controls exist to ensure that only properly tested and approved programs and system objects are migrated to the production environment.
- IT Processing and Support is responsible for migrating approved programs and system objects to the production environment.
- With approval from the owning Bureau, the security team is responsible for granting application level security access.
- Segregation of duties exists to ensure appropriate migration of all changes to production.
- Information Technology Services resources are applied to projects and system support in accordance with the priorities and strategic direction of executive management.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

NEW YORK STATE AND LOCAL RETIREMENT SYSTEM

DIVISION OF PENSION, INVESTMENT AND CASH MANAGEMENT

Objective

Controls

Manage the investment process of the Common Retirement Fund to ensure the safeguarding of principal from imprudent risks.

- The Comptroller approves the asset allocation plan recommended by the CIO/Deputy Comptroller.
- The Investment Advisory Committee (IAC) meets six times per year to advise the Comptroller on investment strategy and discuss fund and asset class performance.
- The CIO/Deputy Comptroller reviews and approves the strategic plan for each asset class.
- The Internal Investment Committee meets on a regular basis to review proposed fund investments. The minutes of the meetings accompany recommendations from the CIO/Deputy Comptroller to the Comptroller as per investment policies.

Manage the investment process of internal management of the Common Retirement Fund to ensure the safeguarding of principal from imprudent risks.

- An annual inventory of all securities held is verified annually an independent accounting firm.
- A review of public equity and fixed income transactions are reviewed by the Compliance Officer utilizing an automated compliance system in coordination with Common Retirement Fund staff and the Funds' custodian. Rules are tested periodically to ensure complete and functioning implementation.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

NEW YORK STATE AND LOCAL RETIREMENT SYSTEM

DIVISION OF PENSION, INVESTMENT AND CASH MANAGEMENT

Objective

Manage the investment process of the Common Retirement Fund of external investment to ensure the safeguarding of principal from imprudent risks.

Controls

- Proposed investments are reviewed by in-house and outside counsel who must represent that there are no legal objection to the Common Retirement Fund entering into said investment.
- Legal opinions are obtained for all new investment types, to ensure the investment is permissible under statute.
- Staff and independent consultants conduct a thorough review of each proposed investment and a written analysis and recommendation may be submitted if deemed appropriate.
- The Internal Investment Committee meets on a periodic basis to review proposed Fund investments. The minutes of the meetings accompany recommendations from the CIO/Deputy Comptroller to the Comptroller as per investment policies.
- Before a new investment can be completed, the CIO/Deputy Comptroller has the opportunity to meet with the general partner and/or investment manager.
- Special charge vouchers for capital calls are certified by an independent monitoring consultant and are signed by the CIO/Deputy Comptroller.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

NEW YORK STATE AND LOCAL RETIREMENT SYSTEM

DIVISION OF PENSION, INVESTMENT AND CASH MANAGEMENT

Objective

Controls

Manage the investment process of the Common Retirement Fund for real estate investments, including mortgages and equity ownership, consistent with prudent underwriting standards, alternative investment opportunities, and maturity and liquidity needs of the Fund to ensure the appropriate diversification of its real estate portfolio.

- Qualified professional advisors are hired through a request for proposal process for asset acquisition, management and disposition.
- The Real Estate Advisory Committee (REAC) reviews and approves proposed real estate investments and mortgage applications. Once approved, the CIO/Deputy Comptroller makes a recommendation to the Comptroller as per investment policies.
- Outside legal counsel is used in certain situations to review statutory compliance.
- A proposed investment is evaluated against defined objectives in the strategic plan before a recommendation is made to the Comptroller.
- In-house counsel, in conjunction with outside counsel, as appropriate, review investment documentation to ensure compliance with applicable laws and regulations.
- A review is performed to identify and address delinquent or nonperforming mortgages on a regular basis.
- An annual audit of the mortgage servicer is performed.
- Proxy voting is governed by written policy that is developed and reviewed by the CIO/Deputy Comptroller and Comptroller.

Monitor and coordinate the proxy process, initiate shareholder resolutions and solicit proxies.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

OFFICE OF OPERATIONS

DIVISION OF CONTRACTS AND EXPENDITURES

Objective	Controls
Pre-audit of contract transactions to ensure compliance with existing laws, guidelines and policies, including required processing timeframes.	<ul style="list-style-type: none">• Contracts subject to Comptroller pre-audit are checked for compliance with applicable State laws, guidelines and policies, including signature and approval by the New York State Attorney General.• OSC auditors complete automated interactive audits on the Control Audit Module (CAM) within the Statewide Financial System (SFS) and resolve any procurement issues.• High risk contracts receive a detailed Vendor Responsibility review.• Workflow controls provide for a separate final approval or non-approval of transactions, where applicable.• New staff receive on the job training and all staff are kept apprised of new requirements.• The Bureau maintains formal procedures, both internal and in the Guide to Financial Operations.• Managers and team leaders use inventory and aging reports to monitor processing timeframes.
Support efficient operations with continuous process improvements and current, modern and reliable automated systems.	<ul style="list-style-type: none">• Where appropriate, systems use role based security.• The Business Analysis and Reporting Team and is responsible for defining user requirements for new and enhanced systems and ensuring systems meet users' needs. The Knowledge Management Team is responsible for maintaining and defining business processes and ensure alignment of processes with policy and systems.• An internal ticketing process ensures system and procedural issues are addressed timely.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

OFFICE OF OPERATIONS

DIVISION OF CONTRACTS AND EXPENDITURES

BUREAU OF STATE EXPENDITURES

Objective

Provide the public, agencies, OSC staff and Bureau staff with secure and timely access to accurate contract information that meets statutory requirements, transparency objectives and operational needs.

Controls

- Specific staff are assigned to trouble shooting system issues.
- Modifications and fixes to CAM are the responsibility of SFS.
- OSC CIO is responsible for enhancements and fixes for the Contract Submission System (CSS), the Vendor Responsibility System (VendRep) and e-Docs.
- All systems are developed and maintained in accordance with generally accepted system development principles.
- Staff are trained to identify confidential information.
- Multiple levels of contract review ensure that confidential information is protected.
- Procedures assign responsibility and timeframes for processing of Freedom of Information Law (FOIL) requests. Requests are monitored for timeliness.
- FOIL requests are reviewed for appropriate redaction by legal staff.
- All requests for reports must be approved by the Assistant Director or Director. Reports are documented and received multiple levels of review before release.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

OFFICE OF OPERATIONS

DIVISION OF OPERATIONS

BUREAU OF STATE EXPENDITURES

Objective

Controls

Audit of agency vouchers prior to payment to ensure payments made are properly authorized and documented, processed timely, in compliance with existing laws, regulations and policies, and within pre-approved contract amounts.

- Vouchers certified by agencies are inputted into the Statement Financial System (SFS).
- All transactions captured in the SFS are available for audit.
- All transactions are audited by the application of pre-selected filters.
- Filtered transactions are reviewed by staff.
- Segregation of duties exist between the audit and payment process.

Conduct audit operations prior to authorizing payments for tax and other refunds, unemployment insurance disbursements, workers' compensation payments and State Insurance Fund payments.

- Transactions are certified by agencies and made available to auditors at the Bureau of State Expenditures.
- All transactions are captured and available.
- All transactions are subject to audit using individual audit team criteria and procedures.
- Selected transactions/processes are approved by staff as appropriate.
- Segregation of duties exists between the audit and payment processes.

Conduct post payment examinations, consistent with the Bureau's Annual Audit Plan, that have the potential to improve State fiscal operations by identifying fraud, waster and improper payments.

- Audit Plan developed on an annual basis that identifies areas to examine based on risks identified as part of our audit of Agency vouchers prior to payment; analysis of historical transactions to identify trends, patterns, or other indications of risky activity, management prioritizes and comptroller initiatives.
- The Audit Plan is approved by the Audit Director, Deputy Comptroller and Executive Deputy Comptroller.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

OFFICE OF OPERATIONS

DIVISION OF OPERATIONS

BUREAU OF STATE EXPENDITURES

Objective

Controls

Develop and maintain a Statewide Vendor File that provides enhanced efficiency and improved information in support of agency procurement and payment processes.

- SAS 99 meetings are held as part of initiating examinations to ensure the risks and objectives are defined, focused and consistent with the Audit Plan.
- Briefing memos may be used on some larger scope audits to ensure objectives are defined, focused and consistent with the audit plan. These are approved by the Audit Director, Deputy Comptroller and Executive Deputy Comptroller.
- All findings are reviewed by the Bureau's Quality Assurance Team prior to reporting the results of our examinations to the appropriate State Agency.
- The SFS allows agencies to submit procurement and payment transactions only for registered New York State Vendors contained in the Statewide Vendor File.
- Entities can only become registered New York State Vendors after its legal name and taxpayer identification number are verified with the Internal Revenue Service.
- SFS will only remit payments to either the established vendor addresses or approved bank accounts listed in the vendor records contained in the Statewide Vendor File.
- Changes to data in vendor records are processed via a secure, on-line Vendor self-service system or centrally through the Vendor Management Unit. All changes are verified with the vendor.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

OFFICE OF OPERATIONS

DIVISION OF OPERATIONS

BUREAU OF ACCOUNTING OPERATIONS

Objective

Establish accounting and financial reporting policies and procedures that facilitate proper recording of the State revenue and disbursement transactions and other statutory duties of the Comptroller, and ensure that proper controls exist to safeguard information and limit access.

Controls

- Statutory accounting duties of the Comptroller are inventoried and kept current.
- Systems security exists and staff access is periodically reviewed which includes password controls, access approvals, and roles and responsibility by function.
- Policies and procedures exist that strictly limits the collection and storage of sensitive/personal information that is relevant and necessary for business needs.
- Formal policy and procedure manuals exist in each Section of the Bureau. These are updated as conditions warrant and reviewed no less than annually.
- A Business Continuity Plan (BCP) has been developed, tested and is kept current.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

OFFICE OF OPERATIONS

DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES

BUREAU OF ACCOUNTING OPERATIONS

Objective

Controls

Ensure that all funds, programs and accounts are properly established in compliance with state laws.

- Review, on an annual basis, appropriation acts, special budget implementation acts, other special chapters, and Federal rules and regulations to identify, document and implement special accounting requirements.
- Review assigned funds throughout the year to verify that the chart of accounts contains appropriate controls and complies with accounting rules.

Ensure that State agency spending does not exceed the amounts authorized by the State Legislature. Appropriation and segregation with amounts provided for SFS in accordance.

- SFS records are reconciled to appropriation acts. Reconciliation of appropriations-in-force are completed, verify against the Division of Budget reports, and published in the Comptroller's Annual Report.
- Monitor SFS reports for overspending and communicate corrective actions to the relevant agencies.
- Periodically advise agencies, the Division of Budget and the Legislative fiscal committees to review "book of record" reports of appropriation/segregation records.
- Confirm, document and maintain records related to appropriated spending that is subject to repayment and receivables.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

OFFICE OF OPERATIONS

DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES

BUREAU OF ACCOUNTING OPERATIONS

Objective

Controls

Complete, timely and accurate review, posting, reconciliation and reporting of cash receipt transactions.

- Approve and post all revenue accounting transactions submitted by agencies in SFS.
- Analyze and verify the results of revenue classifications against financial plan estimates and prior year results to identify and document fluctuations. Research fluctuations to ensure appropriate classification of revenue.

Ensure the prompt and accurate recording of tax collections and refunds paid.

- Reconcile all sole custody tax accounts to bank statements, to the Department of Taxation and Finance's electronic tax return processing system and to monthly certifications of the Tax Commissioner of receipts, refunds paid and amounts owed to local government.
- Credit tax receipts to designated funds pursuant to the State statutes. These credits are then verified by parties independent of the unit.
- Reconcile transfers from sole custody tax collection accounts to the SFS.
- Distribute each local government's share of tax collections (e.g. income and sales taxes) no less than two times per month. Annual independent audit results provided to BSAO to verify amounts distributed.

Efficiently manage the daily concentration and disbursement of State funds for purposes of investments and State operations.

- Initiate wire and ACH transfers with appropriate authorizations including individual token access to banks and separation of transfer initiation and release functions.
- Use pre-established templates with approved accounting codes to perform transfers of State funds to banks.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

OFFICE OF OPERATIONS

DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES

BUREAU OF ACCOUNTING OPERATIONS

Objective

Controls

Execute federal draws timely, accurately and in accordance with State and Federal laws, guidelines and agreements.

Complete timely and accurate reporting of federal cash transactions (i.e. receipts, disbursements by grant award, etc.) and compliance with all relevant rules, regulations, etc.

Ensure that all payments from State funds are reconciled prior to release.

Ensure all State bank accounts are sufficiently collateralized with approved securities as defined by State Finance Law.

- Review bank transaction history, as needed to address identified discrepancies, through bank's website.
- Sole custody bank accounts are reconciled by State agencies at least monthly pursuant to State Finance Law § 107.
- Reconcile/validate SFS-prepared draw worksheets/bills to the federal draw system (what was actually keyed and drawn in the federal system by the preparer).
- Annual Single Audit tests compliance with Federal rules and regulations.
- Review Federal SF-425 reports to ensure accuracy prior to submission to the Federal DHHS.
- Daily payment release reconciliations are completed before check and electronic payment files are released. Out of balance conditions are reviewed and resolved with SFS staff prior to release.
- Ensure banks complete "undertaking" documents that define the legal foundations and conditions required to accept State deposits.
- Review and approve banks' bond ratings to ensure sufficient industry standing.
- Approve establishment of new bank accounts and maintain an inventory of State-managed bank accounts.
- Establish collateral level based on average daily available balances less FDIC coverage.
- Review bank balances and reports daily and adjust collateral amounts as necessary.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

OFFICE OF OPERATIONS

DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES

BUREAU OF FINANCIAL REPORTING AND OIL SPILL REMEDIATION

Objective

Controls

Establish accounting and financial reporting policies and procedures utilized in preparing the State's financial statements in conformity with generally accepted accounting principles (GAAP). Prepare the State's annual and quarterly GAAP basis financial statements.

- Formal policy and procedures manuals exist and are updated annually.
- Agency financial reporting instructions to State agencies and Public Benefit Corporations provide for uniform reporting by appropriate entities.
- Bureau management monitors and reviews critical completion dates for financial statement preparation.
- Legislation and GASB pronouncements are reviewed and implemented as required.
- Select an independent accounting firm for the annual GAAP financial statement audit.

Establish accounting and financial reporting policies and procedures that facilitate budgetary (cash) basis reporting and other statutory duties of the Comptroller, and ensure that proper controls exist to safeguard information and limit access. Prepare monthly and annual cash basis financial statements.

- Statutory accounting duties of the Comptroller are inventoried and kept current.
- Formal policies and procedures exist and are updated as conditions warrant and reviewed no less than annually.
- Legislation is reviewed and, where appropriate, accounting protocols are put in place to demonstrate compliance and facilitate correct financial reports.

Maintain the State's general ledgers to ensure that all transactions are properly reported in funds and accounts and with controls necessary to demonstrate compliance with state laws.

- Financial statements for every fund of the State are prepared monthly, are reconciled to the central accounting and general ledger systems, and are in conformance with the State's financial plans.
- Material fluctuations between actual and reported results, financial plans, and prior year results are identified, investigated and documented.
- Reconciliations of due to/from other funds, operating transfers, retainage, investments, etc., are performed daily or monthly.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

OFFICE OF OPERATIONS

DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES

BUREAU OF FINANCIAL REPORTING AND OIL SPILL REMEDIATION

Objective

Controls

Responsible for daily and monthly reconciliations and monitoring related to the Statewide Financial System (SFS) to ensure data integrity and accuracy. Responsible for daily and monthly reconciliations to the State's general checking account.

- Accrual and cash journal entries are accurate, reviewed, approved, recorded on a timely basis, and substantiated.
- Corrections and work paper adjustments where appropriate, are made before financial statements are released.

- Daily reconciliations are performed by both the State Treasurer's and Comptroller's offices of amounts deposited into the State general checking account to amounts recorded in the State's financial management system.
- Daily and monthly reconciliations of the general checking account to State cash ledgers are performed by persons independent of the processing section.
- Reconciliations are performed daily, weekly and monthly on various ledgers, balances in the SFS sub-modules and cash transactions.
- Key control and clearing accounts are monitored to confirm that transactions are posted properly.
- Out of balance conditions are researched and resolved.

Administer public authority reporting requirements for Public Authority financial statement-related information.

- Periodically review reporting requirements for possible revisions.
- Maintain financial-related public authority data in a secure and accessible system.
- Oversee and administer financial reporting requirements in accordance with laws and regulations.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

OFFICE OF OPERATIONS

DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES

BUREAU OF FINANCIAL REPORTING AND OIL SPILL REMEDIATION

Objective

Controls

Ensure that DEC, OAG, DOH and OSC work collaboratively to establish and maintain appropriate controls over the Oil Spill program and Fund.

- Interactions and periodic meetings with DEC, OAG, DOH and OSC ensure close cooperation among the Spill Fund participant agencies, that the fund operates in an efficient and effective manner, and that mandates under the Navigation Law are fulfilled.

Manage the Oil Spill Fund effectively and maintain a positive cash balance.

- Collaboration with the Bureau of State Expenditures ensures that proper oversight and internal controls are maintained over all DEC voucher and procurement procedures.
- Work closely with the OAG and DEC to ensure that responsible parties are being pursued in an efficient and timely manner. Prompt and appropriate litigation settlements ensure that the Fund balance remains positive.

Ensure accurate and timely reporting on Fund activities.

- Collaborate with the Financial Reporting staff and the Division of Legal Services to ensure that all legal and financial reports are prepared in compliance with Article 12 of the Navigation Law and appropriate governmental accounting and reporting standards, as well as OSC policies.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

OFFICE OF OPERATIONS

DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES

BUREAU OF STATE PAYROLL SERVICES

Objective

Controls

Ensure that payments to employees, vendors, tax authorities (and other parties) are made in compliance with laws, union contracts, rules and policies.

- Maintain a quality audit approach to ensure that:
 - (a) Employee bi-weekly payments are accurate (i.e., payments are calculated correctly and paid to the correct person for the correct amount).
 - (b) Employee annual salaries are calculated in accordance with civil service law (i.e., new salary or salary change is consistent with the employee's grade and bargaining unit).
 - (c) Employees are properly added and deleted from the payroll.
 - (d) Employee voluntary and involuntary deductions (i.e., withholding taxes, union dues, child support orders, income execution orders, levies, retirement contributions, tax deferrals, etc.) are processed in compliance with laws, union contracts, rules and regulations.
 - (e) Reporting (to tax authorities, retirement systems, unions and third parties) is accurate and timely.
 - (f) Maintain a computer system that is capable of producing accurate salary payments and mass salary increases for employees.
 - (g) Segregation of duties exist within the Bureau and between the Bureau and State agency payroll offices.

Ensure that State agencies make payments to their employees in compliance with union contracts, laws, rules and policies.

- The Bureau maintains an internal system of quality assurance to identify and report agency compliance with contracts and laws.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

OFFICE OF OPERATIONS

DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES

BUREAU OF STATE PAYROLL SERVICES

Objective

Controls

Ensure that proper controls exist in the payroll system to safeguard against fraud and unauthorized system access.

- A process is in place to detect Bureau employee changes to their individual records in the payroll system.
- Bureau employees only have access to panels related to their jobs.
- Processes are in place to review changes to agency submissions made by the Bureau audit staff.
- State agencies have controls in place to ensure that access to the payroll system is limited to only those individuals who have job related responsibilities.

Ensure that system changes are properly approved and performed accurately.

- Adequate review and approval of program modifications and actual program changes exist.
- Segregation of duties exists between the Bureau functional design group and the Office of the CIO.

Ensure the privacy of state employee personal information.

- Policies and procedures exist that strictly limit the collection and use of personal information to only such information as is relevant and necessary to accomplish payroll processing.
- Policies and procedures exist to limit access to personal information to only those persons or entities with a legitimate business need or a legal right to such information.
- Secure electronic transfer of personal data is required to the extent possible to reduce the opportunity for data loss or theft.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

OFFICE OF OPERATIONS

DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES

OFFICE OF UNCLAIMED FUNDS

Objective

Return Abandoned Property to the rightful owner(s).

Controls

- Maintain a computer system that is capable of:
a.) receiving and storing abandoned property information; b.) processing claims and producing accurate refunds and c.) accounting for taxable transactions.
- Segregation of duties exists between the OUF operational units (reports processing, securities management, claims processing).
- Policies and procedures are in place to limit access to personal or confidential information only to those needed to perform their OUF duties.
- Routine review of the custodial broker records to ensure that the securities information is accurate and consistent with OUF records.
- Provide secure electronic transfer of abandoned property information and personal data, via the Internet, to reduce the opportunity for data loss or fraud (e.g., electronic reporting, on-line claims, etc.). This is in accordance with OSC standards.
- Logical systems security exists in the Unclaimed Funds Processing System (UFPS), including password controls, access approvals, assigning user profiles by function and system audit trails for any data changes.
- The dollar value of property is not published or available to the public.

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- Claim processing and other business procedures are documented and multi-level approvals are used based upon different review thresholds for property type and/or value.
- Deductions such as withholding taxes, levies and income executions are processed on UFPS in compliance with applicable laws, rules and regulations.
- Periodic post-audits of a sample of high dollar value claim payments, as well as post-audits samples other claims to check compliance with policies and procedures.
- Periodic review of abandoned property report information and securities related transactions.
- Annual reporting of all taxable transactions to tax authorities is accurate and timely.
- Adequate review and approval of business process improvements and system modifications exist (UFPS and On-Line Application).

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OFFICE OF OPERATIONS

ADMINISTRATION, COMMUNICATIONS AND TRAINING TEAM

Objective

Perform administrative and other supportive tasks within the Office.

Controls

- The Team's purchasing card are secured in locked cabinets, which only three staff can access, and purchases are reconciled monthly against the agency's PLOT report.
- To protect the confidential nature of labor relations issues, electronic communications are encrypted and meetings with agency Labor Relations staff and program area staff are held in the closed door conference rooms. The Bureau meets with agency Labor Relations staff biweekly to discuss status of active cases.
- Confidential employee data is stored electronically in the InterTrac database and in the Team's shared drive. Access to this information is limited to only those staff who process personnel transactions and documents for the Office.

NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT OBJECTIVES AND
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OFFICE OF INSPECTOR GENERAL

Controls

Objective

Receive and investigate complaints from any source, or upon his or her own initiative, concerning allegations of corruption, fraud, criminal activity, conflicts of interest or abuse in the Office of the State Comptroller by an officer or employee relating to his or her office or employment, by a person having business dealings with the agency relating to such dealings, by a person appointed by the State Comptroller to serve as a member of a committee of the New York State and Local Retirement System or of the Common Retirement Fund, or by a person or entity having business dealings with the Common Retirement Fund relating to such dealings.

- Established and maintain a hotline and email reporting process.
- Log and track all complaints received.
- Log initial review and any disposition of complaint.
- Track all ongoing investigations.
- Track disposition or referral of all investigations.

Inform the State Comptroller and his designees of such allegations and the progress of investigations related thereto, unless special circumstances require confidentiality.

- Report activity to the Comptroller quarterly and annually.

Reports of the Inspector General are confidential internal agency documents and shall be treated in the same manner as internal audit reports.

- All information on logged complaints and investigations are contained on a limited access system.