

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
Internal Control Report
January 31, 2011 through March 31, 2011

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
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INDEPENDENT ACCOUNTANT'S REPORT

Office of the State Comptroller
State of New York:

We have examined management's assertion included in its representation letter dated May 26, 2011 that the New York State Office of the State Comptroller's internal controls maintained during the period January 31, 2011 through March 31, 2011, 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, 2011 through March 31, 2011, 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.

Williamsville, New York
May 26, 2011

TAKK, Schnitzer & Co. P.C.

NEW YORK STATE AND LOCAL RETIREMENT SYSTEM

DIVISION OF RETIREMENT SERVICES

Objective	Controls
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- Register employees into the retirement system.
- 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.
- 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 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.
- 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	Determine eligibility and process benefit payments.
Controls	<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 AND LOCAL RETIREMENT SYSTEM

DIVISION OF RETIREMENT SERVICES

Objective Controls

- Maintain the retirement system general ledger and investment accounting records. Process retirement system cash receipts and administrative cash disbursements.
- 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 MBBEL database for tax withholdings is reconciled daily to the general ledger.
- Overnight batches are posted and MBBEL 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

- 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.

• Provide programming and technical support for all system applications.

- 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
- 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 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.	<ul style="list-style-type: none">• 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.	<ul style="list-style-type: none">• An annual inventory of all securities held is verified annually by the Internal Audit department.• 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 AND LOCAL RETIREMENT SYSTEM

DIVISION OF PENSION, INVESTMENT AND CASH MANAGEMENT

Objective	Controls
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<ul style="list-style-type: none"> ● Manage the investment process of the Common Retirement Fund of external investment to ensure the safeguarding of principal from imprudent risks. 	<ul style="list-style-type: none"> ● 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. The 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.
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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

Controls	Objective
<ul style="list-style-type: none"> • Qualified professional advisors are hired through a request for proposal process for asset acquisition, management and disposition. 	<p>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.</p>
<ul style="list-style-type: none"> • 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. 	
<ul style="list-style-type: none"> • 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. 	
<ul style="list-style-type: none"> • 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. 	

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

Controls	Objective
<ul style="list-style-type: none"> • Proxy voting is governed by written policy that is developed and reviewed by the CIO/Deputy Comptroller and Comptroller. • Daily monitoring of available short-term investment pool monies is performed to ensure that available funds are fully invested at the highest yield based on maturity requirements. • A review of transactions is made by the Division's Compliance Office by utilizing an automated compliance system that was jointly developed by Common Retirement Fund Staff and the Fund's custodian. 	<p>Monitor and coordinate the proxy process, initiate shareholder resolutions and solicit proxies.</p> <p>Manage the investment process for the State custodial accounts on behalf of state agencies.</p>
<ul style="list-style-type: none"> • A preauthorized password system or call-back procedure is used for bank transfers between preauthorized accounts. • Schedules of outstanding vouchers are received daily. Payment of large vouchers (in excess of \$100,000) may be delayed by the Cash Management Unit, if required. • A bank account analysis is prepared and a record of bank fees is maintained to monitor banking costs. • The completeness of collateral is ensured by daily comparison of various analyses against the market value of collateralized pledges. 	<p>Efficiently manage the daily concentration and disbursement of State funds to arrive at a daily cash position for investment while ensuring the availability and liquidity of funds needed for daily State operations. Attempt to obtain the best banking services at a reasonable cost, monitor collateral levels in bank accounts and adhere to the prompt payment statute.</p>

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 CONTRACTS

Objective	Controls
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<ul style="list-style-type: none"> • Pre-audit and approval of contracts to ensure compliance with existing laws, regulations and policies. 	<ul style="list-style-type: none"> • Contracts over \$50,000 (various thresholds for SUNY/CUNY campuses and \$85,000 for OGS) as well as other criteria for state authority contracts are checked for Attorney General approval and compliance with applicable State laws, rules, and regulations. OSC staff complete automated interactive audits on the Contract Management System, resolve any procurement issues, and forward the audits to a supervisor for review and approval, when required.
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<ul style="list-style-type: none"> • Develop and maintain a vendor responsibility system that provides enhanced efficiency and improved information in support of agency vendor responsibility review processes. 	<ul style="list-style-type: none"> • The VendorRep System allows only authorized vendor organizations and individuals within organizations with the ability to enter and update information as needed.
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<ul style="list-style-type: none"> • State contracting agencies and vendors that would use the vendor responsibility information in the VendorRep system participated in joint user sessions where the system and automated questionnaire designs were developed. These joint user design requirements were documented and are reviewed to ensure that user needs are clearly identified and that the delivered system and any future changes meet these needs. 	<ul style="list-style-type: none"> • The VendorRep system has a change control processes that requires user testing of new releases and changes to ensure that system processes and data meet defined requirements. • The VendorRep System was designed and documented in accordance with generally accepted system development principles.
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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 CONTRACTS

Objective

- Develop a vendor responsibility system that provides authorized users with access while preventing unauthorized access.

Controls

- The Enrollment system and enrollment processes ensure that only authorized users have access to the system with access based on the user role.
- The VendRep System allows access to data in accordance with defined users roles.
- The VendRep System allows organizations to manage their own users as appropriate to the organization and individuals roles.

BUREAU OF STATE EXPENDITURES

Objective

- 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.

Controls

- Vouchers certified by agencies are inputted into the central accounting system.
- All transactions captured in the central accounting system and are available for audit of pre-selected filters.
- Filtered transactions are reviewed by staff. Segregation of duties exist between the audit and payment process.

- Conduct on-site 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.

OFFICE OF OPERATIONS

DIVISION OF CONTRACTS AND EXPENDITURES

BUREAU OF STATE EXPENDITURES

Objective	Controls
Conduct post payment examinations, consistent with the Bureau's Annual Audit Plan, that have the potential to improve State fiscal operations by identifying fraud, waste and improper payments.	<ul style="list-style-type: none">• 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 priorities; and Comptroller initiatives.• The Audit Plan is approved by the Audit Director, Deputy Comptroller and Executive Deputy Comptroller.• Briefing memos are developed prior to initiating examinations to ensure the risks and objectives are defined, focused and consistent with the Audit Plan.• Briefing memos 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.

OFFICE OF OPERATIONS

DIVISION OF CONTRACTS AND EXPENDITURES

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.	<ul style="list-style-type: none">• The Statewide Financial System (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 (VMU). 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 PAYROLL, ACCOUNTING AND REVENUE SERVICES

BUREAU OF ACCOUNTING OPERATIONS

Objective	Controls
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.	<ul style="list-style-type: none">● Statutory accounting duties of the Comptroller are inventoried and kept current.● Systems security exists and is periodically reviewed which includes password controls, access approvals, user profiles by function and system validation rules.● Policies and procedures exist that strictly limits the collection and storage of 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.● Legislation and Governmental Accounting Standards Board (GASB) codifications are reviewed and, where appropriate, accounting protocols are put in place to demonstrate compliance and facilitate correct financial reports.● A Business Continuity Plan (BCP) has been developed, tested and is kept current.

OFFICE OF OPERATIONS

DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES

BUREAU OF ACCOUNTING OPERATIONS

Objective	Controls
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<ul style="list-style-type: none">● An annual review of appropriation acts, special budget implementation acts, other special chapters, and Federal rules and regulations is undertaken to identify special accounting requirements that are documented and implemented.	<p>Maintain the State's general ledger to ensure that all funds and accounts are properly established and reported with controls necessary to demonstrate compliance with state laws.</p>
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documented and implemented.

- Fund portfolio managers review assigned funds/accounts throughout the year to verify that the chart of accounts contain appropriate controls and accounting rules.

- 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 conducted, investigated, and documented.

- Reconciliations of due to/from other funds, operating transfers, retainage, investments, etc., are performed monthly.

- Accrual and cash general ledger journal entries are accurate, reviewed, approved, recorded on a timely basis, and substantiated.

Objective **Controls**

Ensure that State agency spending does not exceed the amounts authorized by the State Legislature. Appropriation and segregation records are established in the central accounting system within amounts provided in legislation and, for federal funds, such amounts do not exceed the federal grant award authorizations.

- Budget certificates are reconciled to the central accounting system records and to appropriation acts. Reconciliation of appropriations-in-force are completed, verified to Department of the Budget reports, and published in the Comptroller's Annual Report.
- Weekly and monthly reports of appropriation/segregation records are sent to Agencies, the Department of the Budget, and the Legislative fiscal committees.
- Federal fund appropriation/segregation records are reconciled to Federal award status reports to ensure appropriate spending controls are in place, and that State spending is aligned with Federal control records.

- Accounting codes are used in appropriation/segregation records to ensure complete and accurate reporting of State spending by agency, fund, program, purpose and, in the case of Federal funds, by grant award number and Catalog of Federal Domestic Assistance (CFDA) number.
- Appropriated spending that is subject to repayment is documented, and receivable records are confirmed and maintained by revenue processing and/or general ledger accounting personnel.

OFFICE OF OPERATIONS

DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES

BUREAU OF ACCOUNTING OPERATIONS

Objective	Controls
Complete, timely, and accurate review, processing, reconciliation, and reporting of cash receipt transactions.	<ul style="list-style-type: none">• All remittances are sent by State agencies to the State Treasurer's Office, and revenue accounting documents are sent to the Comptroller's Office.• All revenue transactions are reviewed prior to entry into the central accounting system to ensure accurate classification of the receipt and that the transaction is in conformance with existing State or Federal laws as they relate to the receipt and disposition of State revenues.• 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 central accounting and general ledger systems.• Complete monthly reconciliations of the general checking account to State cash ledgers are performed by persons independent of the processing section and reconciled to State Treasury ledgers and journals.• The results of revenue classifications are analyzed and verified to financial plan estimates and prior year results to identify fluctuations, which are documented. Fluctuations that cannot be explained are researched to ensure appropriate classification of revenue. Corrections and workshop adjustments, where appropriate, are made before financial statements are released.

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
<p>Ensure that all payments from State funds are reconciled to check and electronic payment records, appropriation charges, vouchers payable, and cash ledgers, and that no payments are released until these validations are completed each day.</p>	<ul style="list-style-type: none"> ● Daily reconciliations are completed before notice is provided to Rensselaer Technology Park (RTP) check production managers and the Division of the Treasury, that the payment registers are in balance and that check and electronic payment files can be released. Out of balance conditions require review and resolution by persons independent of the Warrant and Payment Control Unit. ● Check and electronic payment trace numbers are consecutively numbered. ● Check stock has pre-numbered control numbers that are fully accounted for each day by RTP personnel. ● The bank validates the amount and check number before a check is cleared against the account. This provides a "Positive Pay" functionality. ● Persons independent of the unit, complete warrant, cash and bank account reconciliations each month.

OFFICE OF OPERATIONS

DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES

BUREAU OF FINANCIAL REPORTING AND OIL SPILL REMEDIATION

Objective	Controls
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| <ul style="list-style-type: none">● 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. | <ul style="list-style-type: none">● 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 and to monitor contract compliance. |
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| <ul style="list-style-type: none">● Administer public authority reporting requirements for public authority financial statement related information. | <ul style="list-style-type: none">● 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. |
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| <ul style="list-style-type: none">● Ensure that DEC, OAG, DOH and OSC work collaboratively to establish and maintain appropriate controls. | <ul style="list-style-type: none">● Interaction between, and periodic meetings with, DEC, OAG, DOH and OSC are held to ensure close cooperation among the Spill Fund participant agencies, that the fund operates in an efficient and effective manner and mandates under the Navigation Law are fulfilled. |
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| <ul style="list-style-type: none">● Ensure that vouchers are paid accurately and timely. | <ul style="list-style-type: none">● The Fund works with the Bureau of State Expenditures to ensure that proper oversight and internal controls are maintained over all DEC voucher and procurement procedures and processes. |
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OFFICE OF OPERATIONS

DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES

BUREAU OF FINANCIAL REPORTING AND OIL SPILL REMEDIATION

Objective

Maintain data integrity in spill litigation files.

Controls

- The Fund works closely with the Bureau of Financial Reporting 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. The Fund works 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 will ensure that the Fund balance remains positive.

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

Controls	Objective
<ul style="list-style-type: none"> • Maintain a quality audit approach to ensure that: 	<p>Ensure that payments to employees, vendors, tax authorities (and other parties) are made in compliance with laws, union contracts, rules and policies.</p>

- (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.

- The Bureau maintains an internal system of quality assurance to identify and report agency compliance with contracts and laws.
- Ensure that State agencies make payments to their employees in compliance with union contracts, laws, rules and policies.

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.	<ul style="list-style-type: none">● 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.	<ul style="list-style-type: none">● 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.	<ul style="list-style-type: none">● 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.

OFFICE OF OPERATIONS

DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES

OFFICE OF UNCLAIMED FUNDS

Objective

Receive, record and reconcile State revenues from the application of the Abandoned Property Law.

Controls

- Maintain a computer system that is capable of processing abandoned property report information. Adequate procedures for review and approval of business system improvements and system modifications exist.
- Segregation of duties exists between the receipt of funds by the OSC Remittance Control Unit and the report processing unit in the Office of Unclaimed Funds.
- Segregation of duties exists between the report processing unit in the Office of Unclaimed Funds and both the securities inventory unit and the claims processing unit.
- Secure electronic reporting of abandoned property information by reporting organizations is achieved to the extent possible to reduce the opportunity for data loss.

- Abandoned property reports received in CD or paper format are stored in fireproof cabinets prior to uploading to the Unclaimed Funds Processing System.
- Logical systems security exists in the Unclaimed Funds Processing System, including password controls, access approvals, assigning user profiles by function and system audit trails for any data changes.

- Cash revenues are reconciled by an independent Office of Unclaimed Funds Unit (Quality Assurance and Internal Control Unit). The securities inventory unit reconciles with the custodian bank and mutual fund information.

- The Office of Unclaimed Funds Audit Services Unit conducts compliance audits. Audit procedures are written and work papers document all reviews.

OFFICE OF OPERATIONS

DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES

OFFICE OF UNCLAIMED FUNDS

Objective

Controls

Return abandoned property to the rightful owner(s).

- Maintain a computer system that is capable of processing claims and producing accurate refunds. Adequate procedures for review and approval of business system improvements and system modifications exist (UFPS and On-Line Application).
- Segregation of duties exists between the operational units involved in receiving, recording and reconciliation of funds and the claims processing unit.

- The dollar value of property is not published or available to the public and policies and procedures are in place to limit access to personal or confidential information.
- Secure electronic transfer of personal data is achieved to the extent of possible to reducing the opportunity for data loss (i.e., On-Line Claims).

- Logical systems security exists in the Unclaimed Funds Processing System, including password controls, access approvals assigning user profiles by function and system audit trails for any data changes.
- Claim processing procedures are documented and multi-level approvals are required based upon property type and/or value.

- Deductions (e.g., withholding taxes, etc.) are processed in compliance with IRS laws, rules and regulations. There are ongoing reviews during the year for any changes.
- Routine post-audits of all high dollar value claim payments, as well as post-audits samples of all other claims to check for compliance with policies and procedures.

- If fraud or payment to the wrong claimant is discovered, a process is in place to recover and restore accounts.

OFFICE OF OPERATIONS

EXECUTIVE DIRECTION

BUREAU OF SHARED SERVICES

Objective

Controls

- Perform administrative, technical, analytical, and other supportive tasks within the Office.

- Periodically test the computer inventory and tracking procedures to ensure that all computer equipment is properly secured and accounted for. All surplus equipment is kept in two secured rooms (10th and 8th floor), which can only be entered by designated Bureau staff who have swipe card access.

- The Bureau's purchasing card is secured in a locked cabinet, which only two staff have access to, and purchases are reconciled monthly against the agency's Procurement Log of Transactions (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 closed door conference rooms. The Bureau meets with agency Labor Relations staff biweekly to discuss the status of active cases.

- Confidential employee data is stored electronically in the MACROS database and in the Bureau's shared drive. Access to this information is limited to only those staff who process personnel transactions and documents for the Office.

- When Bureau staff are engaged in business analysis projects, they may be granted temporary access to various computer systems, folders and drives. Upon completion of each project, the Bureau, as part of its close-out procedures, submits a request to the Office of the CIO to remove the temporary accesses.

OFFICE OF INSPECTOR GENERAL

Objective	Controls
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.	<ul style="list-style-type: none">• 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 Ste Comptroller and his designees of such allegations and the progress of investigations related thereto, unless special circumstances require confidentiality.	<ul style="list-style-type: none">• 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.	<ul style="list-style-type: none">• All information on logged complaints and investigations are contained on a limited access system.