KPMG LLP
515 Broadway
Albany, NY 12207-2974

September 1, 2016

The Audit Committee
New York State Legislature
Albany, New York

Ladies and Gentlemen:

We have audited the basic financial statements of the State of New York (the State) as of and for the year ended March 31, 2016, and have issued our report thereon dated July 28, 2016. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audit.

Our Responsibility Under Professional Standards

We are responsible for forming and expressing opinions about whether the basic financial statements, which have been prepared by management with the oversight of the New York State Legislative Audit Committee (Audit Committee), are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards,* issued by the Comptroller General of the United States of America. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the basic financial statements are detected. Our audit does not relieve management or the Audit Committee of their responsibilities.

In addition, in planning and performing our audit of the basic financial statements, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control. However, during the course of our audit, we identified certain deficiencies in internal control that we consider to be significant deficiencies. In accordance with *Government Auditing Standards,* these deficiencies will be communicated to you separately in our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Audit Committee in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

Other Information in Documents Containing Audited Basic Financial Statements

Our responsibility for other information in documents containing the State's basic financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in those documents. We have, however, read the other information to be included in the State's Comprehensive Annual Financial Report for the fiscal year ended March 31, 2016, and notify you if any matters come to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

Accounting Practices and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by the State are described in note 1 to the basic financial statements. As described in note 1(t) to the basic financial statements, in order to comply with the requirements of U.S. generally accepted accounting principles, the State adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27* (GASB 68), GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB 71), and GASB No. 82, *Pension Issues* (GASB 82) during the fiscal year ended March 31, 2016, which collectively modify financial reporting requirements by state and local governments related to pension benefits for sponsoring employers. As a result of the adoption of GASB 68 and GASB 71, the State restated beginning net position at April 1, 2015 for the governmental activities, business-type activities, aggregate discretely presented component units, and the SUNY and CUNY enterprise funds, and added new footnote disclosures and required supplementary information related to pensions. The implementation of GASB 82 did not require substantial modification to the financial statements.

Unusual Transactions

As described in note 1(r) to the basic financial statements, the State reported a special item of $250 million in the financial statements of the governmental activities and the General Fund for the fiscal year ended March 31, 2016 related to the release of State Insurance Fund reserves to the State. These reserves were originally recorded by the State Insurance Fund for estimated future assessments and other charges payable to the Workers' Compensation Board associated with expected claims losses. Reforms to the Workers' Compensation Law effective January 1, 2014 changed the basis for determining such assessments and charges, resulting in the elimination of such reserves. Chapter 57 of the Laws of 2013 requires the amount of the eliminated reserves to be transferred by the State Insurance Fund to the Workers' Compensation Board for distribution to the General Fund in specified amounts over a series of fiscal years. The State Insurance Fund has transferred $1.75 billion to the Workers' Compensation Board, of which $1.5 billion has been released to the General Fund as of March 31, 2016 for debt management or fiscal uncertainties in accordance with Chapter 57 of the Laws of 2013. The remaining $250 million will be released in fiscal year 2017 as specified under Chapter 57 of the Laws of 2013 and, accordingly, was reported as deferred inflows of resources in the financial statements of the governmental activities and General Fund.

There were no further transactions that were both significant and unusual or transactions for which there is a lack of authoritative guidance or consensus.

Qualitative Aspects of Accounting Practices

We have discussed with the Audit Committee and management our judgments about the quality, not just the acceptability, of the State's accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the State's accounting policies and their application, and the understandability and completeness of the State's basic financial statements, which include related disclosures.

Management Judgments and Accounting Estimates

The preparation of the basic financial statements requires management of the State to make a number of estimates and assumptions relating to the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and the disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. During the fiscal year 2016 audit, we identified the following estimates as significant to the basic financial statements:

- Net pension liability
- Medicaid drug rebate receivable (current and long-term portions)
- Accrued liability for Medicaid (current and long-term portions)
- Other postretirement benefit (OPEB) obligations
- Workers' compensation liability
- Taxes receivable (current and long-term portions)
- Tax refunds payable (current and long-term portions)
- Litigation accrual

- Allowance for doubtful accounts - Unemployment Insurance Benefits Fund
- Disallowances of federal awards
- Amounts to be paid to claimants for abandoned property

For each of these estimates, we reviewed the State’s methodologies for determining the amounts recorded as of March 31, 2016, including key assumptions and sources of underlying data, and considered possible management bias in the estimates’ development. We also performed tests of details and analytical procedures over the underlying data used in determining the amounts of the estimates, and over the amounts of the estimates themselves, as deemed necessary, to conclude on their reasonableness. We determined that these estimates were reasonable in relation to the basic financial statements.

Uncorrected and Corrected Misstatements

Uncorrected Misstatement

In connection with our audit of the State’s basic financial statements, we identified and discussed with management a misstatement in the financial statements of the governmental activities relating to the write-off of certain legacy Construction in Progress (CIP) balances related to project costs that will not result in State capital assets and, therefore, should have been recorded as an expense in prior periods. The elimination of these balances in the State’s financial statements for the year ended March 31, 2016 resulted in a $1.3 billion overstatement in transportation expenses reported within the financial statements of the governmental activities. We proposed an audit adjustment to reduce governmental activities’ beginning net position and transportation expenses for the amount of the write-off; management elected instead to present the full impact of the write-off as part of fiscal year 2016 activity. This uncorrected misstatement in the financial statements of the governmental activities was not considered material to the financial statements of the governmental activities for the year ended March 31, 2016.

Corrected Misstatement

During the course of our audit, we identified and discussed with management a misstatement in the financial statements of the governmental activities and federal special revenue fund that was corrected by the State relating to the understatement of a payable to local governments for federal disaster assistance awards related to Superstorm Sandy administered by the Department of Homeland Security and Emergency Services as of March 31, 2016. This corrected misstatement was not considered material to the financial statements of the governmental activities and federal special revenue fund.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that would have caused a modification of our auditors’ report on the State’s basic financial statements.

Management's Consultation with Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the year ended March 31, 2016.

Significant Issues Discussed, or Subject to Correspondence, with Management

Major Issues Discussed with Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with the Audit Committee and management each year prior to our retention as the State's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention for the current year audit.

Material Written Communications

Attached to this letter please find copies of the following material written communications between management and us:

1 Engagement letter;

2 Management representation letters;

Additionally, a separate management letter will be issued under separate cover subsequent to the issuance of this letter.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Independence

We hereby confirm that as of September 1, 2016, we are independent accountants with respect to the State under relevant professional and regulatory standards.

* * * * * * *

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

Very truly yours,

KPMG LLP

KPMG LLP
515 Broadway
Albany, NY 12207-2974

Telephone +1 518 427 4600
Internet www.us.kpmg.com

March 31, 2016

Mr. John Traylor
Executive Deputy Comptroller for Operations
Office of the State Comptroller
110 State Street
Albany, New York 12236

Dear Mr. Traylor:

This letter (the Engagement Letter) confirms our understanding of our engagement to provide professional services to the State of New York Office of the State Comptroller (the State).

Objectives and Limitations of Services

Financial Statement Audit Services

You have requested that we audit the State's basic financial statements as set forth in Appendix I.

We have the responsibility to conduct and will conduct the audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, with the objective of expressing opinions as to whether the presentation of the basic financial statements, that have been prepared by management with the oversight of those charged with governance, conforms with U.S. generally accepted accounting principles.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. In conducting the audit, we will perform tests of the accounting records and such other procedures, as we consider necessary in the circumstances, based on our judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to error or fraud, to provide a reasonable basis for our opinion on the basic financial statements. We also will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and evaluate the overall basic financial statement presentation.

Our audit of the basic financial statements will be planned and performed to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements, fraud (including fraud that may be an illegal act), and other illegal acts may exist and not be detected by an audit of financial statements even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. Also, an audit is not designed to detect matters that are immaterial to the basic financial statements, and because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to detect abuse.

We will also perform certain limited procedures to the required supplementary information as required by auditing standards generally accepted in the United States of America. However, we will not express an opinion or provide any assurance on the information. Our report relating to the basic financial statements will include our consideration of required supplementary information.

Subject to the remainder of this paragraph, we will issue a written report upon completion of our audit of the State's basic financial statements addressed to the Legislative Audit Committee of New York State (the Committee). We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add emphasis-of-matter or other-matter paragraphs or withdraw from the engagement. If, during the performance of our audit procedures, such circumstances arise, we will communicate to the Committee our reasons for modification or withdrawal.

Management agrees to provide KPMG LLP (KPMG) a draft of its Comprehensive Annual Financial Report (CAFR) that includes the basic financial statements prior to the report release date or, if that is not possible, as soon as practicable prior to the release of the CAFR. We will read the other information contained in the CAFR in order to identify material inconsistencies, if any, with the audited financial statements. However, we will not perform procedures to corroborate the other information.

Internal Control over Financial Reporting and Compliance and Other Matters

In making our risk assessments as part of planning and performing our audit of the basic financial statements, we will consider the State's internal control relevant to the preparation and fair presentation of the basic financial statements in order to determine the nature, timing, and extent of our audit procedures for the purpose of expressing opinions on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the State's internal control.

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of State's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the basic financial statements. However, our objective is not to provide an opinion on compliance with such provisions.

In accordance with *Government Auditing Standards*, we will prepare a written report, *Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards* (GAGAS report), on our consideration of internal control over financial reporting and tests of compliance made as part of our audit of the basic financial statements. While the objective of our audit of the basic financial statements is not to report on the State's internal control and we are not obligated to search for material weaknesses or significant deficiencies as part of our audit of the basic financial statements, this report will include any material weaknesses and significant deficiencies to the extent they come to our attention. 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 basic 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. This report will also include instances of:

- Fraud and noncompliance with provisions of laws or regulations that have a material effect on the basic financial statements or other financial data significant to the audit objectives and any other instances that warrant the attention of those charged with governance;

- Noncompliance with provisions of contracts or grant agreements that have a material effect on the determination of basic financial statement amounts or other financial data significant to the audit objectives; or

- Abuse that is material, either quantitatively or qualitatively.

The report will describe its purpose and will state that it is not suitable for any other purpose.

In accordance with *Government Auditing Standards*, we will issue a management letter to communicate instances of noncompliance with provisions of contracts or grant agreements or abuse that have an effect on the basic financial statements that is less than material but warrant the attention of those charged with governance.

In accordance with *Government Auditing Standards*, we are also required in certain circumstances to report fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse directly to parties outside the auditee.

Offering Documents

Should the State wish to include or incorporate by reference these basic financial statements and our audit report thereon into an offering of exempt securities, prior to our consenting to include or incorporate by reference our report on such basic financial statements, we would consider our consent to the inclusion of our report and the terms thereof at that time. We will be required to perform procedures as required by the standards of the American Institute of Certified Public Accountants, including, but not limited to, reading other information incorporated by reference in the offering document and performing subsequent event procedures. Our reading of the other information included or incorporated by reference in the offering document will consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the basic financial statements. However, we will not perform procedures to corroborate such other information (including forward-looking statements). The specific terms of our future services with respect to future offering documents will be determined at the time the services are to be performed.

Should the State wish to include or incorporate by reference these basic financial statements and our audit report thereon into an offering of exempt securities without obtaining our consent to include or incorporate by reference our report on such basic financial statements, and we are not otherwise associated with the offering document, then the State agrees to include the following language in the offering document:

> "KPMG LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the basic financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this official statement."

Our Responsibility to Communicate with the Legislative Audit Committee

We will report to the Committee, in writing, the following matters:

- Material, corrected misstatements that were brought to the attention of management as a result of audit procedures.
- Uncorrected misstatements accumulated by us during the audit and the effect that they, individually or in the aggregate, may have on our opinions in the auditor's report, and the effect of uncorrected misstatements related to prior periods.
- Significant difficulties and disagreements with management, if any, encountered during our audit.
- Other matters required to be communicated by auditing standards generally accepted in the United States of America.

We will also read minutes, if any, of Committee meetings for consistency with our understanding of the communications made to the Committee and determine that the Committee has received copies of all material written communications between ourselves and management. We will also determine that the Committee has been informed of: i) the initial selection of, or the reasons for any change in, significant accounting policies or their application during the period under audit, ii) the methods used by management to account for significant unusual transactions, and iii) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

To the extent that they come to our attention, we will inform the appropriate level of management about any illegal acts, unless they are clearly inconsequential, material errors in the basic financial statements and any instances of fraud. Further, to the extent they come to our attention, we also will communicate directly to the Committee illegal acts, unless they are clearly inconsequential, material errors in the basic financial statements and any instances of fraud that involve senior management or that, in our judgment, cause a material misstatement of the basic financial statements.

Management Responsibilities

The management of the State acknowledges and understands that they have responsibility for the preparation and fair presentation, in accordance with U.S. generally accepted accounting principles, of the basic financial statements and all representations contained therein. Management also is responsible for identifying and ensuring that the State complies with laws, regulations, contracts, and grant agreements applicable to its activities, and for informing us of any known material violations of such laws and regulations and provisions of contracts and grant agreements. Management also is responsible for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud, for adopting sound accounting policies, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the basic financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the basic financial statements whether due to error or fraud. Management is also responsible for informing us, of which it has knowledge, of all material weaknesses and significant deficiencies in the design or operation of such controls. The audit of the basic financial statements does not relieve management or those charged with governance of their responsibilities.

Management of the State also acknowledges and understands that it is their responsibility to provide us with: i) access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation, and other matters; ii) additional information that we may request from management for purposes of the audit; and iii) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence. As required by auditing standards generally accepted in the United States of America, we will make specific inquiries of management about the representations embodied in the basic financial statements and the effectiveness of internal control, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter we will rely upon in forming opinions on the basic financial statements.

To facilitate our audit planning, in accordance with *Government Auditing Standards*, management agrees to identify and provide copies of reports, if applicable, of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented, prior to April 30th of each year.

Management is responsible for adjusting the basic financial statements to correct material misstatements and for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the basic financial statements being reported upon, taken as a whole. Because of the importance of management's representations to the effective performance of our services, the State will release KPMG and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter attributable to any misrepresentations in the representation letter referred to above. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost or expense, whether in contract, statute, tort or otherwise.

Management is also responsible for providing us with written responses in accordance with *Government Auditing Standards* to the findings included in the GAGAS report within 30 days of being provided with draft findings. If such information is not provided on a timely basis prior to release of the report, the report will indicate the status of management's responses.

Management is responsible for the distribution of reports issued by KPMG.

Other Matters

In the event that any term or provision of this Engagement Letter shall be held to be invalid, void or unenforceable, then the remainder of the Engagement Letter shall not be affected, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

This letter shall serve as the State's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between KPMG and the State and between KPMG and outside specialists or other entities engaged by either KPMG or the State, in accordance with Section XI of the Agreement.

Further, for purposes of the services described in this letter only, the State hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of the State solely for presentations or reports to the State or for internal KPMG presentations and intranet sites related to the Agreement.

KPMG is a limited liability partnership comprising both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this letter.

The audit documentation for this engagement is the property of KPMG. In the event KPMG is requested pursuant to subpoena or other legal process to produce its documents and/or testimony relating to this engagement for the State in judicial or administrative proceedings to which KPMG is not a party, the State shall reimburse KPMG at standard billing rates for its professional time and expenses, including attorney's fees deemed by the State to be reasonable, incurred in responding to such requests.

Pursuant to *Government Auditing Standards,* we are required to make certain audit documentation available in a full and timely manner to regulatory agencies upon request for their reviews of audit quality and for use by their auditors. In addition, we may also be requested to make certain audit documentation available to other regulators pursuant to authority provided by law or regulation. If so requested, access to such audit documentation will be provided. Furthermore, other regulators may obtain copies of selected audit documentation. Such regulators may intend, or decide, to distribute the copies or information contained therein to others, including other government agencies.

KPMG, as an accounting firm, has an obligation to comply with applicable professional standards. Certain professional standards, including AICPA Code of Professional Conduct Section 1.700, "Confidential Client Information Rule," adopted by the American Institute of Certified Public

Accountants and similar rules adopted by the boards of accountancy of many states, prohibit the disclosure of client confidential information without client consent, except in limited circumstances. KPMG represents to the State that KPMG will treat the State's confidential information in accordance with applicable professional standards and Section XI of the Agreement.

KPMG uses the services of KPMG controlled entities, KPMG member firms and/or third party service providers to provide professional services and administrative, analytical and clerical support. These parties may have access to certain of your information with the understanding that the confidential information will be maintained under information controls providing equivalent protection as our own. You also understand and agree that KPMG aggregates your information with information from other sources for the purpose of improving audit quality and service, and for use in presentations to clients and non-clients in a form where it is sufficiently de-identified so as not to be attributable to the State or where the State could be identified as a source of the information.

Except as otherwise provided for in this Engagement Letter, neither party may assign, transfer or delegate any of its rights, obligations, claims or proceeds from claims arising under or relating to this Engagement Letter (including by operation of law, in which case the assigning party will, to the extent legally permissible, give as much advance written notice as is reasonably practicable thereof) without the prior written consent of the other party, such consent not to be unreasonably withheld. Any assignment in violation hereof shall be null and void.

As required by *Government Auditing Standards,* we have attached a copy of KPMG's most recent peer review report.

Additional Reports and Fees for Services

Appendix I to this letter lists the additional reports we will issue as part of this engagement and our fees for professional services to be performed under this letter.

* * * * * * *

Our engagement herein is for the provision of annual audit services for the financial statements for the periods described in Appendix I, and it is understood that such services are provided as a single annual engagement. Pursuant to our arrangement as reflected in this letter, we will provide the services set forth in Appendix I as a single engagement for each of the State's subsequent fiscal years under the existing agreement.

In accordance with your instructions, we have forwarded a copy of this letter to the members of the Legislative Audit Committee of the New York State Legislature.

Mr. John Traylor
Office of the State Comptroller
March 31, 2016
Page 8 of 8

We shall be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign and return it to us to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the basic financial statements including our respective responsibilities.

Very truly yours,

KPMG LLP

Gregory Driscoll

Gregory Driscoll
Partner

Enclosures

ACCEPTED:

John Traylor
Executive Deputy Comptroller for Operations
State of New York Office of the State Comptroller

Authorized Signature

4/6/16

Date

Martha Ross
Director of Financial Administration
State of New York Office of the State Comptroller

Authorized Signature

4-6-16

Date

Appendix I

Fees for Services

Based upon our agreement C000952, our fees for services we will perform are estimated as follows:

Cost Proposal for Review of Controls of eMedNY	$ 200,210
Audit of the State's Annual Financial Statements	1,372,840
Audit of the financial statements, including eMedNY audit services, of the State of New York as of and for the year ending March 31, 2016	$1,573,050

The above estimates are based on the level of experience of the individuals who will perform the services. Circumstances encountered during the performance of these services that warrant additional time (for example, time associated with new or forthcoming audit requirements, such as GASB 68 *Accounting and Financial Reporting for Pensions*) or expense will be brought to the attention of OSC in accordance with the Agreement.

Our fees will be billed every month as charges are incurred. The ethics of our profession prohibit the rendering of professional services where the fee for such services is contingent, or has the appearance of being contingent, upon the results of such services. Accordingly, in order to avoid the possible implication that our fee is contingent upon the success of the contemplated offering, it is important that our bills be paid promptly when rendered. If a situation arises in which it may appear that our independence would be questioned because of significant unpaid bills, we may be prohibited from signing our audit report and consent.

pwc

System Review Report

To the Partners of KPMG LLP
And the National Peer Review Committee of the AICPA Peer Review Board

We have reviewed the system of quality control for the accounting and auditing practice of KPMG LLP (the Firm), applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended March 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, an audit performed under FDICIA, audits of a carrying broker-dealers, and examinations of services organizations [Service Organizations Control (SOC 1) engagements].

In our opinion, the system of quality control for the accounting and auditing practice of KPMG LLP, applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended March 31, 2014, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail*. KPMG LLP has received a peer review rating of *pass*.

PricewaterhouseCoopers LLP

December 5, 2014

PricewaterhouseCoopers LLP, 400 Campus Drive, Florham Park, NJ 07932
T: (973) 236 4000, F: (973) 236 5000. www.pwc.com

THOMAS P. DiNAPOLI
STATE COMPTROLLER

110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

July 28, 2016

KPMG LLP
515 Broadway
Albany, NY 12207

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the related notes to the financial statements of the State of New York (the State) as of and for the year ended March 31, 2016, for the purpose of expressing opinions as to whether these financial statements present fairly, in all material respects, the respective financial positions, changes in financial positions, and, where applicable, cash flows thereof in conformity with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purposes of appropriately informing ourselves, as of July 28, 2016, the following representations made to you during your audit:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 31, 2016, for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.

2. We have made available to you:

    a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements.

    b. Additional information that you have requested from us for the purpose of the audit.

c. Unrestricted access and the full cooperation of personnel within the entity from which you determined it necessary to obtain audit evidence.

3. Except as disclosed to you in writing, there have been no:

   a. Circumstances that have resulted in communications from the State's legal counsel reporting evidence of a material violation of securities law or breach of fiduciary duty, or similar violation by the State or any agent thereof.

   b. Communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.

   c. False statements affecting the State's financial statements made to the State's internal auditors, or other auditors who have audited entities under our control upon whose work you may be relying in connection with your audits.

4. There are no:

   a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

   b. Unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

   c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62, paragraphs 96 – 113.

   d. Material transactions, such as grants or other contractual arrangements, that have not been properly recorded in the accounting records underlying the financial statements.

   f. Events that have occurred subsequent to the date of the statement of net position and through the date of this letter that would require adjustment to or disclosure in the financial statements.

5. All known actual or possible litigation and claims have been accounted for and disclosed in accordance with GASB Statement No. 62, paragraphs 96 – 113.

6. The effects of the uncorrected financial statement misstatements summarized in the accompanying schedules are immaterial, both individually and in the aggregate, to the financial statements for each respective opinion unit.

7. We acknowledge our responsibility: for preventing and detecting fraud, including the design, implementation and maintenance of programs and controls to prevent, deter and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. We understand that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets.

   Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity's assets where the effect of the theft causes the financial statements not to be presented in conformity with U.S. generally accepted accounting principles.

8. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the State's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit.*

9. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

10. We have disclosed to you all information that we are aware of about fraud or suspected fraud affecting the State's financial statements involving:

    a. Management;

    b. Employees who have significant roles in internal control over financial reporting; or

    c. Others where the fraud could have a material effect on the financial statements.

11. We have disclosed to you all information that we are aware of about allegations of fraud or suspected fraud affecting the State's financial statements received in communications from employees, former employees, regulators, or others.

12. We have no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

13. We have no knowledge of any officer or member of a governing body of the State, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

14. The following have been properly recorded or disclosed in the financial statements:

a. Related party relationships and transactions of which we are aware in accordance with the requirements of U.S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties.

   The term "related party" refers to: the government's related organizations, joint ventures, and jointly governed organizations, as defined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended; elected and appointed officials of the government; its management; members of the immediate families of elected or appointed officials of the government and its management; and other parties with which the government may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

b. Guarantees, whether written or oral, under which the State is contingently liable.

c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit or similar arrangements.

d. Agreements to repurchase assets previously sold, including sales with recourse.

e. Changes in accounting principles affecting consistency.

f. The existence of and transactions with joint ventures and other related organizations.

15. The State has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

16. The State has complied with all aspects of laws, regulations, and contractual agreements that would have a material effect on the financial statements, in the event of noncompliance.

17. Management is responsible for compliance with the laws, regulations, donor restrictions, and provisions of contracts and grant agreements applicable to the State. Management has identified and disclosed to you all laws, regulations, donor restrictions, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.

18. The State's reporting entity includes all entities that are component units of the State. Such component units have been properly presented as either blended or discrete. Investments in joint ventures in which the State holds an equity interest have been properly recorded on the

statement of net position. The financial statements disclose all other joint ventures and other related organizations.

19. The financial statements properly classify all funds and activities, including governmental funds, which are presented in accordance with the fund type definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

20. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, for presentation as major are identified and presented as such, and all other funds that are presented as major are considered to be particularly important to financial statement users by management.

21. We are responsible for the proper presentation of amounts within the New York State Lottery, State University of New York (SUNY), and City University of New York (CUNY) Enterprise Funds and have made the proper presentation in accordance with U.S. generally accepted accounting principles.

22. We are responsible for the proper presentation of amounts within the Unemployment Insurance Benefits Enterprise Fund and have made the proper presentation in accordance with U.S. generally accepted accounting principles.

23. Interfund, internal, and intra-entity activities and balances have been appropriately classified and reported.

24. Amounts advanced to related entities represent valid receivables and are expected to be recovered at some future date in accordance with the terms of related agreements.

25. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the statement of net position and have been appropriately reduced to their estimated net realizable value.

26. We believe that federal disallowances recorded as liabilities in the State's financial statements are complete, accurate, and in accordance with GASB Statement No. 62, paragraphs 96-113, as of March 31, 2016.

27. Deposits and investment securities are properly classified and reported.

28. The State is responsible for determining the fair value of certain investments as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* as amended. The amounts reported represent the State's best estimate of the fair value of investments required to be reported under the Statement. The State also has disclosed the methods and significant assumptions used to estimate the fair value of its investments, and the nature of investments reported at amortized cost.

29. The State has identified and properly reported all of its derivative instruments and any related deferred outflows of resources or deferred inflows of resources related to hedging derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial*

Reporting for Derivative Instruments. The State has complied with the requirements of GASB Statement No. 53 related to the determination of hedging derivative instruments and the application of hedge accounting. Further, the State has disclosed all material information about its derivative and hedging arrangements in accordance with GASB Statement No. 53.

30. The estimate of the fair value of derivative instruments is in compliance with GASB Statement No. 53. For derivative instruments with fair values that are based on other than quoted market prices, the State has disclosed the methods and significant assumptions used to estimate those fair values.

31. The following information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:

    a. The extent, nature, and terms of financial instruments with off-balance sheet risk;

    b. The amount of credit risk of financial instruments with off-balance sheet credit risk, and information about the collateral supporting such financial instruments; and

    c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

32. We believe that all material expenditures or expenses that have been deferred to future periods will be recoverable.

33. Capital assets, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated. The State has elected to use the modified approach to account for eligible infrastructure assets and meets the GASB-established requirements for doing so.

34. The State has maintained an appropriate inventory and asset management system in compliance with the criteria established in GASB Statement No. 34 to qualify for the modified approach.

35. The inventory and asset management systems for roads and bridges are complete and accurate at March 31, 2016.

36. New York State Department of Transportation infrastructure has been properly valued at historical cost at March 31, 2016 for inclusion in the State's financial statements in accordance with GASB Statement No. 34 and related statements and guidelines.

37. The State has properly applied the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* including those related to the recognition of outlays associated with the development of internally generated computer software.

38. The State's capital assets have been properly valued and included or excluded from the State's financial statements at March 31, 2016 in compliance with GASB Statement No. 34, including intangibles, works of art and historical treasures, and infrastructure.

39. We believe the capitalization level thresholds set by the State to be reasonable and in compliance with U.S. generally accepted accounting principles.

40. The State has no:

    a. Commitments for the purchase or sale of services or assets at prices involving material probable loss.

    b. Material amounts of obsolete, damaged, or unusable items included in the inventories at greater than salvage values.

    c. Loss to be sustained as a result of other-than-temporary declines in the fair value of investments.

41. For variable-rate demand bond obligations that are reported as general long-term debt or excluded from current liabilities of proprietary funds, we believe all of the conditions described in GASB Interpretation No. 1, *Demand Bonds Issued by State and Local Government Entities,* have been met.

42. The State has complied with all tax and debt limits and with all debt related covenants.

43. We have properly recorded the Special Purpose School Aid Financing Program bonds issued by the Municipal Bond Bank Agency as general government debt of the State as of March 31, 2016.

44. We believe that the straight-line method of amortizing bond premiums, discounts and issuance costs is materially consistent with the effective interest method of amortizing these costs and any variances between the two methods are considered immaterial to the financial statements.

45. We have received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under Section 103 of the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.

46. We believe that the actuarial assumptions and methods used to measure financial statement liabilities and costs associated with other postemployment benefits and to determine information related to the State's funding progress related to such benefits for financial reporting purposes are appropriate in the State's circumstances and that the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.

47. There were no omissions from the participants' data provided to the actuary for the purpose of determining the other postemployment benefit obligation and other actuarially determined amounts in the financial statements.

48. For each defined benefit pension plan in which the State is a participating employer:

a. The net pension liability, related deferred outflows of resources, deferred inflows of resources, and pension expense have been properly measured and recorded as of the measurement date in accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.*

b. All relevant plan provisions in force as of the measurement date have been properly reflected in the measurement of the net pension liability and pension expense.

c. We believe the actuarial assumptions and methods used to measure the net pension liability and pension expense are appropriate in the circumstances and the related actuarial valuation was prepared in conformity with U.S. generally accepted accounting principles.

d. The participants' data provided to the actuary for the purpose of determining the net pension liability and pension expense is accurate and complete.

e. The basis for our proportion of the collective pension amounts is appropriate and consistent with the manner in which contributions to the pension plan are determined.

f. The net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense have been properly allocated to SUNY, New York State Lottery, and New York State Higher Education Services Corporation (HESC) based on covered pensionable earnings, which is materially consistent with each entity's direct and indirect payment of employer contributions relative to total employer contributions of the State as a whole.

49. Provision has been made in the financial statements for the State's pollution remediation obligations. We believe that such estimate has been determined in accordance with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* and is reasonable based on available information.

50. The State has identified and properly accounted for and presented all deferred outflows of resources and deferred inflows of resources.

51. Components of net position (net investment in capital assets; restricted; and unrestricted) and fund balance components (non-spendable; restricted; committed; assigned; and unassigned) are properly classified and, if applicable, approved.

52. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

53. The lawsuit filed by the New York State Attorney General to recover moneys withheld from payments to the State of New York by various tobacco companies under the Master Settlement Agreement is properly excluded from the financial statements as the amounts at March 31, 2016 represent contingent revenue and are properly disclosed in the notes to the financial statements as the case resolution is undeterminable as of March 31, 2016.

54. The State has identified and properly accounted for all nonexchange transactions.

55. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

56. Special and extraordinary items are appropriately classified and reported, as applicable.

57. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the State's current period financial statements and our assessment of internal control over financial reporting, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements and on our assessment of internal control over financial reporting is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.

58. We agree with the findings of specialists in evaluating the valuation of the Self Insured Workers' Compensation Liability as well as the other postemployment benefits obligation and annual required contribution and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

59. We acknowledge our responsibility for the presentation of the supplementary information and the statistical section, in accordance with the applicable criteria and/or prescribed guidelines, and:

    a. Believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and/or prescribed guidelines.

    b. Confirm that the methods of measurement or presentation of the supplementary information have not changed from those used in the prior period.

    c. Confirm that the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.

60. We acknowledge our responsibility for the presentation of the required supplementary information, which includes required supplementary information such as Management's Discussion and Analysis, Budgetary Basis – Financial Plan and Actual Combined Schedules, Infrastructure Assets Using the Modified Approach, Pension-Related Required Supplementary Information, and Other Postemployment Benefits Schedule of Funding Progress, in accordance with the applicable criteria and prescribed guidelines established by the Governmental Accounting Standards Board, and:

    a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.

b. Confirm that the methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period.

c. Confirm that the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate in the circumstances.

61. The State has complied with all applicable laws and regulations in adopting, approving, and amending budgets.

62. In accordance with *Government Auditing Standards*, we have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.

Further, we confirm that we are responsible for the fair presentation in the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, and the related notes to the financial statements, in conformity with U.S. generally accepted accounting principles. We are also responsible for establishing and maintaining effective internal control over financial reporting.

Very truly yours,

Office of the New York State Comptroller

Thomas P. DiNapoli

New York State Comptroller

John C. Traylor

Executive Deputy Comptroller

Suzette Baker

Suzette Barsoum Baker

Executive Director, Bureau of Financial Reporting and Oil Spill Remediation

State of New York
Summary of Uncorrected Audit Misstatements
For Year Ended March 31, 2016
(Amounts in millions)

Opinion Unit	Description of misstatement	Accounts	Debit	(Credit)
Governmental Activities	The State reviewed and removed old construction in progress balances during the current year to accurately reflect active capital projects. This proposed adjustment is to accurately reflect the amount disposed that should have been reported as expenditures in prior years.	Beginning Net Position	**1,308**	
		Transportation Expense		**(1,308)**

NEW YORK STATE OF OPPORTUNITY. | Division of the Budget

ANDREW M. CUOMO
Governor

ROBERT F. MUJICA JR.
Director of the Budget

July 28, 2016

KPMG LLP
515 Broadway
Albany, NY 12207

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the related notes to the basic financial statements of the State of New York (the "State"), as of and for the year ended March 31, 2016 (collectively, the basic financial statements), for the purpose of expressing opinions as to whether these basic financial statements present fairly, in all material respects, the respective financial positions and changes in financial positions and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles.

We confirm that we are responsible for the information the Division of the Budget (the "Division") provides to the Office of the State Comptroller ("OSC"), which utilizes such information for the fair presentation in the basic financial statements of financial position, changes in financial position, and cash flows in conformity with U.S. generally accepted accounting principles. We are also responsible for establishing and maintaining effective internal control over financial reporting at the Division.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of July 28, 2016, the following representations made by the Division to you during your audit:

1. Regarding the required supplementary information, "Budgetary Basis Reporting," as presented in the basic financial statements:

   a. The financial plan, with accompanying notes, presented in such required supplementary information accurately reflects the original and final financial plan amounts issued by the Division and is designed to conform to the reporting of actual spending which excludes certain capital spending related to programs which are financed directly from bond proceeds.

b. The fund structure classification used in the "Actual" column of this required supplementary information conforms to the fund structure classifications used in developing the corresponding financial plan.

c. With the exception of amounts reported as interest earnings on the short-term investment pool, the use of the NYGL0363 report provides accounting data on the same basis (cash basis) as the data presented in the financial plan column of the "Budgetary Basis Reporting."

d. The narrative description of the budgetary and financial plan process presented in the Required Supplementary Information footnote is a fair and accurate description of such process.

e. Without independent verification of the accrual information or the information on non-budgeted funds contained therein, a review of the reconciliation of the budgetary cash basis operating results to the GAAP basis operating results as presented in the Required Supplementary Information footnote determined that there is nothing to indicate that such reconciliation is misleading or incomplete.

2. The Division has made available to OSC:

a. All relevant records, documentation, and information requested of the Division, with respect to the preparation of the basic financial statements.

b. Additional information requested from us for the purpose of the audit.

c. Unrestricted access and the full cooperation of personnel within the Division.

3. Except as disclosed to you in writing, there have been no communications from regulatory agencies to the Division concerning noncompliance with, or deficiencies in, financial reporting practices.

4. The Division has disclosed to you any deficiencies in the design or operation of internal control over Financial Plan reporting, of which we are aware, which could adversely affect the State's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you any such deficiencies, of which we are aware, that we believe to be significant deficiencies or material weaknesses in internal control over Financial Plan reporting, as those terms are defined in AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit.*

5. Division management has no knowledge of:

   a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the basic financial statements or as a basis for recording a loss contingency.

   b. Unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

   c. Other material liabilities or gain or loss contingencies beyond those disclosed by OSC that are required to be accrued or disclosed by GASB Statement No. 62, paragraphs 96 – 113.

   d. Material transactions that the Division has been advised have not been properly recorded in the accounting records underlying the basic financial statements.

   e. Events that have occurred subsequent to the date of the statement of net position on and through the date of this letter that would require adjustments to or disclosure in the basic financial statements.

6. Division management has no knowledge of any definitive plans or definitive intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, or deferred inflows of resources.

7. Division management is not aware that the Division has not complied, in all material respects, with all aspects of laws, regulations, contractual agreements and grants that may materially affect the basic financial statements.

8. To the extent that Division management is aware, the following have been properly disclosed to OSC:

   a. Related party relationships and transactions of which we are aware in accordance with the requirements of U.S. generally accepted accounting principles, including related accounts receivable or payable, revenues, expenses, loans, transfers, leasing arrangement, assessments, and guarantees.

   b. Guarantees of which we are aware, whether written or oral, under which the State is contingently liable.

   c. Agreements to repurchase assets previously sold, of which we are aware, including sales with recourse.

9. The State has complied with all debt limits and with all debt related covenants.

10. The State has complied with all applicable laws and regulations in adopting, approving and amending budgets.

11. Division management acknowledges its responsibility for preventing and detecting fraud at the Division, including the design, implementation, and review of the adequacy of programs and controls by the Division to prevent and detect fraud at the Division; for adopting sound accounting policies at the Division; and for the design, implementation, and review of internal control by the Division and to provide reasonable assurance against the possibility of misstatements that are material to the basic financial statements whether due to error or fraud.

    Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity's assets where the effect of the theft causes the basic financial statements not to be presented in conformity with U.S. generally accepted accounting principles.

12. Division management has no knowledge of any fraud or suspected fraud affecting the State involving:

    a. Division management,

    b. Division employees who have significant roles in internal control over financial reporting, or

    c. Others where the fraud could have a material effect on the basic financial statements.

13. Division management has no knowledge of any allegations of fraud or suspected fraud materially affecting the financial condition of the State received in communications from employees, former employees, analysts, regulators, or others.

14. Division management has no knowledge of any officer or member of a governing body of the State, or any other person acting under the direction thereof, taking any action to fraudulently influence, coerce, manipulate or mislead you during your audit.

15. Division management has received opinions of counsel upon each issuance of tax-exempt bonds that the interest on such bonds is exempt from federal income taxes under the Internal Revenue Code of 1986, as amended. There have been no changes in the use of property financed with the proceeds of tax-exempt bonds, or any other occurrences, subsequent to the issuance of such opinions, that would jeopardize the tax-exempt status of the bonds. Provision has been made, where material, for the amount of any required arbitrage rebate.

Sincerely,

Sandra Beattie
Deputy Director

ROBERTA REARDON
Commissioner

New York State Department of Labor
Harriman State Office Campus
Building 12, Room 500, Albany, NY 12240
www.labor.ny.gov

July 25, 2016

KPMG LLP
515 Broadway
Albany, NY 12207

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of the Unemployment Insurance Fund (the "Fund") of the State of New York, an Enterprise Fund of the State of New York (the "State"), administered by the New York State Department of Labor (the "Department"), as of and for the year ended March 31, 2016, within the context of your audit of the State's basic financial statements, for the purpose of expressing an opinion as to whether the State's basic financial statements present fairly, in all material respects, the financial position of the Fund, and the respective changes in financial position and cash flows in conformity with U.S. generally accepted accounting principles.

We confirm that we are responsible for the information the Department provides to the Office of State Comptroller, which utilizes such information for the fair presentation in the State's basic financial statements of financial position, changes in financial position, and cash flows in conformity with U.S. generally accepted accounting principles. We are also responsible for establishing and maintaining effective internal control over financial reporting at the Department.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of July 25, 2016 the following representations made to you during your audit:

1. We have fulfilled our responsibilities for the preparation and fair presentation of the basic financial statements in accordance with U.S. generally accepted accounting principles.

2. We have made available to you:

    a. All records, documentation, and related information that are relevant, including enacted legislation, to the preparation and fair presentation of the basic financial statements.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.

3. Except as disclosed to you in writing, there have been no:

   a. Circumstances that have resulted in communications from the Fund's external or internal legal counsel to the Fund reporting evidence of a material violation of securities law or breach of fiduciary duty, or similar violation by the Fund or any agent thereof.

   b. False statements affecting the Fund's or the State's financial statements made to the Fund's internal auditors, or other auditors who have audited entities under our control upon whose work you may be relying in connection with your audit.

4. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Department's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*.

5. There are no:

   a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the basic financial statements or as a basis for recording a loss contingency.

   b. Unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

   c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62, paragraphs 96 – 113.

   d. Material transactions, for example, grants or encumbrances that have not been properly recorded in the accounting records underlying the basic financial statements.

   e. Events that have occurred subsequent to the date of the statement of net position and through the date of this letter that would require adjustments to or disclosure in the basic financial statements.

6. All known actual or possible litigation and claims have been accounted for and disclosed in accordance with GASB Statement No. 62, paragraphs 96 – 113.

7. The Fund has no:

   a. Commitments for the purchase or sale of services or assets at prices involving material probable loss.

   b. Material amounts of obsolete, damaged, or unusable items included in the inventories at greater than salvage values.

   c. Loss to be sustained as a result of other-than-temporary declines in the fair value of investments.

8. We have no plans or intentions that may materially affect the carrying value or classification of Fund assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

9. Deposits and investment securities are properly classified and reported.

10. Management is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Fund. Management has identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.

11. The Department has complied with all aspects of laws, regulations, and contractual agreements that would have a material effect on the Fund's financial statements in the event of noncompliance.

12. There are no material transactions that have not been properly recorded in the accounting records underlying the adjustments.

13. The following have been properly recorded or disclosed in the basic financial statements:

    a. Related party relationships and transactions of which we are aware in accordance with the requirements of U.S. generally accepted accounting principles, including related accounts receivable or payable, revenues, expenses, loans, transfers, leasing arrangement, assessments, and guarantees.

    b. Guarantees, whether written or oral, under which the Department is contingently liable.

    c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit or similar arrangements.

    d. Agreements to repurchase assets previously sold, including sales with recourse.

    e. Changes in accounting principle affecting consistency.

    f. The existence of and transactions with joint ventures and other related organizations.

14. The Department has identified and properly accounted for all non-exchange transactions.

15. The following information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the basic financial statements:

    a. Extent, nature, and terms of financial instruments with off-balance sheet risk;

    b. The amount of credit risk of financial instruments with off-balance sheet credit risk and information about the collateral supporting such financial instruments; and

    c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

16. We believe that all material expenditures or expenses that have been deferred to future periods will be recoverable.

17. Components of net position (net investment in capital assets, restricted; and unrestricted) and fund balance components (non-spendable; restricted; committed; assigned; and unassigned) are properly classified and, if applicable, approved.

18. The Department has identified and properly accounted for and presented all deferred outflows of resources and deferred inflows of resources.

19. We acknowledge our responsibility for preventing and detecting fraud, including the design, implementation and maintenance of programs and controls to prevent, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. We understand that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets.

    Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity's assets where the effect of the theft causes the basic financial statements not to be presented in conformity with U.S. generally accepted accounting principles.

20. We have no knowledge of any fraud or suspected fraud affecting the entity involving:

    a. Management,

    b. Employees who have significant roles in internal control over financial reporting, or

    c. Others where the fraud could have a material effect on the basic financial statements.

21. We have no knowledge of any allegations of fraud or suspected fraud affecting the Department received in communications from employees, former employees, analysts, regulators, or others.

22. We have no knowledge of any officer or member of governing body of the Department, or any other person acting under the direction thereof, taking any action to fraudulently influence, coerce, manipulate or mislead you during your audit.

23. Interfund and internal activity and balances have been appropriately classified and reported.

24. Amounts advanced to related entities represent valid receivables and are expected to be recovered at some future date in accordance with the terms of related agreements.

25. Receivables reported in the financial statements represent valid claims against debtors arising on or before the date of the statement of net position and have been appropriately reduced to their estimated net realizable value.

26. The Department is responsible for determining the fair value of certain investments as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The amounts reported represent the Department's best estimate of fair value of investments required to be reported under the Statement. The Department has also disclosed the

methods and significant assumptions used to estimate the fair value of its investments and the nature of investments reported at amortized cost.

27. Expenses have been appropriately classified in the statement of activities, and allocations have been made on a reasonable basis.

28. Revenues are appropriately classified in the statement of activities between operating and non-operating.

29. The Fund has identified and properly accounted for all non-exchange transactions.

30. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Fund's current period basic financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the basic financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the basic financial statements in future periods.

31. Cash and cash equivalents were fully insured by the Federal Deposit Insurance Corporation or collateralized on March 31, 2016.

32. In accordance with *Government Auditing Standards*, we have identified to you all previous financial audits, attestation engagements, performance audits, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.

33. The Department has complied with all applicable laws and regulations in adopting, approving, and amending budgets.

Sincerely,

Roberta Reardon
Commissioner

Mario J. Musolino
Executive Deputy Commissioner

ANDREW M. CUOMO
Governor

MATTHEW J. DRISCOLL
Commissioner

Cathy Calhoun
Chief of Staff

July 25, 2016

KPMG LLP
515 Broadway
Albany, NY 12207

Ladies and Gentlemen:

The New York State Department of Transportation (NYSDOT) is providing this letter in connection with your audit of the basic financial statements of the State of New York (the "State"), as of and for the year ended March 31, 2016 the purpose of which is to express opinions as to whether the basic financial statements present fairly, in all material respects, the financial positions of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the related notes to the financial statements and the respective financial position changes and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles.

NYSDOT confirms that we are responsible for the information NYSDOT provides to the Office of the State Comptroller, which utilizes such information for the fair presentation in the basic financial statements of financial position, changes in financial position, and cash flows in conformity with U.S. generally accepted accounting principles. NYSDOT staff also is responsible for establishing and maintaining effective internal control over financial reporting at NYSDOT.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an alleged omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the alleged omission or misstatement.

I confirm, to the best of my knowledge and belief, the following representations made to you during your audit, as they relate to NYSDOT:

1. NYSDOT has made available to you:

   a. Capital asset records, documentation, and information that are relevant to the preparation and fair presentation of the State's basic financial statements.

   b. Additional information that you have requested from us for the purpose of the audit.

   c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.

2. Except as disclosed to you in writing, there have been no communications from regulatory agencies to NYSDOT concerning noncompliance with, or alleged deficiencies in, financial reporting practices that could have a direct and material effect on the basic financial statements.

3. NYSDOT has disclosed to you all alleged deficiencies in the design or operation of internal control over financial reporting of which staff is aware, which could adversely affect NYSDOT's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*.

4. As it relates to the NYSDOT capital asset balances, other than those already reported, my staff and I are not aware of any:

   a. Material transactions, for example, grants or encumbrances that have not been recorded properly in the accounting records underlying the basic financial statements.

   b. Side agreements or other arrangements (either written or oral) that have not been disclosed to you.

   c. Events that have occurred through the date of this letter, that would require adjustments to or disclosure in the basic financial statements.

5. Capital assets under the jurisdiction of NYSDOT, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated. NYSDOT has satisfactory title to owned assets and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

6. NYSDOT staff acknowledges our responsibility for the design, implementation and maintenance of programs and controls intended to prevent, deter, and detect fraud and for the design, implementation and maintenance of internal control related to NYSDOT to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. Staff understands that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets where the fraud could have a direct and material effect on the basic financial statements.

7. NYSDOT has complied, in all material respects, with applicable laws, regulations, contractual agreements and grants involving and applicable to NYSDOT that could have a direct and material effect on the State's basic financial statements in the event of noncompliance.

8. My staff and I have no knowledge of any fraud or suspected fraud which could have a direct and material effect on the basic financial statements involving:

   a. Management,

b. Employees who have significant roles in internal control over financial reporting, or

c. Others where the fraud could have a material effect on the State's basic financial statements.

9. My staff and I have no knowledge of any allegations of fraud or suspected fraud affecting NYSDOT received in communications from employees, former employees, regulators, or others where the fraud could have a direct material effect on the basic financial statements.

10. My staff and I have no knowledge of any officer or member of governing body of NYSDOT, or any other person acting under the direction thereof, taking any action to fraudulently influence, coerce, manipulate or mislead you during your audit that could have a direct material effect on the basic financial statements.

11. NYSDOT has no material amounts of obsolete, damaged, or unusable items included in the inventories at greater than salvage values.

12. The State, through NYSDOT, has elected to use the modified approach to account for eligible infrastructure assets and meets the Governmental Accounting Standards Board (GASB) established requirements.

13. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with the applicable criteria and prescribed guidelines established by the Governmental Accounting Standards Board and:

    a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.

    b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period.

    c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate in the circumstances.

14. The inventory and asset management systems maintained by NYSDOT for roads and bridges are complete and accurate at March 31, 2016.

15. NYSDOT infrastructure has been valued properly at historical cost at March 31, 2016 and reported to the Office of the State Comptroller for inclusion in the State's financial statements in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and related statements and guidelines.

16. NYSDOT has disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, may not be in accordance with U.S. generally accepted accounting principles. Staff has evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the State's basic financial statements as of and for the year ended March 31, 2016, and the expected impact of each such policy and practice on future periods' financial reporting. My staff and I believe the effect of these policies and practices on the basic financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the State's basic financial statements in future periods.

17. Other than those already reported, we are not aware of any:

    a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the State's basic financial statements or as a basis for recording a loss contingency.

    b. Unasserted claims or assessments that are probable of assertion and must be disclosed in accordance with paragraphs 96 – 113 of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

    c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62, paragraphs 96 – 113, which could have a direct and material effect on the basic financial statements.

    d. Material transactions, for example, grants or encumbrances that have not been recorded properly in the accounting records underlying the State's basic financial statements.

    e. Events that have occurred subsequent to the date of the statement of net position and through the date of this letter that would require adjustments to or disclosure in the State's basic financial statements.

18. NYSDOT has no commitments for the purchase or sale of services or assets at prices involving material probable loss.

19. NYSDOT has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

20. The following have been recorded properly or disclosed in the basic financial statements as they pertain to NYSDOT:

    a. Related party transactions which could have a direct and material effect on the basic financial statements including related accounts receivable or payable, revenues, expenses, loans, transfers, leasing arrangements, assessments, and guarantees. We understand that the term "related party" refers to affiliates of the State; entities for which investments are accounted for by the equity method by the State; trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; key administrative, financial, and legislative personnel and other members of State management or business they represent or have an interest in; members of immediate families of State management; and other parties with which the enterprise may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursing its own separate interests. "Another party" also is a "related party" if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

b. Guarantees, whether written or oral, under which the State is contingently liable which could have a direct and material effect on the basic financial statements.

c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, and lines of credit or similar arrangements which could have a direct and material effect on the financial statements.

d. Agreements to repurchase assets previously sold, including sales with recourse which could have a direct and material effect on the financial statements.

e. Changes in accounting principles affecting consistency which could have a direct and material effect on the financial statements.

f. The existence of and transactions with joint ventures and other related organizations which could have a direct and material effect on the financial statements.

21. NYSDOT's capital expenditures are complete and accurate and have been expensed properly or capitalized as of March 31, 2016 in compliance with the requirements of GASB Statement No. 34.

22. NYSDOT has provided to you a list of non-OSC audits completed of NYSDOT for the period April 1, 2015 through March 31, 2016. Further, copies of these reports were made available when requested. My staff and I are not aware of any audits that are in process, which may result in Federal deferrals or disallowances, other significant liabilities to the State, the identification of significant deficiencies in internal controls, and/or instances of illegal acts or fraud that could have a direct and material effect on the basic financial statements.

23. Provision has been made in the State's financial statements for NYSDOT's pollution remediation obligations. We believe that such estimate has been determined in accordance with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and is reasonable based on available information.

24. My staff and I believe the capitalization level thresholds set by the State to be reasonable and in compliance with U.S. generally accepted accounting principles.

25. My staff and I believe NYSDOT has properly applied the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* including those related to the recognition or outlays associated with the development of internally developed computer software.

Sincerely,

Matthew Driscoll

Matthew J. Driscoll
Commissioner

NEW YORK STATE OF OPPORTUNITY | Office of General Services

ANDREW M. CUOMO
Governor

ROANN M. DESTITO
Commissioner

July 22, 2016

KPMG LLP
515 Broadway
Albany, NY 12207

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the related notes to the financial statements, of the State of New York (the "State"), as of and for the year ended March 31, 2016 (collectively, the basic financial statements), for the purpose of expressing opinions as to whether these financial statements present fairly, in all material respects, the respective financial positions, changes in financial positions and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles.

We confirm that we are responsible for the information the New York State Office of General Services (the "Office of General Services" or the "Office") provides to the Office of the State Comptroller, which utilizes such information for the fair presentation in the basic financial statements of financial position, changes in financial position, and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles. We are also responsible for establishing and maintaining effective internal control over financial reporting at the Office of General Services.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of July 25, 2016, the following representations made to you during your audit:

1. We have made available to you:

All capital asset financial records, documentation, and information that are relevant to the preparation and fair presentation of the State's basic financial statements, including enacted legislation, which may have a material effect on the capital asset balances accounted for by the Office of General Services included in the financial statements.

b. Additional information that you have requested from us for the purpose of the audit.

c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.

2. Except as disclosed to you in writing, there have been no:

   a. Circumstances that have resulted in communications from the Office of General Service's external or internal legal counsel to the Office reporting evidence of a material violation of securities law or breach of fiduciary duty, or similar violation by the Office or any agent thereof.

   b. False statements affecting the State's financial statements made to the Office's internal auditors, or other auditors who have audited entities under our control upon whose work you may be relying in connection with your audit.

3. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Office of General Service's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit.*

4. As it relates to the Office of General Services capital asset balances, there are no:

   a. Material transactions, for example, grants or encumbrances that have not been properly recorded in the accounting records underlying the basic financial statements.

   b. Events that have occurred subsequent to the date of the statement of net position and through the date of this letter that would require adjustments to or disclosure in the basic financial statements.

5. Capital assets accounted for by the Office of General Services, including infrastructure assets, are properly capitalized, reported and, if applicable, depreciated. There are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

6. We acknowledge our responsibility for preventing and detecting fraud, including the design implementation and maintenance of programs and controls to prevent, deter and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. We understand that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets.

   Misstatements arising from fraudulent financial reporting are intentional misstatements or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity's assets where the effect of the theft causes the basic financial statements not to be presented in conformity with U.S. generally accepted accounting principles.

7. We have no knowledge of any fraud or suspected fraud affecting the Office of General Services involving:
   a. Management,

   b. Employees who have significant roles in internal control over financial reporting, or

   c. Others where the fraud could have a material effect on the State's basic financial statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Office of General Services received in communications from employees, former employees, regulators, or others.

9. We have no knowledge of any officer or member of governing body of the State, or any other person acting under the direction thereof, taking any action to fraudulently influence, coerce, manipulate or mislead you during your audit.

10. To the best of the Office of General Service's knowledge, the State, as recorded through the Statewide Financial System, has no material amounts of obsolete, damaged, or unusable items included in the inventories at greater than salvage values.

11. The Office of General Services has complied with applicable laws, regulations, and contractual agreements that would have a material effect on the financial statements, in the event of noncompliance.

12. The Office of General Services is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the State. Management has identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts.

13. The Office of General Services has properly applied the requirements of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, including those related to the recognition of outlays associated with the development of internally generated computer software.

14. Provision has been made in the State's financial statements for the Office of General Service's pollution remediation obligations. We believe that such estimate has been determined in accordance with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and is reasonable based on available information.

15. The State's capital expenditures are complete and accurate and have been properly expensed or capitalized as of March 31, 2016 in accordance with U.S. generally accepted accounting principles.

16. We believe the capitalization level thresholds set by the State to be reasonable and in compliance with U.S. generally accepted accounting principles.

17. We have disclosed to you all accounting policies and practices related to capital assets accounted for by the Office of General Services we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the State's current period basic financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the basic financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the basic financial statements in future periods.

18. In accordance with *Government Auditing Standards*, we have identified to you all previous financial audits, attestation engagements, performance audits, and other studies that relate to the objectives of this audit including whether related recommendations have been implemented.

19. The Office of General Services is not aware of:
    a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the basic financial statements or as a basis for recording a loss contingency.

    b. Unasserted claims or assessments that our lawyers have advised us are probable of assertion and must be disclosed in accordance with paragraphs 96 - 113 of GASB Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

    c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62, paragraphs 96 - 113.

    d. Material transactions, for example, grants or encumbrances that have not been properly recorded in the accounting records underlying the basic financial statements.

    e. Side agreements or other arrangements (either written or oral) that have not been disclosed to you.

    f. Events that have occurred subsequent to the date of the statement of net position and through the date of this letter that would require adjustments to or disclosure in the basic financial statements.

20. The Office of General Services has no commitments for the purchase or sale of services or assets at prices involving material probable loss.

21. The Office of General Services has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

22. The following have been properly recorded or disclosed in the basic financial statements as they pertain to the Office of General Services:

a. Related party relationships and transactions of which we are aware in accordance with the requirements of U.S. generally accepted accounting principles, including related accounts receivable or payable, revenues, expenses, loans, transfers, leasing arrangement, assessments, and guarantees.

b. Guarantees, whether written or oral, under which the State is contingently liable.

c. Arrangements with financial institutions involving compensating balances, or other arrangements involving restrictions on cash balances, lines of credit or similar arrangements.

d. Agreements to repurchase assets previously sold, including sales with recourse.

e. Changes in accounting principle affecting consistency.

23. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

24. The Office of General Services has identified and properly accounted for all nonexchange transactions.

25. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

Very truly yours,

New York State Office of General Services

RoAnn M. Destito
Commissioner

Brian C. Matthews
Chief Financial Officer