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STATE COMPTROLLER



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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

March 22, 2021  
Mitchell & Titus, LLP  
80 Pine Street, 32nd Floor  
New York, NY 10005

We are providing this letter in connection with your examination of the internal controls maintained during the period May 1, 2020 through June 30, 2020, for the purpose of expressing an opinion as to whether management's assertion that internal controls are adequate to meet the criteria for maintaining internal controls as established in the "New York State Governmental Accountability, Audit and Internal Control Act" is fairly stated, in all material respects. The significant objectives and relevant controls supporting management's assertion are in the accompanying Appendix A.

We confirm, to the best of our knowledge and belief, as of date of this letter, the following representations made to you during your engagement:

1. We affirm our assertion that internal controls during the period of May 1, 2020 through June 30, 2020, are adequate to meet the criteria for maintaining internal controls as established in the "New York State Governmental Accountability, Audit and Internal Control Act."
2. All relevant matters are reflected in the measurement or evaluation of internal controls maintained during the period of May 1, 2020 through June 30, 2020. Internal controls are adequate to meet the criteria for maintaining internal controls as established in the "New York State Governmental Accountability, Audit and Internal Control Act."
3. All known matters contradicting management's assertion and any communication from regulatory agencies or others affecting the management's assertion have been disclosed to you, including communications received between the end of the period addressed in the written assertion and the date of the practitioner's report.
4. We are responsible for:
  - (a) the maintenance of internal controls and management's assertion regarding the maintenance of internal controls;
  - (b) Selecting the criteria; and
  - (c) Determining that such criteria are appropriate for our purposes.
5. Any known events subsequent to the period of May 1, 2020 through June 30, 2020 that would have a material effect on management's assertion have been disclosed to you.
6. We have provided you with all relevant information and access.

7. We have responded fully to all inquiries made to us by you during the examination.
8. We have disclosed to you:
- (a) All deficiencies in internal control relevant to the engagement of which we are aware.
  - (b) Our knowledge of any actual, suspected, or alleged fraud affecting the subject matter of the examination.
  - (c) Our knowledge of any actual, suspected, or alleged noncompliance with laws or regulations affecting maintenance of internal controls.
9. We understand that your examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and was designed for the purpose of expressing an opinion on the fairness of the presentation of the maintenance of internal controls as established in the "New York State Governmental Accountability, Audit and Internal Control Act", based on your examination, and that your procedures were limited to those that you considered necessary for that purpose.

  
\_\_\_\_\_  
(Signature and Title)

  
\_\_\_\_\_  
David Hasso, Deputy Comptroller Payroll and Revenues Services

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

**OFFICE OF OPERATIONS**

**DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES**

**BUREAU OF ACCOUNTING OPERATIONS**

Objective	Controls
<p>Establish accounting and financial reporting policies and procedures that facilitate proper recording of the State revenue and disbursement transactions and ensure that proper controls exist to safeguard information and limit access.</p>	<ul style="list-style-type: none"> <li>▪ Statutory accounting duties of the Comptroller are inventoried and kept current.</li> <li>▪ Systems security exists and staff access is periodically reviewed, which includes password controls, access approvals and roles and responsibility by function.</li> <li>▪ Policies and procedures exist that strictly limit the collection and storage of sensitive/personal information that is relevant and necessary for business needs.</li> <li>▪ Formal policy and procedure manuals exist in each Section of the Bureau. These are updated as conditions warrant and reviewed no less than annually.</li> <li>▪ A Business Continuity Plan has been developed and tested and is kept current.</li> </ul>
<p>Ensure that all funds, programs and accounts are properly established in compliance with state laws.</p>	<ul style="list-style-type: none"> <li>▪ Review, on an annual basis, appropriation acts, special budget implementation acts, other special chapters, and Federal rules and regulations to identify, document and implement special accounting requirements.</li> <li>▪ Review assigned funds throughout the year to verify that the chart of accounts contains appropriate controls and complies with accounting rules.</li> </ul>

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

**OFFICE OF OPERATIONS (continued)**

**DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES (continued)**

**BUREAU OF ACCOUNTING OPERATIONS (continued)**

Objective	Controls
<p>Ensure that State agency spending does not exceed the amounts authorized by the State Legislature. Appropriation and segregation records are established in the SFS in accordance with amounts provided for in legislation.</p>	<ul style="list-style-type: none"> <li>▪ SFS records are reconciled to appropriation acts. Reconciliation of appropriations-in-force are completed and verified to the Division of Budget reports, and published in the Comptroller's Annual Report.</li> <li>▪ Monitor SFS reports for overspending and communicate corrective actions to the relevant agency(ies).</li> <li>▪ Periodically advise agencies, the Division of Budget and the Legislative fiscal committees to review SFS reports of appropriation/segregation records.</li> <li>▪ Confirm, document and maintain records related to appropriated spending that is subject to repayment and receivables.</li> </ul>
<p>Complete timely and accurate review, posting, reconciliation and reporting of cash receipt transactions, accounts receivable deposits and general ledger journal entries.</p>	<ul style="list-style-type: none"> <li>▪ Approve and post all revenue accounting transactions submitted by agencies in SFS.</li> <li>▪ Review and post daily revenue accounting transactions submitted by agencies after agreeing them to the daily deposit list communicated by the joint custodian of the General Checking Account: Department of Taxation and Finance - Treasury. Update guidance to agencies in the Guide for Financial Operations Section IV.3 to aid in proper statewide revenue classification.</li> </ul>
<p>Ensure the prompt and accurate recording of tax collections and refunds paid.</p>	<ul style="list-style-type: none"> <li>▪ Reconcile all sole custody tax accounts to bank statements, to the Department of Taxation and Finance's electronic tax return processing system, and to monthly certifications of the Tax Commissioner of receipts, refunds paid and amounts owed to local government.</li> <li>▪ Credit tax receipts to designated funds pursuant to State statutes. These credits are then verified by parties independent of the unit (e.g., Department of Taxation and Finance, Division Of Budget).</li> <li>▪ Reconcile transfers from sole custody tax collection</li> </ul>

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

**OFFICE OF OPERATIONS (continued)**

**DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES (continued)**

**BUREAU OF ACCOUNTING OPERATIONS (continued)**

Objective	Controls
<p>Efficiently manage the daily concentration and disbursement of State funds for purposes of investments and State operations.</p>	<p>accounts to the SFS.</p> <ul style="list-style-type: none"> <li>▪ Distribute each local government's share of tax collections (e.g., income and sales taxes) no less than two times per month. Review annual independent audit results provided to Bureau of Accounting Operations to verify amounts distributed.</li> <li>▪ Distribute revenue tax collections to Metropolitan Transit Authority each month pursuant to legislation.</li> <li>▪ Initiate wire and ACH transfers with appropriate authorizations, including individual token access to banks and separation of transfer initiation and release functions.</li> <li>▪ Use pre-established templates with approved accounting codes to perform transfers of State funds to banks.</li> <li>▪ Review bank transaction history, as needed to address identified discrepancies, through bank's website.</li> <li>▪ Sole custody bank accounts are reconciled by State agencies at least monthly pursuant to State Finance Law §107.</li> </ul>
<p>Execute federal draws timely, accurately and in accordance with State and Federal laws, guidelines and agreements.</p>	<ul style="list-style-type: none"> <li>▪ Reconcile/validate SFS-prepared draw worksheets/bills to the federal draw system (what was actually keyed and drawn in the federal system by the preparer).</li> </ul>
<p>Complete timely and accurate reporting of federal cash transactions (i.e., receipts, disbursements by grant award, etc.) and compliance with all relevant rules, regulations, etc.</p>	<ul style="list-style-type: none"> <li>▪ Annual Single Audit includes tests of compliance with Federal rules and regulations.</li> <li>▪ Review Federal SF-425 reports to ensure accuracy prior to submission to the U.S. Department of Health and Human Services.</li> </ul>
<p>Ensure that all payments from State funds are reconciled prior to release.</p>	<ul style="list-style-type: none"> <li>▪ Daily payment release reconciliations are completed before check and electronic payment files are released. Out of balance conditions are reviewed and resolved with SFS staff prior to release.</li> </ul>

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

**OFFICE OF OPERATIONS (continued)**

**DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES (continued)**

**BUREAU OF ACCOUNTING OPERATIONS (continued)**

Objective	Controls
<p>Ensure all State bank accounts are sufficiently collateralized with approved securities as defined by State Finance Law.</p>	<ul style="list-style-type: none"> <li>▪ Ensure banks complete "undertaking" documents that define the legal foundations and conditions required to accept State deposits.</li> <li>▪ Review and approve banks' bond ratings to ensure sufficient industry standing.</li> <li>▪ Approve establishment of new bank accounts and maintain an inventory of State-managed bank accounts.</li> <li>▪ Establish collateral level based on average daily available balances less FDIC coverage.</li> <li>▪ Review bank balances and reports daily and adjust collateral amounts, as necessary.</li> </ul>

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

**OFFICE OF OPERATIONS (continued)**

**DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES (continued)**

**BUREAU OF FINANCIAL REPORTING AND OIL SPILL REMEDIATION**

Objective	Controls
<p>Establish accounting and financial reporting policies and procedures utilized in preparing the State's financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).</p>	<ul style="list-style-type: none"> <li>▪ Formal policy and procedures manuals exist and are updated as a result of operational changes or upon implementation of authoritative standards which results in changes or at a minimum of every three years.</li> </ul>
<p>Prepare the State's annual and quarterly U.S. GAAP basis financial statements.</p>	<ul style="list-style-type: none"> <li>▪ Agency financial reporting instructions to State agencies and Public Benefit Corporations provide for uniform reporting by appropriate entities.</li> <li>▪ Bureau management monitors and reviews critical completion dates for financial statement preparation.</li> <li>▪ Legislation and Governmental Accounting Standards Board (GASB) pronouncements are reviewed and implemented, as required.</li> <li>▪ Select an independent accounting firm for the annual U.S. GAAP financial statement audit.</li> </ul>
<p>Administer public authority reporting requirements for Public Authority financial statement-related information.</p>	<ul style="list-style-type: none"> <li>▪ Periodically review reporting requirements for possible revisions.</li> <li>▪ Maintain financial-related public authority data in a secure and accessible system.</li> <li>▪ Oversee and administer financial reporting requirements in accordance with laws and regulations.</li> </ul>
<p>Ensure that Department of Environment Conservation (DEC), Office of Attorney General (OAG), Department of Health (DOH) and OSC work collaboratively to establish and maintain appropriate controls.</p>	<ul style="list-style-type: none"> <li>▪ Interaction between, and periodic meetings with, DEC, OAG, DOH and OSC are held to ensure close cooperation among the Spill Fund participant agencies, that the fund operates in an efficient and effective manner and mandates under the Navigation Law are fulfilled.</li> </ul>

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

**OFFICE OF OPERATIONS *(continued)***

**DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES *(continued)***

**BUREAU OF FINANCIAL REPORTING AND OIL SPILL REMEDIATION *(continued)***

Objective	Controls
Ensure that vouchers are paid accurately and timely.	<ul style="list-style-type: none"> <li>▪ The Spill Fund works with the Bureau of State Expenditures to ensure that proper oversight and internal controls are maintained over all DEC voucher and procurement procedures and processes.</li> </ul>
Maintain data integrity in spill litigation files.	<ul style="list-style-type: none"> <li>▪ The Spill Fund works closely with the Bureau of Financial Reporting and the Division of Legal Services to ensure that all legal and financial reports are prepared in compliance with Article 12 of the Navigation Law and appropriate governmental accounting and reporting standards, as well as OSC policies. The Spill Fund works closely with the OAG and DEC to ensure that responsible parties are being pursued in an efficient and timely manner. Prompt and appropriate litigation settlements will ensure that the Spill Fund balance remains positive.</li> </ul>



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

**OFFICE OF OPERATIONS (continued)**

**DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES (continued)**

**BUREAU OF STATE PAYROLL SERVICES**

Objective	Controls
<p>Ensure that payments to employees, vendors, tax authorities (and other parties) are made in compliance with laws, union contracts, rules and policies.</p>	<ul style="list-style-type: none"> <li>▪ Maintain a quality audit approach to ensure that:               <ul style="list-style-type: none"> <li>(a) Employee bi-weekly payments are accurate (<i>i.e.</i>, payments are calculated correctly and paid to the correct person for the correct amount).</li> <li>(b) Employee annual salaries are calculated in accordance with civil service law (<i>i.e.</i>, new salary or salary change is consistent with the employee's grade and bargaining unit).</li> <li>(c) Employees are properly added and deleted from the payroll.</li> <li>(d) Employee voluntary and involuntary deductions (<i>i.e.</i>, withholding taxes, union dues, child support orders, income execution orders, levies, retirement contributions, tax deferrals, etc.) are processed in compliance with laws, union contracts, rules and regulations.</li> <li>(e) Reporting (to tax authorities, retirement systems, unions and third parties) is accurate and timely.</li> <li>(f) Maintain a computer system that is capable of producing accurate salary payments and mass salary increases for employees.</li> <li>(g) Segregation of duties exist within the Bureau and between the Bureau and State agency payroll offices.</li> </ul> </li> </ul>
<p>Ensure that State agencies make payments to their employees in compliance with union contracts, laws, rules and policies.</p>	<ul style="list-style-type: none"> <li>▪ The Bureau maintains an internal system of quality assurance to identify and report agency compliance with policies, contracts and laws.</li> </ul>

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

**OFFICE OF OPERATIONS (continued)**

**DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES (continued)**

**BUREAU OF STATE PAYROLL SERVICES (continued)**

Objective	Controls
<p>Ensure that proper controls exist in the payroll system to safeguard against fraud and unauthorized system access.</p>	<ul style="list-style-type: none"> <li>▪ A process is in place to detect Bureau employee changes to their individual records in the payroll system.</li> <li>▪ Bureau employees only have access to tasks related to their jobs.</li> <li>▪ Processes are in place to review changes to agency submissions made by the Bureau audit staff.</li> <li>▪ State agencies have controls in place to ensure that access to the payroll system is limited to only those individuals who have job related responsibilities.</li> </ul>
<p>Ensure that system changes are properly approved and performed accurately.</p>	<ul style="list-style-type: none"> <li>▪ Adequate review and approval of program modifications and actual program changes exist.</li> <li>▪ Segregation of duties exists between the Bureau functional design group and the Office of the Chief Information Officer.</li> </ul>
<p>Ensure the privacy of State employee personal information.</p>	<ul style="list-style-type: none"> <li>▪ Policies and procedures exist that strictly limit the collection and use of personal information to only such information that is relevant and necessary to accomplish payroll processing.</li> <li>▪ Policies and procedures exist to limit access to personal information to only those persons or entities with a legitimate business need or a legal right to such information.</li> <li>▪ Secure electronic transfer of personal data is required to the extent possible to reduce the opportunity for data loss or theft.</li> </ul>

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

**OFFICE OF OPERATIONS (continued)**

**DIVISION OF PAYROLL, ACCOUNTING AND REVENUE SERVICES (continued)**

**OFFICE OF UNCLAIMED FUNDS (OUF)**

Objective	Controls
Return abandoned property to the rightful owner(s).	<ul style="list-style-type: none"> <li>▪ Maintain a computer system that is capable of receiving accurate unclaimed funds owner information, processing claims and producing accurate refunds.</li> <li>▪ Segregation of duties exists between the payment function and the other OUF operational units (reports processing, securities management, etc.).</li> <li>▪ The dollar value of property is not published or available to the public.</li> <li>▪ Policies and procedures are in place to limit access to personal or confidential information only to those entitled to this information.</li> <li>▪ Secure electronic transfer of personal data is achieved to the extent possible to reduce the opportunity for data loss or fraud (i.e., On-Line Claims).</li> <li>▪ Logical systems security exists in the Unclaimed Funds Processing System (UFPS), including password controls, access approvals, assigning user profiles by function and system audit trails for any data changes.</li> <li>▪ Claim processing and other business procedures are documented, and multi-level approvals are required based upon property type and/or value.</li> <li>▪ Deductions such as withholding taxes, levies and income executions are processed in compliance with laws, rules and regulations.</li> <li>▪ Routine post-audits of all high dollar value claim payments, as well as post-audit samples of all other claims to check compliance with policies and procedures.</li> <li>▪ Reporting of all taxable transactions to tax authorities is accurate and timely.</li> <li>▪ Adequate review and approval of business process improvements and system modifications exist (UFPS and On-Line Application).</li> </ul>

