
**Alan G. Hevesi
COMPTROLLER**



Audit Objective..... 2

Audit Results - Summary..... 2

Background..... 3

**Audit Findings and
Recommendations..... 3**

Computer Equipment..... 3
Recommendations..... 5

Payroll Practices 6
Recommendations..... 7

Reporting of Agency Vehicles 8
Recommendation 8

Audit Scope and Methodology..... 8

Authority 9

Reporting Requirements..... 9

Contributors to the Report 9

Appendix A - Auditee Response.. 10

**OFFICE OF THE
NEW YORK STATE COMPTROLLER**

DIVISION OF STATE SERVICES

**NEW YORK STATE
INSURANCE FUND**

**INTERNAL CONTROLS
OVER SELECTED
FINANCIAL OPERATIONS**

Report 2005-S-57

AUDIT OBJECTIVE

Our objective was to determine whether the State Insurance Fund (SIF) established adequate controls over selected aspects of its computer equipment, payroll operations, and vehicle fleet.

AUDIT RESULTS - SUMMARY

We identified significant control weaknesses over SIF's computer equipment inventory. We also noted the need for improvements in certain areas relating to payroll and the vehicle fleet.

We found an overall lack of control over computer equipment. For example, in numerous instances, computer equipment was not recorded on the inventory records or could not be found during our review. In addition, inventory records were not always updated when computer equipment was moved to other locations, and physical inventories were not taken as required. We noted that employees responsible for maintaining control over equipment did not have a sufficient understanding of their responsibilities, and management did not adequately oversee the equipment control function.

SIF had 63 student assistants who performed various functions. We determined SIF often used the student assistant positions for individuals who did not meet the eligibility

criteria set by the Department of Civil Service (Civil Service). In addition, SIF needed to establish better control over the accuracy and completeness of employee time cards, and the use of overtime.

Some improvements were needed regarding SIF's vehicle fleet. For example, SIF was not properly reporting the taxable value of the vehicles assigned to four of its executive employees.

Our report contains eight recommendations to improve controls over computer equipment, payroll, and the vehicle fleet. SIF officials agreed with our recommendations and have taken steps to implement changes. Once notified in writing of our findings, SIF's new executive director, appointed in January 2006, has taken a proactive approach. By April 2006, SIF had established a remediation plan addressing the issues in this report. SIF officials are establishing new control procedures and searching for equipment that has not been accounted for.

This report, dated August 10, 2006, is available on our website at: <http://www.osc.state.ny.us>. Add or update your mailing list address by contacting us at: (518) 474-3271 or
Office of the State Comptroller
Division of State Services
State Audit Bureau
110 State Street, 11th Floor
Albany, NY 12236

BACKGROUND

SIF is a non-profit agency of the State of New York that includes both the Workers' Compensation Fund and the Disability Benefits Fund. SIF was established in 1914 to provide a guaranteed source of workers' compensation insurance coverage for employers in New York State. In addition, SIF was authorized in 1950 to write disability benefits insurance. SIF is now the largest single carrier of workers' compensation insurance in the State, with approximately 37 percent of the market. SIF's liabilities are guaranteed by the State should the fund become insolvent.

SIF is administered by nine unpaid Commissioners. The Commissioner of Labor of New York State serves by virtue of his office, with the other members being appointed by the Governor with the consent of the Senate. The Commissioners appoint an executive director for a nine-year term who is responsible for the direction and operation of SIF. As of June 30, 2005, SIF had approximately 2,750 employees in its central office and nine district offices. In 2004, SIF incurred \$126.4 million in personal service expenses.

AUDIT FINDINGS AND RECOMMENDATIONS

Computer Equipment

As of June 30, 2005, SIF reported having nearly 12,000 pieces of computer equipment on hand, such as desktops, monitors, laptops, and peripheral devices. For 2004, SIF purchased \$5.2 million of computer equipment. Agencies are responsible for establishing adequate internal controls over equipment. The New York State Accounting System User Procedures Manual (Manual) provides guidelines to State agencies for

establishing and maintaining control over equipment. The Manual states that agencies should appoint a property manager to be responsible for maintaining up-to-date, accurate equipment inventory records. SIF's Director of Administration was the property manager for SIF's central office and the nine district offices. All purchases should be placed under inventory. When equipment is transferred, the records should be updated. Periodic physical inventories should be taken to account for the equipment, and lost or stolen equipment should be reported to the State Comptroller. In addition, equipment values should be listed on the records. We reviewed SIF's controls over computer equipment, and performed a number of tests of the inventory records. We found an overall lack of control over SIF's computer equipment inventory, as follows:

- In January 2005, SIF purchased 300 laptop computers costing \$411,552. As of June 30, 2005, we found that 218 of these laptops, costing almost \$300,000, had not been recorded on SIF's equipment inventory records. SIF, however, did obtain a receipt from the employees to whom they issued these computers. We selected a judgmental sample of 70 laptops from 4 locations where, based on the receipts, 227 of the 300 were located. We were able to account for 68 of the 70 laptops. The remaining two laptops were not accounted for.
- SIF could not locate or account for 57 of the 232 (25 percent) computer equipment items reportedly assigned to 100 employees we randomly selected from a total of 1,996 employees at Albany, New York City, Syracuse and White Plains district offices. An additional 15 items assigned to these employees had been transferred without

updating the records. In addition, 22 of these 100 employees had 43 computer equipment items at their workstations that were not on SIF's equipment inventory records.

- SIF stores much of its unused computer equipment in its central office storage area located in Manhattan. SIF's inventory records, as of June 30, 2005, indicated that there were 2,217 computer equipment items stored there. As this area is crowded with equipment, we limited our review to only 17 easily accessible items. We found 3 of the 17 items not recorded in the inventory records. We were also informed that 11 laptops were transferred from the Syracuse district office to the central office storage room in August 2004. However, as of June 2005, those computers were still listed as being in Syracuse. Similarly, SIF inventory records indicate that 167 IBM ThinkPad laptops were assigned to various district office users. However, SIF officials we interviewed maintain that the ThinkPad laptops had been deemed obsolete and moved to the central office storage area.
- SIF inventory records as of June 30, 2005, indicate that 14 computer equipment items, including desktops, laptops and monitors, had been assigned to an employee at the Albany district office. However, according to a district official, some of these items had been reassigned to other users without the inventory records being updated and can no longer be located.
- SIF records indicate that 44 computer items were assigned to 9 former employees. One of them had 20 items assigned to him, including 7 desktop computers, 6 laptops and 4 monitors.

SIF officials were only able to account for one laptop. SIF officials also could not account for 13 of the remaining 24 items.

In addition to the problems we found during the testing of the inventory records, we noted other control weaknesses. The Manual requires that an agency take an annual, independent count of equipment assigned to each location. This count should be documented. Physical inventories are important as they will alert management when items are missing, and they allow for records to be updated and adjusted. We were informed that a physical inventory was not done since 2003. Furthermore, the physical inventory in 2003 was limited to only certain locations, and the property manager did not have any reconciliation records from this count to document the results of this inventory.

The Manual specifically states that lost or stolen equipment items in excess of \$250 should be reported to the Office of the State Comptroller (OSC). We found that SIF does not comply with this requirement. For example, in March 2004, a laptop costing \$2,300 was stolen from an employee's car. In another case, the inventory records indicated a laptop was stolen while it was being transferred from one agency office to another. SIF did not have police incident reports for these two thefts. In another example, 12 laptops continued to be listed on the inventory records although a previous inventory identified the items as missing. None of these incidents were reported to the OSC. In addition, SIF officials had no further information on what had happened to a computer and monitor that, according to the comment section of the inventory record, had been taken by an employee to "an alternate location."

In addition, the Manual requires the inventory records to reflect a dollar value for each equipment item. This information is important for determining the value of inventory on hand for financial reporting purposes (e.g., financial statements), and is useful in determining the proper level of control and accountability over individual items. We found that SIF does not include dollar values on its computer equipment inventory records.

In our conversations with the property manager and his staff, we noted these employees did not have a sufficient understanding of the equipment control requirements contained in the Manual. In addition, SIF management has not done an adequate job of communicating required responsibilities to the property manager and his staff, nor provided oversight for this function. Agency management should ensure that employees are aware of their job responsibilities, and provide the necessary oversight to ensure equipment control functions are carried out as required.

In responding to our findings, SIF officials indicated they have appointed a new property manager, and are developing procedures addressing the control weaknesses we identified. SIF officials indicated they have been working to update their records. They reported they have located 48 of the 57 unaccounted for items from our random sample of 232. Therefore, nine are still unaccounted for. Also, they reported that the 43 computer items we found at the employee workstations have been added to the equipment inventory records. They also indicated that all of the 300 laptops from the January 2005 purchase have now been added to the inventory records, and that one of the two missing laptops from the judgmental sample of 70 had been located. The three

items we found in the storage area that were not on the inventory records have now been included, as have the 11 laptops that were transferred from Syracuse. SIF officials also reported that 135 of the 167 IBM ThinkPad laptops have been located and 33 of the 44 items listed as assigned to 9 former employees have been located and their locations have been corrected in the inventory records. SIF officials indicated they will make a final determination on any remaining missing or unaccounted for items, and if needed, will notify OSC of the lost or stolen items and pursue cost recovery and/or disciplinary actions. Lastly, they informed us that in June of 2006, they notified OSC of two recently stolen items.

Recommendations

1. Strengthen controls over computer equipment by:
 - timely recording all purchases on the inventory records;
 - adjusting the records to account for all transfers;
 - taking annual, physical inventories and documenting the results;
 - reporting lost or stolen equipment to the OSC;
 - recording equipment values;
 - communicating to the property manager and his staff their responsibilities relating to control over computer equipment; and
 - providing management oversight.
2. Investigate and take appropriate action in the cases we identified where equipment cannot be accounted for.

Utilization of Student Assistant Positions

Student assistants are non-competitive positions for which, according to Civil Service, current enrollment in a high school or matriculation as an undergraduate or graduate college student is the minimum qualification. All student assistant positions and appointments are temporary, and eligibility needs to be recertified annually. As of June 30, 2005, SIF had 63 student assistants. We found that SIF often uses the student assistant positions for individuals who do not meet the eligibility criteria.

We judgmentally selected seven student assistants based on the high amount of their salary and the date they were hired. We reviewed information contained in their employment applications. We found that six were not students when they were hired or when they transferred into these positions. The employment applications for three student assistants hired in 2004 show that two graduated from college in 1999 and the third in 1975. Two were hired to fill auditing positions and one for an inventory function. Three of the other student assistants were in fact salaried SIF employees who were transferred into the student assistant positions in 2002. These employees had been hired by SIF in 1974, 1979, and 1993 and assigned to various clerical and administrative jobs. As of June 30, 2005, these employees had base salaries of \$43,923, \$41,402 and \$61,326, respectively. In addition, we found that many student assistants have been in these positions for several years. One-third (21) of SIF's 63 student assistants were hired by SIF prior to the 2000 calendar year, which shows the long-term nature of some of these appointments.

We also found that SIF has used the student assistant positions to rehire, on a part-time basis, six of its former employees after they retired from SIF. There was no evidence that any of these six SIF retirees were students when they were moved into these positions. Further, while retirees from State employment may return as part-time employees, they are subject to the Retirement and Social Security Law, which limits the amount persons under 65 may earn without reducing their retirement benefits unless the agency receives a waiver. New York State and Local Employees Retirement System (NYSLERS) officials confirmed to us that SIF had not obtained a waiver for the one retiree holding a student assistant position whose pay exceeded the allowable limits for 2003 and 2004. NYSLERS officials stated they would seek recovery of \$769 from this employee.

In responding to the draft report, SIF officials indicated that all new hires to the student assistant positions will meet "student" eligibility requirements. SIF officials stated that by July 26, 2006, all "retirees" in student assistant titles will have been terminated. SIF officials stated they will work with Civil Service on identifying a more appropriate job title for the balance of these employees.

Time Card Controls

To ensure the integrity of employee time cards, each employee's direct supervisor is required to review the time card prior to signing it. For the period April 1, 2005 to June 30, 2005, we selected a random sample of 25 of 2,733 employees and reviewed a total of 75 time cards submitted by these 25 employees for three consecutive pay periods during 2005. We found that 4 of 75 time cards contained errors in which the employee had not charged accruals for leave time recorded on the time card. In addition, 15 of the 75 time cards related to field employees,

such as auditors, field representatives and field investigators. We found that SIF had exempted employees in these job titles from recording their starting and ending work times, as required by the PEF contract, without first obtaining the required approval from Civil Service. SIF allowed this practice for many years before officially sanctioning it with an April 2005 memo. In fact, every one of SIF's 267 employees in field positions may be submitting time cards that do not show the required starting and ending times.

Subsequent to the end of our field work, SIF officials indicated that they will be installing a new electronic system (LATS) that should eliminate manual errors due to data entry and missed time charges. In addition, SIF officials stated they will correct the time card errors we identified, and require all appropriate employees (including those in field status) to record their starting and ending times.

Controls for Overtime Payments

During 2004, SIF employees received \$601,000 in overtime payments, including ten employees who received a total of \$144,000. SIF requires each instance of overtime to be marked on the employee's time card as "OT" and initialed by the supervisor. We reviewed time cards for these ten employees covering the succeeding six month period (January 1, 2005 through June 30, 2005.) These employees filed a total of 41 time cards that included overtime. For 3 of the 41 time cards, the employee's supervisor had not initialed the overtime charges.

To test the accuracy of the 41 time cards, we reviewed the sign-out logs which employees must complete when exiting their building after 6 p.m. We compared the logs to the time cards, and found that two of the ten

individuals left the building earlier than the time indicated on their time cards. One left earlier in all 44 instances of overtime, claiming 10 hours and 16 minutes of unearned overtime. The other left earlier in 29 of 30 instances, claiming 6 hours and 15 minutes of unearned overtime.

In responding to the draft report, SIF officials indicated that the installation of LATS will strengthen controls over the time and attendance system, including the use of overtime. SIF officials further indicated that, for the two employees who departed the building earlier than shown on their respective time cards, they conducted an investigation. The combined 16 hours and 31 minutes of potential excess overtime equates to \$564.56 in overtime pay. SIF officials plan to interrogate the two employees, stating they will take disciplinary action and collect these monies if warranted.

Recommendations

3. Utilize student assistant positions appropriately.
4. When retired employees who return to SIF are paid more than the annual salary limits set by the Retirement and Social Security Law, report this information to NYSLERS.
5. Require field employees to record their actual starting and ending times of their workday, in accordance with their union agreement.
6. Ensure that supervisors review their employees' time cards for accuracy and completeness, and initial all required items before they sign the time cards.
7. Recover all overtime overpayments.

Reporting of Agency Vehicles

OSC's Payroll Bulletin 437 and the Internal Revenue Service (IRS) require the reporting of the taxable value of employer-provided vehicles. IRS policy prohibits the use of the commuting method for government employees whose compensation exceeded \$128,200 in 2004. Under the commuting method, the value of the vehicle provided to an employee is determined by multiplying each one-way commute by \$1.50. Other IRS methods, such as Annual Lease Value or the Fixed Rate Per Mile Method, must be used to report the taxable value. Bulletin 437 also requires these employees to keep logs of all business-related mileage. In addition, the State Division of the Budget's (DOB's) Budget Policy & Reporting Manual D-750 requires agencies to justify the acquisition or lease of a Sport Utility Vehicle (SUV) instead of a more fuel-efficient vehicle.

We found that SIF was using the commuting method for reporting the taxable value of the vehicles assigned to four executives, whose salaries exceeded the \$128,200 limit. Therefore, the taxable wages on federal form W-2 for these four executives is understated. These executives also did not keep logs or other documentation to support their business-related use of the vehicles. In addition, these four executives were assigned an SUV; however, SIF had not prepared written justifications for purchasing or leasing the SUVs, which SIF officials explained were needed for travel to upstate districts in snowy conditions.

Subsequent to the end of our field work, SIF officials indicated they were taking steps to address our findings. Officials indicated they will adjust the federal form W-2 for the four employees where the incorrect reporting method was used. Except for the executive director, no other executive staff will be

assigned a vehicle. All users of SIF vehicles will be required to keep a travel log, including their mileage. Two currently owned SUVs have been earmarked for the Office of General Services' auction. In addition, SIF officials will prepare the required justification for current SUVs and any future purchases.

Recommendation

8. Improve control over vehicles assigned to executives by:
 - complying with the provisions in OSC's Payroll Bulletin 437 for reporting the taxable value of employer-provided vehicles;
 - maintaining records of business-related mileage; and
 - documenting the justification for buying or leasing an SUV for employee use.

AUDIT SCOPE AND METHODOLOGY

We conducted our performance audit in accordance with generally accepted government auditing standards. We audited SIF's internal controls over selected aspects of its computer equipment, payroll operations and vehicle fleet for the period January 1, 2004 through June 30, 2005. To accomplish our objective, we met with SIF officials responsible for payroll and computer equipment inventories at the central office storage area. In addition, we visited four district offices to confirm and enhance our understanding of the control procedures over payroll and equipment, and to verify the existence of a sample of SIF employees and computer equipment items. We used software to analyze the computer equipment inventory and followed up with SIF officials on the exceptions we identified through our analysis.

We also reviewed SIF's controls over payroll additions and deletions, as well as the use of overtime. We reviewed SIF procedures for the handling of unclaimed payroll checks and the utilization of certain payroll lines.

Furthermore, we reviewed SIF compliance with OSC's Payroll Bulletin 437, DOB's Budget Policy & Reporting Manual D-750, and IRS Publication 15-B, as they apply to vehicle assignments.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Division of State Services. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members, some of whom have minority voting rights, to certain boards, commissions, and public authorities. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

AUTHORITY

We performed this audit pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

REPORTING REQUIREMENTS

Draft copies of this report were provided to SIF officials for their review and comment. Their comments were considered in preparing this report. SIF officials agree with our recommendations and indicated they have begun to implement them. A complete copy of SIF's response is included as Appendix A.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Executive Director/Chief Financial Officer of the New York State Insurance Fund shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

CONTRIBUTORS TO THE REPORT

Major contributors to this report include Frank Houston, Cindi Frieder, Myron Goldmeer, Alina Mattie, Katrina Lau, and Paul Bachman.

APPENDIX A – AUDITEE RESPONSE



New York State Insurance Fund
David P. Wehner, Executive Director/CEO

July 13, 2006

Ms. Cindi Frieder
Office of the State Comptroller
Division of State Services
State Audit Bureau
123 William Street – 21st Floor
New York, New York 10038

Re: Audit Report (2005-S-57)

Dear Ms. Frieder:

Being newly appointed as the Executive Director of the New York State Insurance Fund (NYSIF) in January of 2006, the timing of this audit and the findings regarding the control weaknesses during my predecessor's administration are of great benefit to me. As noted in the report, we have been very proactive in implementing changes, establishing a remediation plan, and identifying key employees to work with your staff and correct these deficiencies. The cooperation and professionalism of your group was appreciated during this review. I would like to take this opportunity to respond to the audit findings and the eight recommendations in the draft report.

1. *Strengthen controls over computer equipment by:*

- *timely recording all purchases on the inventory records;*
- *adjusting the records to account for all transfers;*
- *taking annual, physical inventories and documenting results;*
- *reporting lost or stolen equipment to the State Comptroller;*
- *recording equipment values;*
- *communicating to the property manager and his staff their responsibilities relating to control over computer equipment; and*
- *providing management oversight.*

Agency Response: NYSIF will be purchasing the Fixed Assets component of the Oracle Applications suite to manage and track our electronic equipment and to replace our current Microsoft Access based tracking system. This component will directly communicate and share data with the Purchasing and General Ledger components of Oracle already in place at NYSIF. Once installed, all purchases of equipment will immediately be reflected in our inventory records.

New policies and procedures have been instituted regarding the transfer of equipment and the required documentation and updating of the records.

One Watervliet Ave., Ext. • Albany, NY 12206
(518) 437-5220 • Fax (518) 437-5260



199 Church Street • New York, NY 10007
(212) 312-7001 • Fax (212) 385-2073

Ms. Cindi Frieder
Page 2

Included within the new policies and procedures are requirements for annual physical inventories to be completed by a third party. In March of 2006, a physical inventory of the laptop computers located at NYSIF's central storage facility in NYC was completed by our Internal Audit Department. Furthermore, physical inventories by centralized staff have begun at the various NYSIF offices.

In addition, the new policies and procedures include directives on how and when to report lost or stolen property to OSC. In June of 2006, reports were sent to OSC on two recently stolen items.

Within the Fixed Assets component of the Oracle Applications suite we will be able to capture the cost and calculate the approximate current value (in dollars) of all newly purchased electronic equipment. It should be noted that electronic equipment is expensed at time of purchase and the tracking of costs/values within the inventory record has no effect on the financial statements of NYSIF.

Effective March 15, 2006, NYSIF appointed a new individual to be the designated Computer Equipment Property Manager. This individual was most recently the supervisor of the upstate System Support Aides (SSA). She and her staff have been provided, and are well versed with, Executive's newly promulgated inventory controls and procedures to track and monitor NYSIF's computer equipment.

Management is providing closer oversight, with the statewide Computer Equipment Property Manager reporting directly to executive level staff.

2. Investigate and take appropriate action in the cases we identified where equipment cannot be accounted for.

Agency Response: We continue to investigate, locate and reduce the number of "unaccounted/missing" items that were identified in the preliminary findings. Below is an update of the numbers in the draft report:

Forty-eight (84%) of the 57 unaccounted for items from the random sample of 232 have now been located. Leaving only 9 still unaccounted for.

One-hundred thirty-five (81%) of the 167 IBM Think Pad laptops have now been located.

Thirty-three (75%) of the 44 items listed as assigned to 9 former employees have now been located and their locations have been corrected in the inventory records.

By October 1, 2006 we will make a final determination on all (if any) remaining missing or unaccounted for items. If need be, we will formally notify OSC of the lost or stolen items and pursue cost recovery and/or disciplinary actions if warranted.

Ms. Cindi Frieder
Page 3

3. Utilize student assistant positions appropriately.

Agency Response: All new (summer of 2006 and forward) hires to these positions will meet the "student" eligibility requirements and provide the needed documentation to Personnel. By close of business, July 26, 2006, all "retirees" in the student assistant titles will have been terminated. In the near future, those employees whom have other permanent hold items will go back to their former titles. Lastly, we will continue to work with Civil Service on identifying/creating a more appropriate job title for the balance of these employees.

4. When retired employees who return to NYSIF are paid more than the annual salary limits set by the Retirement and Social Security Law, report this information to NYSLERS.

Agency Response: Agreed. We do not foresee this happening in the future.

5. Require field employees to record their actual starting and ending times of their workday, in accordance with their union agreement.

Agency Response: The Director of Administration, at my direction, issued a memorandum to all Business Managers and Department Heads informing them of the requirement (effective June 1, 2006) for all field employees to record actual starting and ending times.

6. Ensure that supervisors review their employees' time cards for accuracy and completeness, and initial all required items before they sign the time cards.

Agency Response: The newly installed Leave and Accrual Tracking System (LATS) electronically requires supervisors to account for their employees' time and attendance and to attest to its accuracy. Training was provided to all NYSIF employees on the use of LATS, with additional instruction given to supervisors.

The four time cards that contained errors in which the employees had not charged accruals for leave time were corrected with the pay period ending April 5, 2006.

7. Recover all overtime overpayments.

Agency Response: The investigation work has been completed and we are arranging for the interrogation of the two employees, this should take place shortly after July 4, 2006. The combined sixteen hours and thirty-one minutes of potential excess overtime equates to \$564.56 in overtime pay. If warranted, after our interrogations, we will take disciplinary action and collect these monies

Ms. Cindi Frieder

Page 4

8. *Improve control over vehicles assigned to executives by:*

- *complying with the provisions in OSC's Payroll Bulletin 437 for reporting the taxable value of employer-provided vehicles;*
- *maintaining records of business related mileage; and*
- *documenting the justification for buying or leasing an SUV for employee use.*

Agency Response: Corrected W-2's were issued in the spring of 2006 for the years 2004 and 2005, utilizing the appropriate calculation (Annual Lease Value) method as provided in OSC's Payroll Bulletin 437.

Effective March 15, 2006, new procedures were instituted mandating travel logs be maintained in all NYSIF vehicles. Additionally, only the Executive Director is assigned an agency vehicle. The balance of the Executive staff, now utilize "pool" vehicles.

Under my leadership, there are no plans for the agency to purchase or lease additional sport utility vehicles. However, if this changes we will require the needed written justification.

In conclusion, thank you again for the professionalism that you and your staff extended during the audit and for providing me with useful recommendations that will help to improve the control environment of NYSIF.

Sincerely,



David P. Wehner
Executive Director