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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

December 19, 2006

Mr. John Hanna, Jr.  
Chairman  
Archives Partnership Trust  
Cultural Education Building - Room 9C49  
Albany, NY 12230

Re: Report 2006-F-43

Dear Mr. Hanna:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution and Section 2803 of the Public Authorities Law, we have followed up on the actions taken by officials of the Archives Partnership Trust (Trust) to implement the recommendations contained in our audit report, *Internal Controls over Financial Operations* (Report 2005-S-24).

**Background, Scope and Objectives**

In 1992, the New York State Legislature formed the Archives Partnership Trust (Trust) to preserve and make accessible the archives from 350 years of New York's colonial and state government, so that they may be used for the benefit of the public. To accomplish this task, the Trust has created an endowment to provide project support to increase access to the archives and to continue archives preservation efforts. The Trust is governed by a 25-member Board of Citizens appointed by the Governor, the Board of Regents, and legislative leaders. Members serve without compensation, except for their ordinary and necessary expenses incurred in the performance of their duties. Although affiliated with the State Education Department (SED), the Trust is a separate legal entity. The Trust has a memorandum of understanding with SED for the processing of the Trust's vouchers, payroll and accounting transactions.

Since the inception of the Trust, a 501(c)(3) non-profit organization, the State Legislature has provided \$3.9 million (about \$300,000 annually) to support the Trust's operations. Additionally, the Trust has used its endowment (valued at almost \$3 million as of March 31, 2006) and donations made by the public to fund numerous projects to sustain the excellence of the New York State Archives. The Trust had three employees and spent \$552,196 on general operations and \$228,542 on public outreach projects during the fiscal year ended March 31, 2006.

Our initial audit report, which was issued on October 31, 2005, concluded that the Trust had adequate internal controls over its financial management operations. Our audit also identified several areas where the Trust could further strengthen its internal controls or improve compliance with existing policies and procedures. These areas included investments, procurement and contracting, and equipment and asset management. The objective of our follow-up, which was

conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation (as of November 29, 2006) of the seven recommendations included in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

Trust officials have made significant progress in implementing the recommendations made in our initial audit report. Of the report's seven recommendations, four recommendations have been implemented. At the time of our follow-up, the remaining three recommendations (which addressed procurement and contracting) were not applicable because the Trust had not awarded any new contracts since our initial report was issued. Nonetheless, we maintain that the Trust should implement these three recommendations as it awards new contracts in the future.

### **Follow-up Observations**

#### **Recommendation 1**

*Enhance the Trust's investment guidelines to address the areas of inconsistency with Section 2925 of Public Authority Law and the Trust's investment guidelines.*

Status - Implemented

Agency Action - The Board of Citizens adopted amendments to the Trust's Investment Guidelines on January 31, 2006. The amended guidelines are consistent with Section 2925 of the Public Authority Law. Specifically, the amended guidelines address: the diversification of investments; the authorization of financial institutions the Trust can obtain services from; and the collateralization of investments.

#### **Recommendation 2**

*Require the Investment Committee to formally assess any investments that are currently not permitted by the Trust's investment guidelines and take action to modify the investments, if deemed necessary.*

Status - Implemented

Agency Action - The Trust amended its Investment Guidelines to require the investment committee to review and discuss the performance of investments at least quarterly and, if a bond is downgraded, to assess whether the bond should be retained or sold. We noted written evidence of such discussions in the five investment committee meetings that took place between December 16, 2005 and October 19, 2006.

**Recommendation 3**

*Comply with existing investment guidelines, which require signed written instructions to enter into a transaction with the endowment custodian or change the guidelines to require a Board resolution directing such a transaction.*

Status - Implemented

Agency Action - The Trust's Investment Guidelines (as amended on January 31, 2006) require officials to use one of two authorized procedures to approve an investment transaction through the custodian of the Trust's endowment. Specifically, the transaction must be formally approved by either: a resolution supported by a majority of the members of the Trust's Investment Committee; or by written instructions signed by the following two Trust officials - the Chairman of the Board and any one of the other members of the Investment Committee or the Trust's Executive Officer.

**Recommendation 4**

*Ensure that the Trust's procurement guidelines are followed for all future contracts. Specifically, the Board should ensure that the basis for contractor selection on non-competitive contracts is adequately documented.*

Status - Not Applicable

Agency Action - The Trust has not awarded a contract since our initial audit. Therefore, the Board has not had to ensure that the basis for contractor selection on a non-competitive contract was adequately documented.

**Recommendation 5**

*Consult with the Governor's Office of Minority and Women Business Development for assistance in identifying certified enterprises for future contracts.*

Status - Not Applicable

Agency Action - The Trust has not awarded a contract since our initial audit. Therefore, Trust officials have not had to consult with the Governor's Office of Minority and Women Business Development for assistance in identifying certified enterprises for future contracts.

**Recommendation 6**

*Document that minority and women-owned business enterprises, as well as firms owned by individuals with disabilities, are considered when contracts are awarded.*

Status - Not Applicable

Agency Action - The Trust has not awarded a contract since our initial audit. Therefore, Trust officials have not had to consider minority and women-owned business enterprises, as well as firms owned by individuals with disabilities, when awarding contracts.

### **Recommendation 7**

*Enhance equipment inventory controls by:*

- *ensuring that equipment items are entered into SED's Inventory system accurately and timely;*
- *ensuring that all equipment is properly tagged;*
- *performing an annual physical inventory of the Trust's equipment; and*
- *removing SED Cultural Education Center equipment items from the Trust's inventory records.*

Status - Implemented

Agency Action - We reviewed the equipment inventory list and found six items were purchased since our initial audit. We tested four of these items and found the items were entered into SED's Inventory system and properly tagged. We also found the Trust completed an annual physical inventory of equipment in May, 2006 and removed SED Cultural Education Center equipment items from inventory records for the Trust.

Major contributors to this report were Bill Clynes, Don Collins and Nicole Van Hoesen.

We thank the management and staff of the Archives Partnership Trust for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Brian E. Mason  
Audit Manager

cc: Mr. Richard Mills, State Education Department  
Ms. Christine Ward, Archives Partnership Trust  
Ms. Lisa Ng, Division of the Budget