



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 25, 2008

Mr. Robert Townsend
Executive Director
New York City Financial Information Services Agency
450 West 33rd Street 4th Floor
New York, NY 10001

Re: Report 2007-N-12

Dear Mr. Townsend:

According to the State Comptroller's authority under Article V, Section 1, of the State Constitution; and Article III of the General Municipal Law, we have audited whether the New York City Financial Information Services Agency (FISA) adequately protects New York City's Information Systems that are under its control. Our audit covered the period January 1, 2006 to December 10, 2007.

A. Background

The Financial Information Services Agency (FISA) provides New York City officials with Citywide financial, payroll, and personnel information. FISA, which is an information technology services center, is responsible for protecting and providing secure access to data stored in the following systems:

- Financial Management System (FMS), which is the City's centralized accounting and budgeting system. It contains all the information for: purchasing and receiving in City agencies, forecasting for the Office of Management and Budget, and contract reviews for the Mayor's Office of Contract Services and the City Comptroller. FMS processes the payments to all City vendors.
- Payroll Management System (PMS) and the Pension Payroll Management System, which process City payroll and pension checks, respectively. FISA provides access to these applications to authorized City users and does business analysis, development and testing of the applications for the New York City Office of Payroll Administration.
- New York City Automated Personnel System, which maintains employee benefit information and interfaces with the PMS system for information pertaining to City employees.

FISA's budget appropriation for the fiscal year ended June 30, 2007 included \$25 million for personal service expenses and \$26 million for other-than-personal service expenses (OTPS). About \$14 million of the OTPS expenses were for computer equipment and for hardware and software maintenance, including consultant services. The remaining OTPS was for building and land rents, utilities, supplies, and other miscellaneous expenses.

B. Audit Scope, Objective, and Methodology

We conducted our performance audit in accordance with generally accepted government auditing standards. We audited the controls over New York City's information systems under FISA's responsibility for the period January 1, 2006 through December 10, 2007. Our audit focused primarily on security and the continuity of FISA's data center and critical systems and applications. To meet our objective, we reviewed City regulations and industry best practices as criteria to assess whether relevant FISA internal controls were adequate. To accomplish this, we met with select FISA employees, and reviewed policies and procedures. We also visited FISA's data center, related areas, and off-site vendor locations to determine the adequacy of controls.

As is our practice, we notified agency officials at the outset of the audit that we would request a representation letter in which agency management provides assurances, to the best of their knowledge, concerning the relevance, accuracy, and competence of the evidence provided to the auditors during the course of the audit. The representation letter is intended to confirm oral presentations made to the auditors and to reduce the likelihood of misunderstandings. Agency officials normally use the representation letter to assert that, to the best of their knowledge, all relevant financial and programmatic records and related data have been provided to the auditors. They affirm either that the agency has complied with all laws, rules, and regulations applicable to its operations that would have a significant effect on the operating practices being audited, or that any exceptions have been disclosed to the auditors. However, officials at the New York City Mayor's Office of Operations have informed us that, as a matter of policy, mayoral agency officials do not provide representation letters in connection with our audits. As a result of this policy we lack assurance from agency officials that all relevant information was provided to us during the audit.

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. 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 to certain boards, commissions and public authorities, some of whom have appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

C. Results of Audit

Our audit identified findings and made recommendations for corrective actions on matters pertaining to technology-related issues. These findings and recommendations were presented in detail to FISA officials throughout the audit. To further assure security of FISA's data processing operations, these findings and recommendations are not included in this report. Subsequent follow-

up reviews will be made on the detailed findings and recommendations. Comments of FISA officials have been considered in preparing this final report. FISA officials agreed with many of our recommendations and indicated that they will take action to implement those recommendations.

Recommendation

FISA should implement the recommendations detailed during the audit for improving controls over New York City's information systems that are under its control.

We provided a draft copy of this report to FISA officials. Their comments were considered in preparing this report, and are included as Appendix A.

Within 90 days of the final release of this report, we request that the Executive Director of the Financial Information Services Agency to report to the State Comptroller, advising what steps were taken to implement the recommendation contained herein, and if the recommendation was not implemented the reasons why.

Major contributors to this report were Abe Fish, Keith Dickter, Michael D'Amico, Menard Petit-Phar, and Paul Bachman.

We wish to thank the management and staff of FISA for the courtesies extended to our auditors.

Very truly yours,

Brian Reilly
Audit Manager

cc: George Davis III



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Financial Information Services Agency

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ROBERT W. TOWNSEND
Executive Director

August 14, 2008

Brian Reilly, Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, New York 12236

Re: Controls Over New York City's Financial Information Systems Office of the
State Comptroller Report 2007-N-12 -- Audit Period: January 1, 2006 to
December 10, 2007 -- Undated Working Draft

Dear Mr. Reilly:

This letter serves as FISA's response to your undated Working Draft (received July 18, 2008) regarding the subject audit; which Working Draft is designated for publishing. Detailed below is FISA's response to such Working Draft report; the criteria, condition, cause and effect included in the draft report are not repeated below.

Audit Recommendation

FISA should implement the recommendations detailed during the audit for improving controls over New York City's information systems that are under its control.

FISA Management Response

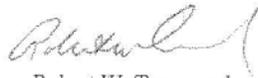
FISA will implement the recommendations in accordance with the details of our response.

Brian Reilly, Audit Director

August 14, 2008

If you have any questions on these comments, please direct them to Ms. Holly Pack at 212-857-1418.

Sincerely,



Robert W. Townsend
Executive Director

cc: A.R. Edley
J. Festa
E. Fitzpatrick
R. E. Myers
D. Pascali
H. Pack
G. Davis
J. Graham