



STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

August 26, 2010

Ms. Colleen C. Gardner  
Commissioner  
NYS Department of Labor  
Building 12, State Office Campus  
Albany, NY 12240

Re: 2009-S-16  
NYS Department of Labor  
Oversight of Revenue Contracts

Dear Ms. Gardner:

According 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, we audited the Department of Labor's monitoring of its revenue contracts for the period April 1, 2006 through April 2, 2009.

**A. Background**

The mission of the Department of Labor (Department) is to enforce State labor laws, to provide a level playing field for law-abiding employers, to ensure a fair wage for all workers and to protect the safety and health of workers and the public. The Department also assists the unemployed by providing them temporary financial assistance and connects job seekers with employers.

The Department is responsible for monitoring its revenue contracts. This responsibility includes collecting and properly reporting contract revenues to the Office of the State Comptroller. The New York State Accounting System User Procedures Manual (Manual) requires that the receipts related to revenue contracts be reported to the State's Central Accounting System (Accounting System) on a prescribed form (AC2405). This document allows the reporting agency the ability to report collected revenues by contract.

According to the Accounting System, as of November 24, 2008, the Department had five active revenue contracts totaling \$14.3 million in anticipated revenues. Each of these revenue contracts is designed to allow the Department to recover costs that it had incurred from associated operations. The contracts were with America's One-Stop Operating System Consortium (\$11.3 million), the Rhode Island Department of Labor and Training (\$2.3 million), the New York City Department of Small Business Services (\$550,000), the Dormitory Authority of the State of New York (\$93,725) and the Social Policy Research Associates (\$60,300).

**B. Audit Scope, Objective and Methodology**

The objective of our audit was to determine whether the Department effectively monitors its revenue contracts to ensure all entitled revenue is billed, collected, and promptly deposited in appropriate accounts. To accomplish our objective, we gained an understanding of the Department's revenue contracts and interviewed Department personnel regarding their contract monitoring procedures. We performed tests to ensure that the amounts billed to contractors complied with the contract terms, and traced revenue collections to deposits and to entries in the Accounting System maintained by the Office of the State Comptroller. During the audit period, April 1, 2006 through April 2, 2009, the Department billed and collected \$6.26 million for its five active revenue contracts.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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 minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence 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**

We found the Department appropriately billed, collected, and promptly deposited in the correct accounts, all contract revenue received during our audit period. However, because the Department did not consistently use the correct form (AC2405) when it reported revenue to the Comptroller's Office, contract numbers were not always provided. Without the contract numbers, transferred revenue could not be associated with the contract for which it was received. As a result, the Accounting System understated revenues received for three of the five Department revenue contracts, by a total of \$567,198. For example, for one contract \$354,654 in revenue was received, however, the Accounting System showed no revenue for that contract. Department officials stated they process a significant amount of receipts that are not associated with contracts. As such, when they report revenue from contracts, they sometimes use the wrong form which does not associate revenues to their specific contract.

When contractual monies are collected and not reported correctly, the Accounting System will not reflect complete and accurate information. Further, the Accounting System data is used by decision makers and is available to the public through Open Book New York. This data must be reliable, complete and accurate. The Department must take steps to ensure employees

responsible for reporting contractual monies received are properly reporting those collections. In response to our audit, Department Officials corrected the errors we identified by submitting correcting journal entries to the Accounting System.

### **Recommendation**

*Comply with the New York State Accounting System User Procedures Manual by using the appropriate Accounting System forms to report contract monies received.*

A draft copy of this report was provided to Department officials for their review and comment. Their comments were considered in preparing this final report and are included in their entirety at the end of the report.

Department officials agree with our recommendation and indicated they have taken steps to implement it.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees of the NYS Department of Labor, advising them of the steps taken to implement the recommendation contained herein and if not implemented, the reasons therefor.

Major contributors to this report include Donald Geary, Randy Partridge, Theresa Nellis-Matson, Richard Canfield and Kathleen Garceau.

We wish to thank the Department's management and staff for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

Frank P. Patone, CPA  
Audit Director



New York State Department of Labor  
David A. Paterson, Governor  
Colleen C. Gardner, Commissioner

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July 29, 2010

Office of the State Comptroller  
Division of State Government Accountability  
123 William Street - 21<sup>st</sup> Floor  
New York, NY 10038

**Re: 2009-S-16 Oversight of Revenue Contracts**

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The Department of Labor is in receipt of and has reviewed the referenced report dated May 21, 2010. Below we have summarized our responses to your findings.

OSC's Recommendation

Comply with the New York State Accounting System User Procedures Manual by using the appropriate Accounting System forms to report contract monies received.

DOL's Response

The Department has taken steps to ensure employees responsible for reporting contractual monies received are properly reporting those collections. Employees consistently use the correct form (AC2405) when reporting revenue to the Comptroller's Office and are providing contract numbers.

As mentioned in the audit report, Department Officials have corrected the errors found during the audit by submitting correcting journal entries.

We appreciate the time, effort and resources the Comptroller's Office expended in conducting this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy W. Burleski".

Timothy W. Burleski  
Director Internal Audit

Cc: Mario Musolino  
Martin Dunbar  
Roger Bailie