ARTHUR LEVITT STATE OFFICE BUILDING
270 BROADWAY
NEW YORK CITY
10007

A. E. SMITH STATE OFFICE BUILDING
ALBANY
NEW YORK
12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
H. CARL MCCALL
STATE COMPTROLLER

April 24, 1995

Mr. Michael H. Urbach
Commissioner
Department of Taxation and Finance
W.A. Harriman Campus
Albany, NY 12227

Re: Report 95-F-14

Dear Mr. Urbach:

Pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we have reviewed the actions taken by officials of the Department of Taxation and Finance (Department), as of January 31, 1995, to implement the recommendations included in our prior audit report 92-S-1. Our prior report, which was issued on November 12, 1991, addressed the Department's payroll practices.

Background

The Department, which has approximately 8,000 employees, with annual payroll costs exceeding $200 million, administers the State's tax laws and serves as its general tax collection agency. The Department is responsible for collecting more than $29 billion in State revenue and distributing about $9 billion in local government taxes, including sales taxes. The administrative responsibilities for personnel and payroll transactions are handled through the Department's Office of Human Resources Management. These responsibilities include adding and removing employees from the payroll, maintaining personnel and time records and distributing payroll checks.

Summary Conclusions

In our prior audit, we generally found controls over payroll expenditures to be adequate. However, we also concluded that the Department did not have an adequate system for monitoring the use of sick leave. We recommended that the Department establish a comprehensive sick leave monitoring system, and that two employees who were on the Department's payroll, but worked for other State agencies, be transferred to the appropriate agency payroll. In addition, we recommended that the Department minimize the number of employees authorized to override the Department's Human Resource Information System (HRIS), and that the Department's Bureau of Internal Audit

periodically test the controls and integrity of HRIS to ensure that override transactions are legitimate and that no one has had unauthorized access.

In our follow-up review, we found that the Department has issued formal sick leave policies, but has not as yet implemented an automated system to control and monitor employee accruals and identify sick leave abuses. We also found the Department continues to carry one employee on its payroll who works for another agency. The Department has taken steps to limit override access to HRIS, and the Department's Bureau of Internal Audit has reviewed and tested controls over the integrity of HRIS.

Summary of Status of Implementation

Department officials have fully implemented two and partially implemented three of our five prior audit recommendations.

Follow-Up Observations

Recommendations 1 and 2

Establish a Departmentwide sick leave control system to identify and monitor the use of sick leave. Develop written procedures to inform both supervisors and employees of their responsibilities.

Implement a comprehensive time and accrual system that readily provides data needed to monitor sick leave. Consider utilizing computer resources for such a system; the Department could develop its own system or adapt a system that has already been implemented by another State agency.

Status - Partially Implemented

Agency Action - During July 1991 and June 1992, the Department issued guidelines governing the use of sick leave. However, it has not implemented an automated system to control and monitor employee accruals and identify sick leave abuses. In August 1994, the Department organized a work group that included representatives from the Management Services Bureau, the Office of Information System Management, and the Office of Human Resources Management, to develop a conceptual design for an automated attendance and leave system. Such a system would provide the data needed to monitor the use of sick leave. The group has developed a work plan with some initial target dates; however, as of March 1995, the project remains in the preliminary functional design phase. The estimated completion date of this project is August 1995.

Recommendation 3

Transfer the two employees to the payrolls of the appropriate State agencies.

Status - Partially Implemented

Agency Action - In January 1995, one of the two employees identified in our prior audit left State service. At that time, the Department abolished the position in compliance with a Governor's Office objective to reduce Executive Department staff levels. The second employee remains on the Department's payroll, although the employee continues to work at the Division of the Budget.

Agency Comments - The Department maintains that this employee is involved with Department policy.

Recommendation 4

Minimize the number of employees authorized to override the HRIS system.

Status - Fully Implemented

Agency Action - In August 1994, the Department's Bureau of Internal Audit reviewed the integrity and security of HRIS. In its report, the audit unit recommended that the Office of Human Resources Management reduce the number of employees with total access capabilities, as recommended in our prior audit report. In October 1994, the Office agreed with the internal audit recommendations and decreased the number of employees with override capabilities in both the managers pool and the override pool.

Recommendation 5

The Department's Internal Audit unit should periodically test the controls and integrity of the data on the system.

Status - Fully Implemented

Agency Action - The Bureau of Internal Audit reviewed system integrity in August 1994. They concluded that, in general, the data processing operation was efficient and effective. Their report states, however, that internal controls could be strengthened by making changes in the use of passwords and user assignments, and by developing reports to monitor override activity. The Office of Human Resources Management addressed this issue.

Auditor's Comments - The Bureau of Internal Audit should continue to monitor these changes to ensure they produce the desired results.

We would appreciate your response to this report within 30 days, indicating any action planned or taken to address the unresolved matters discussed in this report.

We also wish to thank the management and staff of the Department for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Robert H. Attmore
Deputy Comptroller

cc: Patricia A. Woodworth
Kevin F. Murray