

***State of New York***  
***Office of the State Comptroller***  
***Division of Management Audit***

**DEPARTMENT OF  
TAXATION AND FINANCE**

**IMPLEMENTATION OF THE  
GOVERNMENTAL  
ACCOUNTABILITY, AUDIT AND  
INTERNAL CONTROL ACT OF 1987**

**REPORT 95-S-5**



***H. Carl McCall***  
*Comptroller*



# State of New York Office of the State Comptroller

---

---

## Division of Management Audit

### Report 95-S-5

Mr. Michael H. Urbach  
Commissioner  
Department of Taxation and Finance  
Building 9 - State Campus  
Albany, NY 12227

Dear Mr. Urbach:

The following is our audit report on the Department of Taxation and Finance's compliance with the New York State Governmental Accountability, Audit and Internal Control Act of 1987.

This audit was performed pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution, Section 8, Article 2 of the State Finance Law and Section 5 of the Governmental Accountability, Audit and Internal Control Act.

Major contributors to this report are listed in Appendix A.

*Office of the State Comptroller  
Division of Management Audit*

May 15, 1995

---

---

---

# Executive Summary

---

---

## Department of Taxation and Finance Implementation of the Governmental Accountability, Audit and Internal Control Act of 1987

---

---

---

### Scope of Audit

A comprehensive system of internal controls is necessary for management to foster effective and efficient use of resources and to ensure the integrity of accounting and recordkeeping systems. A program for internal control review also provides management with a mechanism to identify internal control weaknesses and plan the actions needed to correct those weaknesses. To this end, the legislature enacted the New York State Governmental Accountability, Audit and Internal Control Act (Act) of 1987, which required every State agency and public authority to establish a formal system of internal controls and internal control review.

The Department of Taxation and Finance (Department) administers the State's tax laws and serves as the State's general tax collection agency. The Department is responsible for collecting over \$29 billion in State revenue and distributing about \$9 billion in local government taxes, including sales taxes and New York City and City of Yonkers income taxes. The Management Services Bureau (MSB) has been delegated the responsibility of implementing and coordinating the Department's internal control program.

Our audit addressed the following question regarding the Department's compliance with provisions of the Internal Control Act and related Division of the Budget (DOB) bulletins:

- Has the Department complied with the Governmental Accountability, Audit and Internal Control Act of 1987?

---

### Audit Observations and Conclusions

We found that the Department has developed a system of internal controls and internal control review which complies with the provisions of the Act. We commend MSB for the implementation and coordination of the Department's internal control program. This was a complex task considering the Department's size and multiple locations. The Department has been divided into 86 assessable units with 552 functions that require periodic internal control reviews. However, we also noted several areas where the Department could strengthen its internal control systems.

---

---

For example, we found that the Department has developed documents and forms which collectively meet the requirements of the Act and DOB bulletins, but has not collected this information in a single reference document such as an internal control manual. In addition, some guidelines are agreements or understandings that have not been reduced to writing. By producing an internal control manual that contains all relevant forms and guidelines, the Department would ensure that all employees have access to the information necessary for them to complete their required tasks. (see pp. 6-7)

In addition, MSB should use a more effective mechanism to identify new organizational units that should be included in the Department's internal control system. We found that five new units and one previously existing unit had not been identified and included in the system. MSB should also develop a database that can ensure effective tracking of the timeliness of control actions, notify program managers of their internal control system obligations, and centrally monitor the implementation status of all identified corrective actions. (see pp. 7-10)

While the Department's initial internal control training effort was comprehensive and the training was focussed on appropriate employees, we found that the training has not kept pace with staff changes due to promotions, transfers, and new hiring. The Department should provide all relevant employees with formal internal control training sufficient to ensure their effective participation in the internal control program. (see pp. 11-12)

---

## **Comments of Department Officials**

Department officials generally agree with our recommendations and indicate steps are being taken to implement them.

---

---

---

# Contents

---

---

---

<b>Introduction</b>	Background . . . . .	1
	Audit Scope, Objective and Methodology . . . . .	2
	Response of Department Officials to Audit . . . . .	3

---

<b>Internal Control Act Implementation</b>	Requirement 1: Internal Control Guidelines . . . . .	6
	Requirement 2: Internal Control Review . . . . .	7
	Requirement 3: Statement of Management Policies and Standards . .	10
	Requirement 4: Internal Control Officer . . . . .	11
	Requirement 5: Internal Control Education and Training . . . . .	11
	Requirement 6: Internal Audit Function . . . . .	13

---

<b>Appendix A</b>	Major Contributors to This Report
-------------------	-----------------------------------

---

<b>Appendix B</b>	Comments of Department Officials
-------------------	----------------------------------

---

---

---

# Introduction

---

---

---

## Background

A comprehensive system of internal controls is necessary for management to foster effective and efficient use of resources and to ensure the integrity of accounting and recordkeeping systems. A program for internal control review also provides management with a mechanism to identify internal control weaknesses and plan the actions needed to correct those weaknesses.

The Department of Taxation and Finance (Department) administers the State's tax laws and serves as the State's general tax collection agency. The Department is responsible for collecting over \$29 billion in State revenue and distributing about \$9 billion in local government taxes, including sales taxes and New York City and City of Yonkers income taxes. Department appropriations totalled about \$275 million for the 1993-94 State fiscal year. The Management Services Bureau (MSB) has been delegated the responsibility of implementing and coordinating the Department's internal control program.

In 1987, the Legislature enacted the New York State Governmental Accountability, Audit and Internal Control Act (Act), which became fully effective on April 1, 1989. The Act requires every State agency and public authority to complete the following six steps:

1. Establish and maintain agency guidelines for a system of internal controls.
  2. Establish and maintain a system of internal controls and a program of internal control review. The program of internal control review shall be designed to identify internal control weaknesses and identify actions that are needed to correct those weaknesses.
  3. Make available to each officer and employee of the agency a clear and concise statement of generally applicable management policies and standards with which the officer or employee will be expected to comply.
  4. Designate an internal control officer to implement and review the internal control responsibilities.
-

- 
5. Implement education and training efforts to ensure that officers and employees have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques.
  6. Periodically evaluate the need for an internal audit function.

To guide State agencies in implementing the Act, the Division of the Budget (DOB) issued Budget Policy and Reporting Manual Bulletin B-350 and other related budget bulletins. Bulletin B-350 requires that each State agency certify compliance with the Act by March 31 of each year and report the actions taken regarding internal control reviews by July 1 of each year.

---

## **Audit Scope, Objective and Methodology**

We audited the Department's efforts to implement the provisions of the Act for the period July 1, 1987 through March 31, 1994. Our objective was to determine whether the Department has taken the steps necessary to comply with the Act and related DOB bulletins. To accomplish our objective, we reviewed the Department's implementation efforts relative to the provisions of the Act, related DOB requirements, Office of the State Comptroller Standards for Internal Controls in New York State Government, and the United States General Accounting Office Standards for Internal Controls in the Federal Government. We also interviewed Department officials and reviewed the Department's policies and procedures, internal control review records, training and educational records, and internal audit records.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations which are included within our audit scope. Further, these standards require that we understand the Department's internal control structure and its compliance with those laws, rules and regulations that are relevant to the operations which are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by agency management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those operations that have been identified through a preliminary survey as having the greatest probability

---

for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address, in detail, activities that may be functioning properly.

---

**Response of  
Department  
Officials to Audit**

A draft copy of this report was provided to Department officials for their review and comment. Their comments have been considered in preparing this report and are included as Appendix B.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department of Taxation and Finance 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.



---

---

## Internal Control Act Implementation

According to the Act, a primary operating responsibility at an agency can be defined as a program, bureau, or office (assessable unit) which is charged with specific objectives and responsibilities. In implementing the provisions of the Act, DOB Bulletin B-350 requires agencies to identify and document their primary operating responsibilities and functions, as well as the objectives of those functions, and to determine the risks and consequences associated with a failure of controls in each area. Agencies normally fulfill this requirement by conducting a series of vulnerability assessments.

A vulnerability assessment is a systematic approach for ascertaining the susceptibility of a function to errors, irregularities, unauthorized use, or inappropriate program results. It can be used to determine the likelihood that something could go wrong and to evaluate the seriousness of those consequences. A vulnerability assessment is intended to provide an agency with a roadmap indicating which functional areas should get priority attention from management because of the nature, sensitivity, or importance of the function's operations. It further provides the agency with a preliminary judgment from managers about the adequacy of existing internal controls, as well as an early indication of where internal controls may be weak and need correction. The Department used vulnerability assessments to identify vulnerable areas and frame the Department's internal control review system.

We reviewed the Department's implementation of the Act. We commend MSB for their implementation and coordination of the Department's internal control program. This was a complex task considering the Department's size and multiple locations: 6,000 employees located in a central office and 12 district offices dispersed throughout the State. The Department has been divided into 86 assessable units with 552 functions that require periodic internal control reviews. MSB also conducted a pilot program in 1991 to ensure the internal control program was effective. As detailed in the following sections, we found that the Department has complied with each of the six requirements of the Act. However, we also made recommendations concerning several areas where we believe the Department can strengthen its system of internal controls and internal control review.

---

## **Requirement 1: Internal Control Guidelines**

*Establish and maintain guidelines for a system of internal controls*

The purpose of internal control guidelines is to communicate the management goals and programmatic objectives of an agency to its employees. These guidelines also provide the methods and procedures used to assess the effectiveness of the agency's internal controls supporting these objectives. Such guidelines should include the following: a statement from the head of the organization in support of the concept of internal controls; identification of the organization's primary responsibilities and functions and the objectives of those functions; a description of the organization's process for evaluating internal controls; and an explanation of how the internal control process is organized and managed.

We found that the Department uses as its guidelines documents and forms which collectively meet the requirements of the Act and DOB bulletins. However, these documents and forms have not been collected in a single reference document such as an internal control manual. We also found that some guidelines, such as internal control review (ICR) frequency, are not written documents but are agreements or understandings among MSB staff, program managers, and internal control program liaisons. We found that since the ICR frequency is not documented, MSB staff communicated two different ICR frequency schedules to program managers. This could cause reporting inconsistencies. In addition, MSB has not formalized written procedures which document the precise steps they are to follow when reviewing ICRs.

Program managers are required to complete certain tasks in the internal control program. These tasks include completing the Internal Control Survey (ICS) and the ICRs, establishing ICR due dates, submitting internal control testing schedules and processes, and submitting an annual report on corrective actions. An internal control manual provides assurance that program managers can obtain standard and official information to schedule and complete their required tasks.

MSB has stated in its annual July report to DOB that it is working on completing an internal controls manual for the Department. The manual has not been completed because it has not been assigned a high enough priority. We encourage MSB to accomplish this goal so that employees can obtain consistent answers to questions on the Department's internal control process or internal control program procedures.

---

## Recommendation

1. Develop a comprehensive Department internal controls manual to document internal control guidelines and requirements.

---

## Requirement 2: Internal Control Review

*Establish and maintain a system of internal controls and a program of internal control review*

Section 951 of the Act requires each agency to establish and maintain a system of internal controls (system) and a program of internal control review. DOB Bulletin B-350 recognizes that the system should be tailored to the agency's needs, size, and degree of centralization. Although Bulletin B-350 further recognizes that the procedures for evaluating the adequacy of the system may vary, it also specifies that agencies should include the following steps in complying with this requirement of the Act:

- Identify and clearly document the primary operating responsibilities of the agency.
- Define the objectives of the functions and ensure that staff accountable for carrying out these functions understand the objectives.
- Identify and document the procedures used to execute the functions.
- Assess and test the procedures followed to determine whether they are sufficient to produce the desired policy objectives.
- Determine the risks and consequences associated with a failure of the existing controls to promote the objectives of each major function.
- Design a cost-effective plan of corrective action when weak or inadequate control procedures are identified.

We found that the Department has established a system of internal controls and a program of internal control review. However, the existing system needs strengthening. For example, not all assessable units have been identified, classified and included as part of the internal control system. We found five new organizational units and one previously existing unit which are not identified with any assessable unit and, therefore, are not included in the Department's control system. MSB relies on program managers to tell them when a new assessable unit is created. We found

---

that because of continuous organizational changes, this is not always done. As a result, internal controls may not be reviewed and weaknesses may not be detected. A more effective mechanism is needed to identify new assessable units and ensure that these units are included in the system. Officials responded that, as a result of this audit, MSB has developed a dual mechanism for ensuring the identification of new assessable units, new functions, and transference of functions from one organization to another.

The Department has identified 86 assessable units which include 552 ICR functions. These functions are categorized into three priorities for completion (1 = most critical; 2 = critical; and 3 = least critical). The priority level assigned to each function determines the frequency of ICRs that are required to be completed by staff. Bulletin B-350 states that the internal reporting process ensures that these reviews are completed timely. We found, however, that not all program managers have submitted to MSB the information necessary to properly coordinate the internal control program. As a result, not all program requirements were completed timely.

Program managers are required to schedule ICR due dates for "priority 3" functions. We found that the managers had not scheduled due dates for 39 of the 130 "priority 3" function ICRs that were required to be completed by March 31, 1995. In addition, we sampled 20 assessable units, eight of which had a "priority 1" function. Units with "priority 1" functions were required to submit internal control testing processes and schedules by March 31, 1994. However, we found that in five of the eight units, the processes and schedules had not been submitted.

We believe that a cause of the problems we found with scheduling and completing program requirements is the way in which MSB organizes internal control data. MSB uses this information to produce a spreadsheet, rather than a database which can analyze information and report results. Such a database is needed to ensure effective tracking of the timeliness of actions and to notify program managers of their internal control system obligations. Periodically, MSB officials could produce notices reminding program managers of requirements which need completion.

In addition to collecting the ICR data, MSB is responsible for monitoring the implementation of corrective actions identified in the ICRs. Currently, monitoring consists of MSB requesting from Bureau Directors an annual report which typically describes the three most significant corrective actions, relative to their assessable units, which have been undertaken in their respective program areas. However, this feedback method does not

---

serve to track the majority of corrective actions undertaken in the Department. As a result, MSB does not know if all corrective actions needed have been implemented.

We also found that some MSB staff did not know the procedure for monitoring the implementation of corrective actions that, because of their significance, require higher levels of authorization than the assessable unit level. Thus, MSB does not know whether such corrective actions are being implemented because their status is not being monitored.

MSB could monitor progress in implementing all identified corrective actions if it developed an automated central monitoring system. Such a system would make the monitoring of corrective actions more manageable than it is with the existing system. An automated system should meet all of MSB's internal control system needs by tracking program requirements, monitoring due dates and corrective action plans, analyzing data and initiating reports. MSB officials responded that they are developing a computerized system for monitoring the status of corrective actions to strengthen controls. They are also analyzing their current internal control information against internal control requirements to determine the feasibility of developing additional databases and/or programs to track internal control requirements.

We also found that some internal control program documentation required to be in MSB files was missing. For example, we did not find comments from individual district offices for consolidated ICRs and documentation of revisions made to functions or activities of an assessable unit in the codified assessable unit files. In some instances, ICRs were not filed in the correct folder. MSB officials should restrict access to the files to authorized MSB staff to ensure that required internal control documentation is present in the files.

---

## **Recommendations**

2. Develop a more effective mechanism to identify new assessable units to ensure they are incorporated into the internal control system.
3. Develop and document mechanisms to inform program managers of timetables when specific program requirements are due.
4. Develop or obtain an internal control system database capable of tracking program requirements, monitoring due dates and corrective action plans, analyzing data, and initiating reports.
5. Allow only authorized MSB staff access to the internal control files.

---

### **Requirement 3: Statement of Management Policies and Standards**

*Make a clear and concise statement of generally applicable management policies and standards available to employees*

The Commissioner of Taxation and Finance issued two separate statements relative to the Act's requirements in June 1989. The first statement, which applied to all employees, supported the concept of internal controls and provided an awareness of the benefits of internal controls. The second statement was sent to all directors and section heads notifying them of the major components of the Department's internal control system. However, we found that since that time, new employees have not received an official statement. We were told that MSB officials thought that the statement was being distributed to all new employees by the Human Resource Unit.

MSB officials responded that the Department will update its management policy statement and provide it to each employee. MSB and Human Resource Unit staff will also develop a mechanism to ensure that all new employees receive the statement.

---

**Recommendation**

6. Ensure that the Human Resource Unit provides a management policy statement relative to internal controls to each new employee.

---

**Requirement 4: Internal Control Officer**

*Designate an internal control officer to implement and review the internal control program*

Bulletin B-350 requires that Department officials inform employees of the individual designated as the internal control officer (ICO). The Department issued two statements in June 1989 which identified the ICO as the individual holding the position of Deputy Commissioner for Administration. However, staff changes have since occurred and the Department has designated a new Deputy Commissioner for Administration. Officials stated that it is implicit that the individual in this position is also the ICO. However, this change has not been communicated to Department employees.

Without knowing for certain the identify of the ICO, employees do not have a clear avenue of communication on internal control issues and questions. Since the ICO is acting on behalf of the head of the organization in managing the internal control program, it is essential to communicate the official designated in order to maintain the authority and the credibility of the ICO title. Officials responded that the current ICO will be named in the updated management policy statement provided to all employees.

**Recommendation**

7. Ensure that all employees know which official is designated as the ICO.

---

**Requirement 5: Internal Control Education and Training**

*Implement internal control education and training to foster an awareness and understanding of internal controls by employees*

The Act requires each agency to implement education and training efforts to ensure that managers and employees have achieved adequate awareness

---

and understanding of internal control standards and, as appropriate, evaluation techniques. Bulletin B-350 requires such training be directed at employees most responsible and accountable for the assessable units. In addition, DOB Bulletin B-1108 requires that training be designed for all other employees to foster an awareness and understanding of the importance of internal controls.

The Department began its internal control education and training program in February 1990. This program focused training efforts on executives, senior-level managers, central and district office managers, and supervisors. After conducting a pilot training program to ensure the training was effective, the Department did a commendable job in its initial training effort: 12 executives, 31 senior-level managers, 218 central and district office managers and 880 supervisors received formal internal controls training in 1990-1992. However, we found that formal internal controls training has not kept pace with staff changes arising from transfers, promotions, and the hiring of new personnel. Instead of formal training, these staff receive informal training from immediate supervisors or peers. If employees are not properly or not fully trained, they may not adequately identify weaknesses in the internal control system, thereby decreasing the effectiveness of the internal control program.

In addition, in 1992, a module for internal controls was added to the Training Bureau's new employee orientation program. Currently, this module is allotted only 15 minutes. Although MSB officials believe this is sufficient to fulfill the requirements of the Act, it may not provide new employees an adequate understanding of internal controls. New employees may not be aware of the significance of their role in the internal control structure. MSB officials responded that they will evaluate the current training to determine if new employees gain a basic understanding of internal controls. Officials will also consider developing an internal control pamphlet for dissemination to new employees.

## **Recommendations**

8. Provide formal internal controls training periodically so that employees transferred or promoted to supervisory duties achieve adequate awareness and understanding of the internal control standards and evaluation techniques.
9. Evaluate the internal control training program for new employees to determine if it provides a sufficient understanding of internal controls.

---

### **Requirement 6: Internal Audit Function**

*Periodically evaluate the need for an internal audit function*

DOB Bulletin B-1090 states that the Department was required to have an internal audit function in operation by the end of the 1989-90 State fiscal year. The Department had an internal audit function in operation prior to this date.

---

---

## Major Contributors to This Report

David DeStefano  
Frank Houston  
Seymour Peltin  
Jerry Barber  
Arthur Smith  
Michael Cantwell  
Gail Gorski  
Amritesh Singh  
Nancy Varley



STATE OF NEW YORK  
DEPARTMENT OF TAXATION AND FINANCE  
W. A. HARRIMAN CAMPUS  
ALBANY, NY 12227

KEVIN F. MURRAY  
EXECUTIVE DEPUTY COMMISSIONER

March 29, 1995

Mr. Frank J. Houston  
Audit Director  
Office of the State Comptroller  
A. E. Smith State Office Building  
Albany, New York 12236

Dear Mr. Houston:

We have completed our review of your draft report entitled: "Implementation of the Governmental Accountability, Audit, and Internal Control Act of 1987" (95-S-5).

The mission of the Department of Taxation and Finance is to administer the State's tax laws and to serve as the State's general tax collection agency. While carrying out this mission, Department employees and its agents collect and process billions of dollars in State revenue. To perform these functions efficiently and effectively, while at the same time to ensure public trust and confidence in our ability to do so, Department management continually stresses the need for strong internal controls. Since the New York State Governmental Accountability, Audit, and Internal Control Act of 1987 (Act) became fully effective on April 1, 1989, the Department has worked diligently to ensure that it has complied with the Act's six requirements and the subsequent requirements of the Division of the Budget (DOB) bulletins relating to the Act.

We are pleased that your audit findings conclude that we are in compliance with each of the six requirements of the Act and related DOB bulletins. Also, we appreciate being informed of ways we can further improve our internal control program.

We have reviewed your findings and the nine specific recommendations for improving the Department's internal control program. We are in general agreement with these findings and recommendations. Time, staffing, and fiscal constraints notwithstanding, we will implement all of your recommendations.

The following are our comments on the specific recommendations.

Recommendation 1:

Develop a comprehensive Department internal controls manual to document internal control guidelines and requirements.

Response:

We plan to complete the comprehensive internal controls manual that the Management Services Bureau (MSB) staff has been developing within the next six months.

Recommendation 2:

Develop a more effective mechanism to identify new assessable units to ensure they are incorporated into the internal control system.

Response:

As a result of this audit recommendation, MSB staff has implemented a dual mechanism for ensuring the identification of new assessable units, new functions, and transfer of functions from one organization to another. The first mechanism was in effect before the audit. Basically, it is a self reporting method in which assessable unit managers and/or program liaisons report the changes to the MSB internal control team. The second method calls for MSB's internal control staff to review the changes requested by program management to the Department's formal organization chart. They will then formally inform managers of the affected organizational units regarding their specific internal control responsibilities.

Recommendation 3:

Develop and document mechanisms to inform program managers of timetables when specific program requirements are due.

Response:

We have mechanisms in place for informing program managers of timetables when specific program requirements are due. Memoranda and meetings with program liaisons and assessable unit managers have been the two preferred mechanisms for communicating internal control requirement due dates. However, we agree that automating the process for developing the timetables and disseminating the information to program

staff who are responsible for ensuring completion of internal control requirements would make the system more efficient, while ensuring that all responsible parties receive the same information.

Recommendation 4:

Develop or obtain an internal control system database capable of tracking program requirements, monitoring due dates and corrective action plans, analyzing data, and initiating reports.

Response:

We are in the process of creating a computerized database system as recommended.

Recommendation 5:

Allow only authorized MSB staff access to the internal control files.

Response:

The internal controls files have been placed in a locked file cabinet in the work area of the analyst who serves as internal controls files access coordinator. MSB staff have been instructed to request access to internal controls files through the internal controls files access coordinator.

Recommendation 6:

Ensure Personnel provides a management policy statement relative to internal controls to each new employee.

Response:

The Department will update its internal control policy memorandum and provide it to each employee. MSB and the Office of Human Resources Management (OHRM) staff have developed a mechanism for ensuring that all new employees receive the memorandum.

---

Mr. Frank J. Houston

-4-

March 29, 1995

Recommendation 7:

Ensure all employees are aware of the official designated as the ICO.

Response:

We will include the name of the Internal Control Officer in the updated internal control policy memorandum (see response to Recommendation 6).

Recommendation 8:

Provide formal internal controls training periodically to employees transferred or promoted to supervisory duties so they achieve adequate awareness and understanding of the internal control standards and evaluation techniques.

Response:

All new supervisors and managers currently receive information on internal controls from their managers. However, we agree that periodically we should provide formal internal controls training to further ensure that new supervisors and managers understand the Internal Control Act, the Department's internal control system, and their internal controls responsibilities. Additionally, we will disseminate the internal controls manual to all assessable units as soon as it is completed, where it will be available to all managers and supervisors.

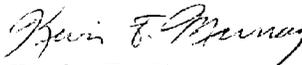
Recommendation 9:

Evaluate the internal control training program for new employees to determine if it sufficiently provides a basic understanding of internal controls.

Response:

We believe that the current internal control training program for new employees is effective. However, we agree to evaluate it to determine if it sufficiently provides a basic understanding of internal controls to new employees. Additionally, we will develop an internal controls pamphlet for dissemination to employees.

Sincerely,



Kevin F. Murray  
Executive Deputy Commissioner