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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 31, 2009

Richard H. Neiman
Superintendent of Banks
New York State Banking Department
One State Street
New York, N.Y. 10004

Re: Report 2009-F-43

Dear Mr. Neiman:

Pursuant 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 have followed up on the actions taken by officials of the New York State Banking Department to implement the recommendations contained in our audit report, *Controls Over Equipment and Vehicles* (Report 2007-S-62).

Background, Scope and Objectives

The New York State Banking Department (Department) is responsible for regulating and supervising more than 3,300 financial entities. The Department maintains offices in Albany, New York City, and Syracuse. As of December 9, 2009, it had a workforce of 569 employees.

Our initial audit report, which was issued on August 27, 2008, examined whether the Department had established adequate controls over equipment and vehicles during the period April 1, 2005 through August 31, 2007. We found that while the Department was able to account for its equipment purchases, improvements were needed in certain areas. For example, the Department could not adequately justify why certain employees were assigned more than one computer and it did not monitor the utilization of Department computers kept in employees' homes. Also, the Department purchased computer equipment that was not being used, equipment records were not up-to-date, and vehicle usage logs were illegible and incomplete.

The objective of our follow-up was to assess the extent of implementation, as of December 9, 2009, of the eight recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that Department officials have made significant progress in correcting the problems we identified in the initial report. Of the 8 prior audit recommendations, 7 recommendations have been implemented, and 1 recommendation has been partially implemented.

Follow-up Observations

Recommendation 1

Require adequate justification for assigning more than one Department computer to a single employee.

Status - Implemented

Agency Action - As of November 2009, about 100 Department employees were assigned multiple computers. We reviewed the justification for a sample of ten and found it to be adequate. Written justification had been submitted to and approved by the Department allowing these employees to have more than one computer. Department officials also provided information on their progress implementing laptop docking stations to reduce the need for separate desktop and laptop computers for examining staff. They stated that this effort will reduce, by 43, the number of employees with multiple computers.

Recommendation 2

Establish controls for monitoring the utilization of Department computers kept in employees' homes.

Status - Implemented

Agency Action - During the initial audit, we found that the Department did not have the technology to monitor the use of laptops kept in employees' homes. The Department planned to install software on all laptops to filter and monitor internet use. In October 2008, the Department purchased software to monitor employee computer usage. Our review of four sampled laptops found that the monitoring software was installed.

Recommendation 3

Ensure that purchased equipment is actually needed.

Status - Implemented

Agency Action - The Department purchased 100 computer monitors, which were delivered on October 22, 2009. The Department's Equipment Inventory Listing showed that these computer monitors were assigned to staff members. We selected a sample of five of the monitors and observed that they were being used as reported.

Recommendation 4

Ensure that all Department-owned equipment is accounted for and recorded properly.

Status - Partially Implemented

Agency Action - We selected a sample of ten equipment items from the Department's Equipment Inventory Listing to determine if the recorded location was accurate. We found that one laptop computer was not at the location noted on the Listing. In addition, we selected ten equipment items observed in Department offices and traced them back to the Equipment Listing to determine if they were recorded accurately. We found that two laptop computers were not at the locations recorded on the Listing, but were found in the Information Technology Office's (IT) storage area. Department officials stated that the two laptops were not working properly and returned to the storage area. Also, a label printer we observed in the IT storage area was not recorded on the Listing. Department officials noted that the equipment locations can change based on staff assignment changes. They further stated that they have to continuously reconcile the inventory records.

Recommendation 5

Tag all equipment with Department decals.

Status - Implemented

Agency Action - We selected nine equipment items from the Equipment Inventory Listing and ten items we observed in Department offices to determine if they were tagged with Department decals. We found that all but one item, a label printer, were tagged. Department officials explained that the label printer is an old machine stored in the IT area, and that its value is not significant enough for it to be tagged.

Recommendation 6

Establish written Department-specific equipment control procedures covering control records and physical counts.

Status - Implemented

Agency Action - Our initial audit found that the Department's procedures on equipment controls did not specifically address how to record equipment items or perform a physical inventory. We determined that the Department has since established specific equipment control procedures covering control records and physical counts.

Recommendation 7

Perform an independent annual physical equipment inventory count and retain documentation of the reconciliation process.

Status - Implemented

Agency Action - In May 2009, the Department transferred the inventory function to its Finance Office (Finance). In June and October of 2009, Finance performed checks of the Department's offices to locate all equipment items and to verify the accuracy of the Equipment Inventory Listing. We observed documentation of Finance's reconciliation of the inventory items.

Recommendation 8

Ensure that vehicle usage logs contain the information that will document business use and provide a basis for review.

Status - Implemented

Agency Action - The Department has developed vehicle log procedures that provide guidance to employees on documenting business use, as well as a basis for supervisory review. The Department uses three vehicles to conduct investigations into criminal activity and to handle other Department-related activities. Our review of the vehicle logs from the most recent three-month period found that information was adequate to document the business use of the vehicles. We also saw evidence that the logs were reviewed.

Major contributors to this report were Albert Kee, Gene Brenenson, Daniel Raczynski, and Elizabeth Normiella.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the New York State Banking Department for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Frank J. Houston
Audit Director

cc: Amy Hutner, Director of Internal Audit
Tom Lukacs, Division of Budget