Thomas P. DiNapoli
COMPTROLLER

OFFICE OF THE NEW YORK STATE COMPTROLLER

DIVISION OF STATE GOVERNMENT ACCOUNTABILITY

NEW YORK STATE DIVISION OF HUMAN RIGHTS

INTERNAL CONTROLS OVER SELECTED FINANCIAL OPERATIONS

Report 2007-S-25

AUDIT OBJECTIVE

Our objective was to determine whether the Division of Human Rights has established an adequate system of internal controls over its financial operations.

AUDIT RESULTS - SUMMARY

The State Commission Against Discrimination was created in 1945 to enforce the State's civil rights laws. In 1968 it was renamed the Division of Human Rights (Division). Specifically, the Division ensures that New Yorkers have equal opportunity in employment, housing, public accommodation, credit, and education. It also serves as an alternative to the court system for resolving discrimination claims. Between April 1, 2005, and March 31, 2007, the Division spent $27.7 million. It has a Central Office in the Bronx along with nine regional and two satellite offices throughout the State.

This audit was requested by the Division's current Commissioner soon after her arrival in January 2007. The Commissioner was specifically interested in the condition of the operations at that time, in order to assess what changes, if any, would be needed to strengthen and improve them. She wanted to know whether recommendations from our prior audit (Report 2003-S-55, issued January 4, 2005) had been fully implemented and she wanted an audit to address areas of concern based on her first-hand experiences.

We found that the Division did not have an adequate system of internal controls over its basic financial operations. We identified control weaknesses over equipment inventory, purchasing, disbursements, payroll, accounting and information systems, budgeting, and governance. As detailed in our report, the Division needs to take immediate action to ensure its control systems are effective.

We found that the Division maintains an inventory listing of electronic equipment (e.g., computers, laptops, and printers). However, the Division does not maintain an inventory listing of other items such as office furniture. Furthermore, the electronic equipment listing does not record all the necessary information such as tag number (identification number), location, purchase price, and purchase date for each item; and it is not being maintained on a perpetual inventory basis, as required. Further, the Division does not perform annual physical inventory counts. We sampled 202 electronic items and performed a physical inventory to determine if these items existed or could be accounted for. We could not find 86 items; nor could the Division account for any of the missing items. [Pages 3-5]

We found that the Division did not always maintain the necessary supporting documentation to provide reasonable assurance that purchases were needed and properly authorized and that the goods or services were received. We reviewed a sample of 105 voucher transactions and found that various documents such as purchase orders, purchase requisition authorizations, invoices, and receiving report/packing slips were missing. We also performed a physical inventory of 159 items that the Division had purchased, and could not find 40 of them. [Pages 5-7]

Between April 1, 2005, and March 31, 2007, the Division processed 8,580 vouchers for $1,000 or less. We determined that 4,496 of these payments (52 percent) could have been purchased with the State Purchasing Card, saving the Division $251,776 in processing costs. Division officials agreed to increase the use of the State Purchasing Card in the future. [Page 8]

The Division maintains a petty cash checking account that is used for small-dollar purchases and to reimburse employees for business-related purchases. Five of ten sampled disbursements, totaling $508, had no supporting documentation. Therefore, there was no assurance that these were legitimate expenses or that they had been authorized properly. [Pages 8-9]

While the Central Office used a daily attendance record for its administrative employees, we found missing and incomplete entries. Also, two of the nine regional offices we visited did not use any form of record to monitor time and attendance. [Page 9]

The Director of Finance did not maintain e-mails and meeting minutes necessary to establish Departmental input for the 2006-07 budget figures. Also, the Finance Unit did not provide Division managers with reports detailing variances between budgeted and actual expenditures. [Pages 9-10]

The Division has not established a code of conduct detailing generally-applicable procedures and expectations for employees. We were advised that one is now being developed. [Page 10]

Our audit report contains 20 recommendations.

This report, dated April 10, 2008, is available on our website at: http://www.osc.state.ny.us. Add or update your mailing list address by contacting us at: (518) 474-3271 or
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

BACKGROUND

The State Commission Against Discrimination was created in 1945 to enforce the State's civil rights laws. In 1968 it was renamed the Division of Human Rights (Division). Specifically, the Division ensures that New Yorkers have equal opportunity in employment, housing, public accommodation, credit, and education. It also serves as an alternative to the court system for resolving discrimination claims.

Between April 1, 2005, and March 31, 2007, the Division spent $27.7 million, of which $22.2 million was for payroll costs. The Division's Central Office is located in the Bronx. It has 9 regional and 2 satellite offices throughout the State and a total of 186 employees, 116 of whom are based in the Central Office.

This audit was requested by the Division's current Commissioner soon after her arrival in January 2007. She had closely reviewed our prior audit (Report 2003-S-55, issued January 4, 2005), which determined that the Division did not have an adequate system of internal controls over its basic financial operations. In that audit, we found significant weaknesses in controls over equipment inventory, purchasing practices, cash disbursements, payroll, and accounting and information systems. The Commissioner's concern was that many of the control weaknesses identified in the prior audit still have not been addressed.

AUDIT FINDINGS AND RECOMMENDATIONS

Equipment Inventory

The New York State Accounting System User Manual (Manual) and the Office of the State Comptroller's (OSC) Bulletin G-54 (Bulletin

G-54) state that agencies should maintain a perpetual inventory record of equipment. The perpetual inventory record should include a tag number (identification number), location, purchase price, and purchase date. Tag numbers should be affixed to all inventory items, tracked, and accounted for. The guidelines also state that management should conduct an annual physical inventory of equipment and compare it with the perpetual inventory record. Any discrepancies arising from this comparison, as well as any resolution to those discrepancies, should be documented and reconciled. In addition, inventory records should be updated to reflect the transfer, addition, and disposal of equipment.

According to Division expenditure reports, between April 1, 2005, and March 31, 2007, the Division purchased electronic equipment totaling more than $402,000 (e.g., computers, laptops, and printers) and office furniture (e.g., conference tables) totaling $81,072.

We determined that there still were significant weaknesses in controls over the Division's equipment inventory. In fact, the control weaknesses were similar to those identified in our prior audit. We found that the Division maintains an inventory listing of electronic equipment, but not of other items such as office furniture. Also, the electronic equipment listing does not record all the necessary information such as a tag number, location, purchase price, and purchase date for each item; and it is not maintained on a perpetual inventory basis. Further, the Division does not perform annual physical inventory counts.

We obtained the Division's equipment inventory list as of April 10, 2007. We then performed a physical inventory of a judgmental sample of 202 items at 6 regional offices and at the Central Office to determine if these items existed or could be accounted for. We could not locate 86 items (43 percent), as shown below.

Item	Number of Items Checked	Items Not Found
Computers	126	36
Fax/Printers	40	30
Laptops	15	9
Scanners	21	11
Total	**202**	**86**

As of September 2007, the Division still could not account for any missing items. Furthermore, we found that the Division's electronic equipment listing was incomplete. During our audit, we observed that 35 of the regional office items had not been recorded on the electronic equipment listing.

In addition, we found that the Division still had no written procedures for placing items on an inventory list or indicating the minimum dollar amount for an item to be inventoried. As a result, an item could be relatively expensive but not recorded on an inventory list. The Division also did not have written procedures for transferring and disposing of equipment. During our field visits, we noticed that six of the regional offices we visited had equipment that was no longer in use and was awaiting disposal. However, employees said there were no procedures relating to equipment disposal or the recording of the disposal. Therefore, items can be disposed of without being removed from the inventory list. These items can also be replaced or transferred without being recorded.

Recommendations

1. Develop and implement a perpetual equipment inventory record that identifies tag number, location, purchase

price, and purchase date for all equipment, including electronic equipment.

2. Establish the minimum dollar value for recording equipment purchases on the perpetual inventory record and establish written procedures for the transfer and disposal of equipment.

3. Perform annual physical counts of Division equipment.

4. Account for the missing equipment noted in this report. If it is determined that items cannot be accounted for, update the electronic equipment inventory list accordingly.

Purchasing Procedures

Documentation

The Manual, Bulletin G-54, and Division purchasing guidelines state that purchase requests must be submitted for approval and then purchase orders can be prepared so goods and services can be obtained. Once this is done, vendors must submit their invoices. Employees then verify that the invoices are accurate and are supported by records indicating the proper receipt of goods and delivery of services. Vouchers for payments are then prepared and forwarded to the Division's Finance Office for approval. Upon approval, vouchers are sent to OSC for payment. All documentation pertaining to the purchases and payments should be retained.

Between April 1, 2005, and March 31, 2007, the Division processed 11,795 voucher transactions and spent $31 million on the purchase of goods and services. Like our prior audit, our current audit found significant control weaknesses over Division purchasing functions. We found that the Division did not always maintain the necessary supporting documentation to provide reasonable assurance that purchases were needed and had been authorized properly and that the goods or services were received.

There was no database or listing of purchase order information, containing the purchase order number, vendor name, purchase price and date, and amount necessary to enable the Division to properly manage and control its purchases. We selected a judgmental sample of 105 voucher transactions covering the period April 1, 2005, through March 31, 2007. There were no files for five voucher transactions; therefore, we could not ascertain that they were valid transactions. We reviewed supporting documentation for the remaining 100 transactions and found:

- 90 transactions were required to have purchase orders, but purchase orders for 28 transactions were missing. Therefore, we could not determine if the purchases were necessary and appropriate.
- Of the 57 transactions with purchase orders, 23 did not have the required written approval. Therefore, we were unable to determine if these purchases were authorized.
- 83 transactions were missing authorized purchase requisitions. Therefore, we were unable to determine if the purchases were necessary.
- Payments for 50 transactions were made without evidence of the required receiving reports/packing slips. (Division officials said that the receiving reports had not been forwarded by the receiving unit. However, they still did not provide these reports to us during our audit).
- 6 transactions did not have the required invoices. Therefore, we were unable to

determine if the voucher amounts were correct.

- For one transaction, the payment was made, but the Division could not provide us with the voucher file. Therefore, we could not verify the validity of the transaction.

In addition to missing documentation, we identified the following weaknesses in the Division's internal controls over the processing of vouchers:

- There was a lack of separation of duties between the purchasing department and the accounts payable unit. The purchasing department approved invoices for payment. However, invoices should be sent directly to the accounts payable unit for approval.
- We identified 49 transactions in which the Division could have taken advantage of purchase discounts but did not. Had they applied these discounts, officials could have saved $4,000.
- We identified six payments in which the object codes provided by the Division were incorrect; thus those payments were charged to inappropriate accounts.
- The Division did not have a policy regarding allowable government per diem rates for non-employees, such as training instructors. We identified several instances in which the government per diem rate was not used for non-employee consultants, as well as one instance in which an employee did not utilize a tax exemption for lodging.

Verification of Items Purchased

To verify whether purchased items could be located or accounted for, we conducted a physical inventory between July 18, 2007, and August 6, 2007, to locate 159 items listed on 30 voucher transactions submitted by the Central Office and the Albany, Hempstead, Hauppauge, and Binghamton offices.

We could not find 40 of 159 items, as follows:

- The Division purchased 48 computers for $68,640. However, the Division could not account for 15 of these items.
- The Division purchased 15 laptops and 10 monitors for $16,455. However, we could not locate the 10 monitors because no identification or serial numbers had been noted on the packing slip or invoice. Further, we could not locate 6 of the laptops.
- The Division had purchased 24 large printers totaling $13,835 but could not account for 5 of them.
- The Division purchased two laptops for $3,320. However, we could locate only one of the two.
- The Division purchased two high-back chairs for $821. Although there was a packing slip showing that the items were received, no identification numbers appeared on either the furniture or the packing slip. Since there were multiple high-back chairs in the office, we could not determine which ones pertained to this voucher.
- The Division had leased mail equipment for $700, but we were unable to locate it.

Vendor Selection

When selecting a vendor, OSC and the Office of General Services (OGS) procurement guidelines require agencies to review the List of Preferred Source Offerings maintained by OGS. If the needs of the agency are not met by those on this list, then agencies must refer to the State Centralized Contract database for a vendor. If this database is used, then the Centralized contract number must be referenced on the purchase order or voucher.

If neither of these options meets an agency's procurement needs, or the estimated price of the goods exceeds $15,000 ($5,000 prior to April 10, 2006), agencies must publish an advertisement in the Contract Reporter. They do not have to start formal competitive bidding (e.g., solicit a specific number of bids). However, if the estimated price exceeds $50,000 ($15,000 prior to April 10, 2006), agencies must initiate formal competitive bidding. If the estimated price is below these amounts, agencies must maintain documentation justifying the vendor selection and the reasonableness of the price. Agencies are required to maintain supporting documentation identifying the decisions made in the process for each purchase.

We found that the Division has not fully complied with these guidelines. During the period April 1, 2005, through March 31, 2007, the Division spent $31 million on purchases. Of the 100 voucher transactions from our previous sample, 85 went through the vendor selection process. Of these, we found that:

- 35 should have been purchased utilizing State contracts, but there was no indication this was done for any of them. Therefore, there is no assurance that the best price was obtained.
- 2 were for the purchase of consultant services (for $2,598 and $13,900) on the same day, from the same vendor, but had been processed separately. Had they been processed as a single purchase, these transactions would have totaled $16,498. Because the transactions were made separately, the Contract Reporter requirement was circumvented.
- 39 fell under the dollar threshold for formal bidding but lacked supporting documentation justifying vendor selection and the reasonableness of price.
- 9 complied with the guidelines.

By not complying with vendor selection requirements, the Division lacks assurances that it obtains the best price for goods or services, and that vendors are given a fair opportunity to compete for State business.

Recommendations

5. Comply with State and Division purchasing guidelines, including maintaining all appropriate documentation relating to purchases, selecting vendors, and using either State contracts or normal competitive bidding, when required.

6. Separate the duties relating to payment of purchases.

7. Take purchase discounts when appropriate.

8. Enter correct object codes into the State Accounting System.

9. Develop a policy regarding the use of per diem rates for consultants.

10. Verify that goods have been received or that services have been provided before paying vendors.

Disbursements

Purchasing Card Program

New York State's Purchasing Card Program (Program) was designed to simplify the payment of small purchases by shortening the approval process and reducing paperwork. OSC's Bulletin No. G-196 stated that a study conducted by American Express estimated that it cost large organizations about $67 to process a transaction under the traditional purchasing vouchering system, while the Program costs about $11 per transaction, resulting in a net savings of $56.

Between April 1, 2005, and March 31, 2007, the Division processed 8,580 vouchers for $1,000 or less. When we reviewed these purchases with Division officials, we determined that 4,496 of these payments (52 percent) could have been purchased with the State Purchasing Card (the remaining purchases were for personal services, reimbursements, and other items that cannot be paid for with a Purchasing Card). If the eligible purchases had been processed with the State Purchasing Card, the Division could have saved $251,776 in processing costs. Division officials agreed to make increased use of the State Purchasing Card in the future.

Petty Cash

The Division maintains a petty cash checking account that is used for small-dollar purchases and to reimburse employees for business-related purchases. The Manual's guidelines state that all original receipts (e.g., a listing of the articles or services purchased, the total amount paid) and supporting documentation (e.g., the date, amount of reimbursement) must be retained by the Division. The Division's guidelines do not state what types of purchases the petty cash fund should be used for. In addition, monthly bank reconciliations must be performed by an employee not involved in the recording of receipts and disbursements, and then be reviewed and signed by a supervisor.

According to the Division's procedures, the Accounting Clerk is the custodian of the petty cash fund and receives a completed petty cash form, along with the required supporting documentation from an employee seeking reimbursement. The form calls for signatures by both the employee's supervisor and the Director of Finance, who prepares the check and enters the check number on the petty cash form. We found there is a lack of oversight by Division management over the petty cash fund, resulting in possible inappropriate disbursements.

For the period April 2005 to February 2007, the Division made 106 petty cash disbursements totaling $6,279. To determine if there was adequate supporting documentation for these disbursements and whether they were related to Division business, we selected a judgmental sample of ten of these petty cash disbursements totaling $1,097. We found that five of the ten payments, totaling $508, had no documentation. Therefore, there was no assurance that these payments were for legitimate expenses or that they had been authorized properly. For one of the remaining five disbursements, a required signature was missing on the petty cash form. Four disbursements had the appropriate supporting documentation and signatures.

We also found that monthly bank reconciliations had not been signed or prepared by the Director of Finance, who is also responsible for overseeing the petty cash fund. Further, the Director of Finance had recently assumed check-signing authority. Good internal controls require these functions to be separated and not done by the same person.

Recommendations

11. Encourage the use of the State Purchasing Card for small-dollar purchases.

12. Update petty cash procedures to better reflect requirements for use of the funds, including the appropriate supporting documentation. Distribute procedures to the appropriate personnel and monitor that the procedures are being followed.

13. Separate the custodial, bank reconciliation, and check-signing functions of the petty cash fund.

Payroll

Time and Attendance Procedures

The Manual states that a primary supervisory function is to ensure adequate and timely reporting of employee attendance, and that each agency is required to maintain complete and accurate records of employee attendance and leave accruals.

The Central Office used a daily attendance record (e.g., sign-in log) for its administrative employees. We reviewed the daily employee sign-in/sign-out logs maintained by supervisors in the Division's Finance Unit for the period November 2006 to April 2007. We found that the logs had missing or incomplete entries and, therefore, we were unable to determine whether the time sheet entries were correct.

Seven of the Regional Offices utilized some form of calendar, personal diary, or electronic record to monitor time and attendance; but two of them (Hempstead and Hauppauge) did not use any documented record for accounting for time and attendance.

In addition, we conducted floor checks of all 25 employees at 4 of the regional offices (Albany, Hempstead, Binghamton, and Hauppauge) to verify that employees were working at their assigned locations. The floor checks were conducted between July 18, 2007, and August 6, 2007. We found that 23 of the 25 employees were working at their assigned locations. The remaining two employees were assigned to one location but working at another.

We also note that the Division still does not document whether the use of excessive sick leave was warranted.

Recommendations

14. Develop and distribute time and attendance record keeping procedures to comply with the requirements of the Manual. Monitor compliance with the procedures.

15. Maintain an accurate listing of assigned work locations for regional office employees.

16. Obtain written documentation indicating whether the use of excessive sick leave is warranted.

Accounting and Information Systems, Budgeting, and Governance

The Division should perform periodic assessments of its accounting and information systems and related financial operations. The Director of Finance told us that he periodically reviewed payment vouchers for compliance with Division procedures. He then provided us with the listings of vouchers for the period April 1, 2006, to March 31,

2007. However, there was no evidence that management was assessing and monitoring the accuracy and integrity of its accounting and information systems on a periodic basis.

Further, for the 2006-07 budget, there was no evidence, such as formal minutes of meetings or emails, that input had been received by the Director of Finance from the departments when compiling the budget figures. The Finance Unit also did not generate reports detailing variances between budgeted and actual expenditures. As a result, managers have been unable to monitor the financial activities within their control to identify problems, errors, or irregularities that may arise.

In addition, we found that the Division still has not established a code of conduct; nor does it have an employee manual detailing generally-applicable procedures and expectations for employees. Instead, Division officials indicated they gave all staff a copy of a State employee orientation handbook that they downloaded from the Governor's Office of Employee Relations website. While it may be appropriate to use these materials as one source of information, it is equally important for management to develop policies, procedures, and reference materials that pertain directly to the Division's financial-related functions and convey management's specific expectations. Division officials indicated that they are currently in the process of developing a code of conduct.

Recommendations

17. Perform periodic assessments of the accuracy and integrity of accounting and information systems.

18. Solicit and maintain input from managers when compiling the Division's budget.

19. Prepare reports detailing variances between budgeted and actual costs.

20. Establish and distribute a code of conduct.

AUDIT SCOPE AND METHODOLOGY

We conducted our audit in accordance with generally accepted government auditing standards. We audited the Division to determine whether it had established an adequate system of internal controls over its basic fiscal operations including equipment inventory, purchasing, disbursements, payroll, accounting and information systems, budgeting, and governance. Our audit covered the period April 1, 2005, through August 31, 2007.

To accomplish our objective, we interviewed Division officials and reviewed and analyzed Division records and reports pertaining to the Division's major financial management functions. Specifically, we tested internal controls over equipment, purchasing, disbursements, payroll, accounting and information systems, and budgeting. We reviewed and analyzed pertinent laws, policies, bulletins, procedures, and expenditures for the Central and regional offices.

We attempted to locate a judgmental sample of 202 pieces of equipment located at 6 regional offices and the Central Office.

We selected a judgmental sample of 105 voucher transactions covering the period April 1, 2005, through March 31, 2007. The sample consisted of 20 purchase orders selected randomly from a population of 905 purchase orders as reported by the Division and 50 sampled payment transactions from a population of 11,795. In choosing the sample of 50, we selected the highest dollar payments in various categories made to different vendors after eliminating payroll-associated payments.

In addition, the Commissioner requested that we perform an additional review of time and attendance and voucher transactions at the Albany, Binghamton, Hempstead, and Hauppauge regional offices. For this review, we broke down the database of 11,795 transactions by location and chose an additional 35 transactions out of 1,533, totaling $28,529, to review for these 4 offices, using the same methodology used in selecting the previous sample.

We also conducted various floor checks of 25 employees at 4 of the regional offices.

Also, in reviewing the 105 transactions, we identified 30 vouchers with 159 items for which we could readily determine whether the items were received at these 4 locations as well as the Central Office, and checked to see whether these items were received.

For the period April 2005 to February 2007, the Division made 106 petty cash disbursements totaling $6,279. To determine if there was adequate supporting documentation for these disbursements and if they were related to Division business, we selected a judgmental sample of ten petty cash disbursements totaling $1,097. Our selection was based on the high-dollar value as well as payments made to individuals rather than vendors.

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.

AUTHORITY

The audit was performed 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.

REPORTING REQUIREMENTS

A draft copy of this report was provided to Division officials for their review and comment. Their comments were considered in preparing this report, and are included as Appendix A. Division officials responded that they agree with our findings and are adopting our 20 recommendations.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Division shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising of the steps that were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

CONTRIBUTORS TO THE REPORT

Major contributors to this report include William Challice, Al Kee, Christine Chu, Sal D'Amato, Jeffrey Marks, Dmitri Vassiliev, Lisa Duke, Tamur Cajoux, Abe Fish, and Sue Gold.

APPENDIX A - AUDITEE RESPONSE

STATE OF NEW YORK
EXECUTIVE DEPARTMENT
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ELIOT SPITZER
GOVERNOR

KUMIKI GIBSON
COMMISSIONER

February 28, 2008

VIA E-MAIL AND FEDEX

William P. Challice
Office of State Comptroller
Division of State Government Accountability
123 William Street – 21st Floor
New York, New York 10038

Re: Audit Report 2007-S-25

Dear Mr. Challice:

I write in response to the Office of State Comptroller's draft audit report (Report 2007-S-25) regarding the Division of Human Rights' financial operations.

As an initial matter, I want to thank you for responding to my call for an audit when I first arrived. As I advised you when we first spoke, I realized soon after my arrival that the financial operations at the Division of Human Rights ("Division") were not functioning properly, because, in large part, of the prior administration's failure to implement the recommendations that flowed from the audit your office conducted in January 2005 (Report 2003-S-55). I had hoped that a new audit would provide me with an accurate snapshot of the status of the operations and with a roadmap of how to improve them. The audit that you conducted for us and Report 2007-S-25 do just that.

I also want to thank you and the staff assigned to this audit for the professionalism exhibited throughout the entire audit process. They were always clear and courteous with their requests for information and never allowed their work or presence to interfere with our operations. It was one of the most professional audits I have ever participated in, for which I am grateful.

With respect to the substance of your audit, please be advised that the Division agrees with all of your findings and is adopting your 20 recommendations in full. Indeed, I am pleased to report that 16 of the 20 recommendations have been completed; that two (the variance report and the time and attendance policy) are being perfected and are targeted to be completed by the end of this fiscal year; and that the remaining two recommendations (both of which require the physical count of inventory) are targeted to be completed by July 2008.

I am also pleased to report that in order to ensure that the Division is complying with all of the requirements imposed by law or policy (both external and internal), soon after my arrival, I established an Internal Controls Unit, reporting directly to our General Counsel, to monitor and report on the relevant units' and staff members' compliance with legal, administrative, and Division requirements. I meet with the General Counsel and the Director of that Unit every month to discuss the level of compliance across the Agency and any corrective measures needed in response to any lapses or gaps in compliance. In order to ensure full and continuing compliance with the recommendations outlined in Report 2007-S-25, I have added all of these recommendations to the Unit Director's list of control responsibilities. I am confident that this added oversight will ensure that the financial operations of the Divisions are first-rate, going forward.

I hope that this letter fully responds to the draft of Report 2007-S-25. If you or your staff have any questions regarding this response or our work to implement the recommendations in the Report, please contact me directly.

Thank you and your staff for your professionalism, assistance, and sound recommendations. They are all greatly appreciated.

Sincerely,

Kumiki Gibson