

Division of Military and Naval Affairs

Internal Controls Over Selected Financial Operations

Report 2018-S-66 | April 2020

OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Division of State Government Accountability



Audit Highlights

Objective

To determine whether the Division of Military and Naval Affairs (DMNA) has adequate controls over selected financial operations to provide reasonable assurance that State assets are appropriately managed and safeguarded. The audit covered the period April 1, 2016 through September 16, 2019.

About the Program

DMNA manages the State's military forces, which are composed of the New York Army National Guard, New York Air National Guard, New York Naval Militia, and the New York Guard. DMNA employs about 450 State and 3,880 federal employees who together manage federal and State budgets, oversee human resources, operate training, and arrange logistics. A Master Cooperative Agreement (MCA) between DMNA and the federal National Guard Bureau (NGB) allows DMNA to be reimbursed by NGB for expenses it incurs in operations and training of the State Army and Air National Guard.

Key Findings

- Weaknesses in DMNA's handling of reimbursement requests to NGB resulted in nearly \$1.27 million in lost reimbursements.
- DMNA did not maintain an internal audit function throughout the course of our audit, despite a Division of the Budget requirement that it do so.
- There were significant weaknesses in DMNA's controls over accounting for employee credit card purchases, including no review of purchases made by individuals who no longer worked for DMNA and lack of follow-up on unsubmitted support for credit card purchases that were made up to two years prior.

Key Recommendations

- Ensure that requests to NGB for reimbursement for costs covered under the MCA are adequately documented and submitted timely, and retain the related records as required.
- Establish an internal audit function in compliance with Division of the Budget requirements.
- Implement methods to better monitor employee credit card purchases that include appropriate and timely follow-up on unsubmitted purchase support records and questionable purchases.



Office of the New York State Comptroller Division of State Government Accountability

April 27, 2020

Major General Raymond F. Shields, Jr.
Adjutant General
Division of Military and Naval Affairs
330 Old Niskayuna Rd.
Latham, NY 12110-3514

Dear Major General Shields:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for the tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit entitled *Internal Controls Over Selected Financial Operations*. This audit was performed 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.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Division of State Government Accountability

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Glossary of Terms

Term	Description	Identifier
B-350	Budget Bulletin	<i>Key Term</i>
COLA	Cost of Living Adjustment	<i>Key Term</i>
DMNA	Division of Military and Naval Affairs	<i>Auditee</i>
DOB	Division of the Budget	<i>Agency</i>
FFY	Federal Fiscal Year	<i>Key Term</i>
Internal Control Act	New York State Governmental Accountability, Audit and Internal Control Act of 1987	<i>Key Term</i>
MAST	Monthly Account Summary Transmittal	<i>Key Term</i>
MCA	Master Cooperative Agreement	<i>Key Term</i>
MOU	Memorandum of Understanding	<i>Key Term</i>
NGB	Federal National Guard Bureau	<i>Federal Agency</i>
OGS	Office of General Services	<i>Agency</i>
PRF	Procurement Requisition Form	<i>Key Term</i>
SFS	Statewide Financial System	<i>Key Term</i>

Background

The Division of Military and Naval Affairs (DMNA) manages New York State's military forces, which are composed of the New York Army National Guard, the New York Air National Guard, the New York Naval Militia, and the New York Guard. Its mission is to provide fully capable land, air, and naval military forces and facilities executing global missions across unified air and land operations in support of our communities, State, and nation. DMNA employs about 450 State and 3,880 federal employees. Its Facilities Management and Engineering Office maintains and secures more than 50 armories, Armed Forces Readiness Centers, and other logistical and training sites throughout the State.

DMNA receives both State and federal funding. Under the terms of a Master Cooperative Agreement (MCA), the federal National Guard Bureau (NGB) reimburses DMNA for costs it incurs for the operation and training of the State Army and Air National Guard. Reimbursable costs include facilities, equipment and supplies, training, personnel, and travel expenses. According to DMNA, under the MCA, NGB will reimburse DMNA for up to five years (with approved extensions from NGB) after the close of the Federal Fiscal Year (FFY) in which DMNA paid for covered costs. For example, under these terms, DMNA would need to submit requests for reimbursement by September 30, 2018 for covered costs incurred in the FFY ended September 30, 2013. A provision in the MCA requires that DMNA retain financial and other records that relate to its performance under the MCA.

Audit Findings and Recommendations

We found that, while some of DMNA's controls are adequate and provide reasonable assurance that State assets are appropriately managed and safeguarded, others are less reliable at providing that assurance and need improvement. We identified internal control weaknesses in several financial areas that, in combination, resulted in lost opportunities to be reimbursed for eligible costs, overpayments, and payments that lacked documentation to support that they were for appropriate purchases. For example, weaknesses in DMNA's handling of its reimbursement requests to NGB resulted in more than \$1.2 million in lost reimbursements. We also found that DMNA did not maintain an internal audit function throughout the course of our audit, despite a requirement that it do so. This, along with other examples we note in the report, indicates the need for better monitoring and an improved control environment.

Control Environment

Internal control is the integration of the activities, plans, attitudes, policies, and efforts of the people of an organization working together to provide reasonable assurance that the organization will achieve its objectives and mission. The control environment – also known as the “tone at the top” – is a component of internal control that establishes authority and responsibility and enforces accountability within an agency. Without a strong control environment, the overall system of internal control will be less effective and may make an agency more susceptible to fraud, waste, and abuse.

The New York State Governmental Accountability, Audit and Internal Control Act of 1987 (Internal Control Act) describes internal audit as an appraisal activity established by management for the review of operations to ensure compliance with management policies and the effectiveness of internal control, conducted in conformance with generally accepted standards for internal auditing. Further, it empowers the Division of the Budget (DOB) to issue a schedule of State agencies required to have an internal audit function, and requires that the internal audit functions be headed by an internal audit director. DOB Bulletin B-0350, Governmental Internal Control and Internal Audit Requirements (B-350) includes DMNA among the agencies required to establish and maintain an internal audit function.

DMNA's public Internal Control web page states that DMNA annually certifies to DOB that its internal control program complies with the Internal Control Act. However, throughout our audit, and since at least 2004, DMNA has not had an internal audit function, nor an internal audit director, despite requirements that it do so. A 2004 Memorandum of Understanding (MOU) between DMNA and the Office of General Services (OGS) stated that DMNA desired to obtain

internal audit services from OGS and that OGS would provide these services at the request of DMNA management.

We found that DMNA did not request internal audit services that could potentially have identified control weaknesses and detected, or even prevented, some of the findings we describe throughout this report. DMNA officials were receptive to our findings and have taken action to rectify them. In addition, the Adjutant General, who was appointed in October 2018, indicated that the control environment is one of his priorities. In late May 2019, during our audit, DMNA published a job posting for an Internal Audit Director. In August 2019, DMNA's Internal Control Officer left the agency. As of November 2019, neither of the two positions had yet been filled.

Master Cooperative Agreement

According to DMNA, September 30, 2018 was the deadline for it to request reimbursement for covered costs under the terms of the MCA for the FFY ended September 30, 2013 (FFY 2013). As of that date, DMNA had identified a total of \$9,774,900 in reimbursable costs for that year, and had requested and been reimbursed by NGB for \$8,546,241. However, DMNA requested but didn't receive reimbursement for the remaining \$1,228,659. Of that amount, NGB cited lack of supporting documentation for \$937,344 and inadequate supporting documentation for \$291,315. Further, after the reimbursement period for FFY 2013 had closed, DMNA identified an additional \$41,315 in FFY 2013 expenditures that it had erroneously categorized as FFY 2014 expenditures and were therefore not included in its reimbursement requests for FFY 2013. In total, DMNA was not reimbursed for \$1,269,974 in covered FFY 2013 expenditures.

DMNA officials acknowledged our findings and cited the transition to the Statewide Financial System (SFS, New York State government's accounting and financial management system) and the Business Services Center (which provides shared services to standardize State human resources and finance transactions) during 2012 and 2013, during which it was unclear who was responsible for maintaining supporting documentation, as contributing to the problem with missing and inadequate documentation. They said that DMNA has since established new procedures for receiving and maintaining documentation that should prevent this situation from recurring. They stated that, as of August 2019, they had been reimbursed by NGB for nearly all the remaining \$1.25 million for the following year's (FFY 2014) covered costs with a September 30, 2019 deadline for reimbursement requests and had submitted a request for the remaining \$54,000 for that year, which we verified they have since received.

Credit Card Purchases

We found significant weaknesses in DMNA's controls over accounting for employee credit card purchases, including no review of purchases made by individuals who had since left DMNA employment and lack of follow-up on unsubmitted supporting documentation for credit card purchases made up to two years prior.

DMNA policies require that all agency purchases be related to official state business and conducted in the most cost effective manner possible. In addition, employees who use a procurement card must submit a Monthly Account Summary Transmittal (MAST) report, generally no later than the 20th of the month following the close of the billing cycle. The MAST report must include the cardholder's credit card statement, along with supporting documentation (which may include Procurement Requisition Forms) for the related purchases. Under the policy, the MAST report reviewer is expected to follow up by email on late reports.

We reviewed DMNA's MAST report tracking spreadsheet for the period April 6, 2016 through January 6, 2019, which included 2,170 MAST reports for 108 cardholders and totaled \$30,542,161. According to the tracking spreadsheet, there were 27 outstanding MAST reports, representing 9 employees and totaling \$531,581. In addition, none of the 260 MAST reports submitted from November 20, 2018 through January 20, 2019, which covered purchases totaling more than \$2.1 million, had been reviewed as of March 2019. We followed up on the 27 outstanding MAST reports and found that, when we compared the credit card statements to the tracking spreadsheet, for two MAST reports, the credit card statement amounts exceeded the amounts in the spreadsheet. DMNA officials attributed these differences to data entry errors. After adjusting for these errors, the total purchase amount associated with these 27 MAST reports was \$910,458, as follows:

- \$18,847 representing purchases made by 3 cardholders who were no longer employed by DMNA at the time of our audit (6 MAST reports). Without available support, DMNA lacks assurance that these purchases were related to State business.
- \$481,107 representing 1 cardholder's payments for tuition reimbursement to employees during a four-month period (3 MAST reports).
- \$410,504 representing 5 cardholders' purchases over a more than two-year period (18 MAST reports). The charges were for hotels, rental cars, and similar expenses and were initiated by a limited number

of authorized cardholders to make travel arrangements for multiple individuals. We requested and received the MAST reports from the 5 employees, and the reports indicated that they'd been submitted prior to when we received the tracking spreadsheet. Dates indicated that 14 of the 18 MAST reports had been submitted from 13 days to 24 months late. The remaining 4 were submitted timely.

Of the 18 MAST reports we received from cardholders, we followed up with DMNA officials on purchases totaling \$56,960. This included \$37,516 for which documentation was missing or insufficient and \$19,444 that included \$4,712 in New York State sales tax that DMNA, as a State entity, was exempt from paying, as well as charges related to E-ZPass, rental cars, and hotels. Though DMNA officials didn't address the specific charges we identified, they indicated that some of these charges, such as those for hotels and rental cars, can be unavoidable. For example, they might reserve a block of rooms at a hotel, expecting to use them to house personnel responding to an emergency, such as a hurricane. They may then need to cancel some or all of the reservations – and pay related fees – because of a change in the number of personnel needed or available. Although some costs may be difficult to avoid, DMNA should take steps to minimize these costs whenever possible, to document them when they do occur, and to ensure that cardholders don't pay taxes they are exempt from paying.

Due in part to the lack of follow-up, which is required by DMNA policy, some employees may not be aware their MAST reports are outstanding. Non-submission and late submission of MAST reports results in reviewing purchases for appropriateness and accuracy long after they were incurred, or not at all. This increases the risk that DMNA funds may be used for inappropriate or duplicative purchases. In response to our findings, DMNA officials cited increased workload for the primary MAST report reviewer as contributing to both the late review of MAST reports and the lack of follow-up on reports not submitted or not submitted timely. They also indicated that they provided guidance and training to employees, updated their MAST report policy, and have improved their method of monitoring MAST report submissions.

Time Records

We found weaknesses in DMNA's controls over employee time records that, in some cases, resulted in our questioning whether compensation payments were for time actually worked. Most of the problems we found related to conflicting information on documents, such as sign-in records and records of amounts paid, and lack of evidence that paid overtime had been approved.

DMNA policy requires that supervisors compare time sheets against daily time records on which employees are required to indicate their sign-in and sign-out times, before approving the time sheets. Overtime must be justified in advance and approved. We reviewed 405 time sheets, along with related sign-in/out and overtime approval records, for 15 employees, representing periods in each of the three calendar years 2016-2018. We found multiple instances in which time sheets were approved, and the payment made, despite their not agreeing with daily sign-in records or lacking required overtime approvals. In total, we identified problems with the time records for 14 of the 15 employees whose records we reviewed, representing \$48,867, as follows:

- \$41,953 representing 181 instances totaling 1,598 hours for which employees recorded regular or overtime hours worked on their time sheets but neither signed in nor out. For example, one employee neither signed in nor out on 144 days in 2016.
- \$1,244 representing 6 instances totaling 52 hours for which employee records of time paid did not reflect information on approved leave requests.
- \$2,848 representing 9 instances totaling 59 hours for which employees were paid for more overtime hours than their time sheets reflected.
- \$2,822 representing 9 instances totaling 66 hours for which employees recorded and were paid for overtime worked that lacked the proper approval form.

There were 48 additional instances in which employee daily sign-in records and time sheets didn't agree, such as when an employee signed in but did not sign out, or vice versa. Due to the missing entries, we could not determine what the employees' recorded work hours were and how they differed from the time sheets and associated pay. We also compared DMNA information about employees who were added to or deleted from its payroll for the period April 1, 2017 through December 18, 2018 with payroll information from the State payroll system and found that the information agreed.

Unreconciled time sheets may result in employees receiving inaccurate and/or unearned pay. Further, absences that are not charged to accruals represent overpayments and are a waste of State funds. In responding to our observations, DMNA officials cited staffing issues as part of the problem, such as their inability to fill vacant supervisory positions, and the current inability of the LATS timekeeping system to accommodate the schedules of firefighters, resulting in manual records for these DMNA employees. They also stated that, to address our findings, they will revise their time and attendance

procedures, create training, and develop and review time sheet error metrics. In addition, they stated their plan is to continue to pursue the ability to include firefighters in LATS.

Pension Payments, Purchases, and Other Payments

Pension Overpayment

Under the State Military Law, a service member who becomes disabled while performing State service within three years prior to applying for a pension receives a State pension that is the same as what would be received from the United States government under similar circumstances. Monthly pension payments depend on factors such as salary and years of service and must be changed to reflect Cost of Living Adjustments (COLA) and other required adjustments. We identified an individual for whom DMNA had been overpaying the monthly benefit for several years due to an error in its application of the COLA rate (DMNA used 3 percent, whereas the correct rate was .3 percent), which went undetected. The nominal value of the overpayments from April 1, 2016 to June 30, 2019 was \$9,736. We did not determine the value of any actual or potential miscalculations prior to April 1, 2016. DMNA officials acknowledged the error when we brought it to their attention.

Purchasing and Other Payments

DMNA's purchasing and receiving policies require that most procurement requests in the amount of \$2,500 or more be submitted using a Procurement Requisition Form (PRF) and – for most commodities and services – a receiving form (technology purchases of any amount require approval by a designated office). We selected a judgmental sample of 50 payments, each of which represented procurements of \$2,500 or more, and found that 32 (64 percent) lacked a PRF, and of those, 26 (52 percent) lacked a required receiving form. In response to our observations, DMNA officials said that none of the exceptions we identified, which included payments such as tuition reimbursement and certain fees, are subject to the requirement to submit a PRF and/or receiving form, but are subject to other approval steps. We followed up on 16 of the 26 payments and determined that most were appropriately approved. We didn't follow up on the remaining 10 payments, which were for routine fees paid to OGS. DMNA officials acknowledged that they may need to adjust the policies to clarify which, if any, purchases are exempt from their provisions.

We also found that DMNA made a \$7,195 payment in June 2018 to a statewide account for quarterly indirect costs, such as maintenance and operation of facilities, despite having received a waiver of these costs. DMNA officials acknowledged the overpayment and attributed it to human error. They also stated that the process, which previously involved manual entries, was automated later in 2018 and should reduce the potential for this type of error. Finally, we reviewed a sample of 50 travel payments and determined that they were reasonable and appropriately supported.

In response to our observations, DMNA officials stated that they'll review and adjust existing purchasing policies as necessary and have conducted training in this area. They also said they will institute a procedure to review disability pension amounts on a sample basis to ensure the correct benefit amounts are issued.

Asset Management

Weapons

We found that DMNA's central database of State weapons inventory generally agreed with the records from the bases at which these weapons are housed, with two exceptions.

The DMNA headquarters property manager is responsible for maintaining a real-time database of State weapons inventory and ensuring that it accurately reflects physical inventories at the bases. Base personnel submit a monthly inventory accountability report to the headquarters property manager. DMNA officials stated that, despite weapons not being specifically addressed in their regulation, information about weapons acquisition, disposal, and transfer must be captured, as is required for other State property.

We compared a download of DMNA's central database of 981 State weapons, such as pistols and rifles, with the monthly weapons inventory lists from each base and identified two weapons for which the records did not agree, as follows:

- One weapon purchased in March 2017 appeared on base records but not in the central database, and
- One weapon was incorrectly entered into the central database, and we were unable to reconcile the serial number on the database with the base monthly inventory records. This caused what appeared to be two weapons that were unaccounted for – one in each set of records.

DMNA officials cited human error as the cause of the discrepancies

and corrected their records to appropriately account for and correct the conditions we identified. We verified these corrections. They also stated that they conducted an inventory of all weapons and sensitive items after learning of our findings, and verified that all items were accounted for. They acknowledged that their existing policies don't address weapons inventory and agreed that weapons should be monitored more closely.

Equipment

We selected 50 equipment items from central equipment inventory records for two DMNA armories located in Troy and Utica (25 items at each location). We visited the armories and located all 50 items on site. We also judgmentally selected 10 equipment items at each of the two armories, for a total of 20 items, and verified that information for all 20, such as decal number, make, model, serial number, and description, was appropriately represented on the central equipment control record.

Recommendations

1. Establish an internal audit function in compliance with B-350 requirements.
2. Ensure that requests to NGB for reimbursement for costs covered under the MCA are adequately documented and submitted timely, and retain the related records as required.
3. Provide additional guidance and/or training that addresses requirements for both credit card purchases and time records.
4. Implement methods to better monitor employee credit card purchases and time records that include appropriate and timely follow-up on unsubmitted MAST reports, questionable purchases, and time record discrepancies.
5. Correct the pension error identified so that future payments are accurate and, as considered necessary and feasible, adjust future payments for previous errors.
6. Determine whether pension payments to other individuals require adjustment, and adjust them as appropriate.
7. Develop and implement a process that ensures pension benefit calculations are accurate.
8. Revise purchasing and receiving policies as needed to clarify which, if any, purchases are exempt from their provisions.

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9. Develop and implement guidance that addresses appropriate methods to record, maintain, and reconcile weapons records.

Audit Scope, Objective, and Methodology

The objective of our audit was to determine whether DMNA has adequate controls over selected financial operations to provide reasonable assurance that State assets are appropriately managed and safeguarded. The audit covered DMNA's credit card statements dated April 6, 2016 through January 6, 2019; payroll payments dated January 1, 2016 to December 31, 2018; payments posted in SFS during the period April 1, 2017 to February 21, 2019; travel expenses incurred from August 1, 2016 to February 21, 2019; and equipment and weapons inventory from December 18, 2018 and April 30, 2019, respectively. We considered other information that DMNA provided through September 16, 2019.

To achieve our audit objective and assess relevant internal controls, we reviewed laws, regulations, and DMNA policies related to selected financial operations such as credit card purchases. We also met with DMNA officials to gain an understanding of how selected internal controls work in practice. We met with officials from both DMNA and OGS to gain an understanding of the MOU between the two parties and to determine whether DMNA requested and/or OGS provided internal audit services to DMNA. We also reviewed the MCA covering the period October 1, 2015 through September 30, 2020, along with related information, and reviewed DMNA's requests for reimbursement for FFYs ended September 30, 2014 and 2013.

We obtained data from DMNA, SFS, and the State payroll system, and selected several judgmental and random samples to test controls related to credit card purchases, time records, other purchases and payments, and asset management. We reviewed DMNA's MAST tracking spreadsheet for credit card statements dated April 6, 2016 through January 6, 2019, as well as purchase information for nine cardholders with outstanding MAST reports. We also determined whether current cardholders as of March 8, 2019 were represented on the tracking spreadsheet. To test DMNA's controls over time records, we judgmentally selected and reviewed records for the top five overtime earners for calendar years 2016 (214 overtime earners total), 2017 (225 overtime earners total), and 2018 (243 overtime earners total), removing and replacing duplicates to arrive at a sample of 15 unique employees. We also analyzed all 212 payroll additions and deletions between January 1, 2016 and December 31, 2018 to determine if the transactions were appropriately reflected in the payroll records.

To determine whether DMNA was following its purchasing policies, we used SFS data to judgmentally select 50 payments of the 3,762 non-travel payments over \$2,500, ensuring that we had a mix of dollar amounts, time periods, and types of transactions. We also randomly selected 50 of the 3,780 travel payments, using SFS data, and compared the payments against source

documents such as receipts, mileage logs, approval forms, and the approved government meal and lodging rates to determine their accuracy.

To test DMNA's controls over asset management, we reviewed its central equipment control record and visited two armories – in Troy and Utica - which we judgmentally selected considering geographic location. From DMNA's records for these two locations, we picked 50 equipment items – 25 of the 61 items listed for Troy and 25 of the 101 items listed for Utica – to confirm they existed and were located at the recorded location. In selecting the items, we considered the amount and type of equipment (e.g., tractors) and whether the central equipment control record had incomplete fields. While on site, we also selected 10 items with State decals at each location (for a total of 20), considering factors such as perceived cost, to match against the central equipment control records. None of our sample results can be projected, and we did not project them, to the entire population we considered in any of our tests.

Statutory Requirements

Authority

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

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.

Reporting Requirements

We provided a draft copy of this report to DMNA officials for their review and formal written response. We considered their response in preparing this report and have included it in its entirety at the end of this report. DMNA officials were receptive to our recommendations, and indicated the actions they have taken or will take to address them.

Within 180 days after final release of this report, as required by Section 170 of the Executive Law, the Adjutant General of the Division of Military and Naval Affairs 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 why.

Agency Comments



Military and Naval Affairs

ANDREW M. CUOMO
Governor
Commander-in-Chief

RAYMOND F. SHIELDS, JR.
Major General
The Adjutant General

February 14, 2020

Ms. Lauren Bizzaro
State Program Examiner
Office of the State Comptroller
110 State Street
Albany, NY 12236

Dear Ms. Bizzaro:

The Division of Military and Naval Affairs (DMNA) has received and reviewed the Office of the State Comptroller's (OSC) draft audit report, 2018-S-66, dated January 2020 regarding DMNA's Internal Controls Over Selected Financial Operations. I am pleased to report that DMNA has implemented five of the nine recommendations of the draft audit report. The Division of Military and Naval Affairs is in the process of assessing implementation of the remaining recommendations. As requested by your office, this agency's written responses are submitted below for your consideration.

Control Environment:

OSC Recommendation - Establish an internal audit function in compliance with B-350 requirements.

DMNA Response: Currently, DMNA is in the process of hiring an Internal Auditor. A candidate has been selected and submitted for approval through the State Budget Directors Approval (BDA) process.

Master Cooperative Agreements (MCA):

OSC Recommendation - Ensure requests to NGB for reimbursement for costs covered under the MCA are adequately documented and submitted timely, and retain the related records as required.

DMNA Response: Procedures have been instituted by DMNA to ensure accurate documentation is maintained and submitted timely relating to reimbursable costs.

Credit Card Purchases and Time Records:

OSC Recommendation - Provide additional guidance and/or training that addresses requirements for both credit card purchases and time records.

DMNA Response: Credit Card Purchases: DMNA conducted training sessions with staff over the last six months in three geographic areas of the state regarding guidance for the use of credit cards and purchasing. In addition, policies have been updated on procedures regarding the Monthly Account Summary Transmittal (MAST) reports.

Time records: DMNA has issued several time and attendance guidance updates for Fire Chiefs in order to properly maintain firefighter time records. DMNA also re-engaged discussions with the New York State Business Service Center on updating LATS-NY to accommodate firefighter timekeeping with a target of Pay Period 1 of 2020. In addition, DMNA is updating agency-wide bulletins for distribution on time and attendance procedures.

OSC Recommendation - Implement methods to better monitor employee credit card purchases and time records that include appropriate and timely follow-up on unsubmitted MAST reports, questionable purchases, and time record discrepancies.

DMNA Response: MAST reports: DMNA implemented procedures to notify credit card holders in advance when MAST reports are due and alert those personnel when reports are overdue. DMNA has also developed metrics to identify late submissions that assist in corrective actions.

Time records: In order to improve accuracy, DMNA is assessing the firefighter bi-weekly paper timesheets reconciliation process. In addition, DMNA is developing a system using LATS-NY to randomly review time and attendance reports of employees throughout the agency to identify discrepancies and identify areas of improvement.

Pension Payments, Purchases, and Other Payments:

OSC Recommendation - Correct the pension error identified so that future payments are accurate and, as considered necessary and feasible, adjust future payments for previous errors.

DMNA Response: The identified pension error has been corrected with no other errors detected.

OSC Recommendation - Determine whether pension payments to other individuals require adjustment, adjust them as appropriate.

DMNA Response: All pension payments to other individuals will be reviewed for any discrepancies.

OSC Recommendation - Develop and implement a process that ensures pension benefit calculations are accurate.

DMNA Response: DMNA developed a standard operating procedure that outlines the review process whenever a change in the benefit calculation may occur.

OSC Recommendation - Revise purchasing and receiving policies as needed to clarify which, if any, purchases are exempt from their provisions.

DMNA Response: The relevant policies will be revised by May 2020 to reflect what is exempt from DMNA purchasing provisions.

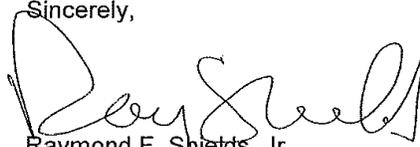
Asset Management:

OSC Recommendation - Develop and implement guidance that addresses appropriate methods to record, maintain, and reconcile weapons records.

DMNA Response: DMNA implemented required controls for recording, maintaining and reconciling weapons records. DMNA also conducted a 100% serial number inventories of weapons and sensitive items with no discrepancies noted. All inventory records are maintained at DMNA's Facility and Engineers Directorate.

The point of contact in this matter is Patrick Center, Chief of Staff, State at (518) 786-6125 or patrick.j.center.nfg@mail.mil.

Sincerely,



Raymond F. Shields, Jr.
Major General, New York Army
National Guard
The Adjutant General

Contributors to Report

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