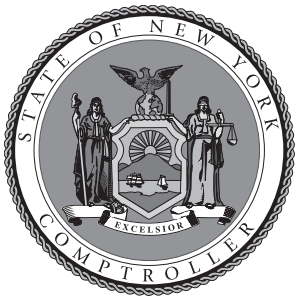
STATE OF NEW YORK

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
March 31, 2008



Prepared by the Office of the State Comptroller

Thomas P. DiNapoli

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Introductory Section

THOMAS P. DINAPOLI
State Comptroller

THOMAS P. DINAPOLI
COMPTROLLER

110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 2008

To the Citizens, Governor and Members of the Legislature of the State of New York:

It is my pleasure to present the Comprehensive Annual Financial Report for the State of New York for the fiscal year ending March 31, 2008.

The State of New York confronts serious fiscal challenges. Over the next few years, the State will face annual budget gaps that combine to exceed $26 billion. For too long, New York's budgets have contained spending commitments that dramatically outpace realistic revenue growth.

New York State has historically engaged in budgeting for the short-term without sufficient regard for long-term consequences. For too many years, New York State committed to spend money it did not have. The State's repeated reliance on band-aid solutions, such as budgeting for risky revenues that often do not materialize, nonrecurring resources—known as "one-shots"—and the issuance of debt to patch over single-year budget gaps has created the illusion of a more solid and reliable revenue foundation than actually exists. This has been used to justify spending growth trends that the State cannot afford.

It is time for State leaders to come together and collaboratively confront the difficult realities we face. It is time for us to roll up our sleeves and redesign the way the State manages its resources. We must address today the problems we have let stack up over years past. It is time to ensure that tomorrow's generation inherits a New York that is as vibrant and inspiring as our State's proud tradition and great potential deserve.

Signed,

Thomas P. DiNapoli
State Comptroller

STATE OF NEW YORK
EXCELSIOR
COMPTROLLER

FINANCIAL OVERVIEW

This report has been prepared by the Office of the State Comptroller, as required by Chapter 405, Laws of 1981, in accordance with generally accepted accounting principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, included within this Comprehensive Annual Financial Report rests with the Office of the State Comptroller.

The basic financial statements contained in this report have been audited by KPMG, LLP. Their audit was conducted in accordance with generally accepted governmental auditing standards (GAGAS) and their auditors' report precedes the basic financial statements. An independent audit provides reasonable assurance that the State's basic financial statements for the year ended March 31, 2008 are free of material misstatement. Independent audit procedures include examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall basic financial statement presentation. An audit also includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal controls over financial reporting. Accordingly, the independent auditor expressed no opinion with respect to internal controls over financial reporting. The independent auditor believed that their audit provided a reasonable basis for rendering an unqualified opinion that the State's basic financial statements for the fiscal year ended March 31, 2008, are fairly presented in conformity with GAAP.

The basic financial statements include a narrative introduction, overview, and analysis that is required by GAAP and referred to as Management's Discussion and Analysis (MD&A). This transmittal letter is intended to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the independent auditor's report.

Profile of New York State

New York State was one of the original 13 states, ratifying the United State Constitution and entering the Union on July 26, 1788. The State has a land area of 49,576 square miles and the largest park system (home of the Adirondack Park) in the nation. Geographically, New York State is divided into 62 counties (five of which are boroughs of New York City). Within these counties are 62 cities (including New York City), 932 towns, 554 villages and 702 school districts. The State's major economic sectors are comprised of the industrial-commercial, service, and agricultural sectors.

New York's government is comprised of three branches—executive, legislative and judicial. The executive branch includes the Executive (including 20 State departments), the Department of Audit and Control, and the Department of Law each of which are headed respectively by the Governor, Comptroller and Attorney General. With the exception of the departments of Audit and Control and Law, which report to their respective elected officials, the departments of the State report to the Governor. The legislative branch is comprised of a two-house Legislature which includes the Senate with 62 senators and the Assembly with 150 members. Members of the Legislature are elected to a two-year term.

The Chief Judge of the Court of Appeals, which is the highest court of the State, heads the judicial branch. The Governor with the advice and consent of the Senate appoints the Chief Judge and six Associate Judges to 14-year terms. In New York State, the courts of original jurisdiction, or trial courts, hear cases in the first instance and the appellate courts hear appeals from the decisions of other courts.

Economic Condition and Outlook

In 2007, as problems in the subprime mortgage credit markets developed into a nationwide correction in the housing market and a credit crunch, New York State's economy was able to outperform the national economy. The rates of growth in personal income (7.7 percent) and employment (1.4 percent) in New York were higher than in 2006, and higher than the national rates of growth in 2007. Compared with other states, New York ranked 18th in the nation for job growth (up from 39th in 2006) and 7th for personal income growth (up from 11th in 2006). While growth in New York State's inflation-adjusted GDP slowed to 4.4 percent from 5.2 percent in 2006, the State's growth rate in 2007 was well above the national growth rate and was second-highest among all the states. New York's economy performed relatively well because the State was less affected by the housing slowdown than other parts of the nation.

The securities industry is a key component of the State's economy, accounting for 10 percent of the State's earned income and up to 20 percent of the State's tax revenues. In 2006, the securities industry generated near-record profits of $20.9 billion, but in 2007 the industry began to experience a transition. During the first half of the year, strong growth in mergers and acquisitions and underwriting enabled the securities industry to earn profits of $8.9 billion, but in the second half of the year the credit crunch and write-offs on the value of collateralized debt contributed to a $20.2 billion loss for the industry. Although the securities industry had a full-year net loss of $11.3 billion (the first loss since 1990), Wall Street's year-end bonuses totaled $33.2 billion, which was only slightly lower than the record amount of $33.9 billion in 2006. The resiliency of bonuses relative to industry profitability helped support overall income levels in the State in 2007.

The Reporting Entity and Its Services

The funds and entities included in this Comprehensive Annual Financial Report are those for which the State is accountable, based on criteria for defining the financial reporting entity prescribed by the Governmental Accounting Standards Board. The criteria include legal standing, fiscal dependency and financial accountability. Based on these criteria, the various funds and entities shown in this report are considered as part of the reporting entity (see Notes 1 and 14 of the Notes to the Basic Financial Statements).

The State provides a range of governmental services in such areas as education, social services, health and environment, criminal justice, transportation, mental hygiene, and housing, among others, and also administers the New York State and Local Retirement System.

Component Units

Component units are discretely presented and reported as public benefit corporations (Corporations), which includes Public Authorities, and are legally separate entities that are not operating departments of the State. Corporations have been established for a variety of purposes such as economic development, capital construction, financing, and public transportation. The powers of the Corporations generally are vested in their governing boards. The Governor, with the approval of the State Senate, appoints a majority of the members of the Board of most major Corporations, and either the Governor or the Board selects the chairperson and chief operating officer. Corporations are not subject to the State constitutional restrictions on the incurrence of debt which apply to the State, and may issue bonds and notes within legislatively authorized amounts.

Corporations submit annual reports accompanied by an independent auditor's report to the Governor, the Legislature and the State Comptroller on their operations and finances. Corporations are generally supported by revenues derived from their activities, although in recent years the State has provided financial assistance, in some cases of a recurring nature, to certain Corporations for operating and other expenses, and in fulfillment of its commitments on moral obligation indebtedness. The Corporations have been presented in the accompanying financial statements as component units of the State. The amounts presented in this report were derived from the Corporations' most recent audited financial statements. At year-end these entities reflected net assets of $38.7 billion. For further information refer to Note 14 of the Notes to the Basic Financial Statements.

Budgetary and Other Control Systems

The State Constitution requires the Governor to submit a cash basis balanced Executive Budget that contains a complete plan of expenditures for the ensuing fiscal year, and identifies the anticipated revenues sufficient to meet the proposed expenditures. Included in the proposed budget are provisions for spending authority for unanticipated revenues or unforeseen emergencies in accordance with statutory requirements. The Executive Budget also includes both cash basis and GAAP basis financial plans for the ensuing fiscal year, as well as a three-year financial projection for governmental funds and a three year capital plan. The accounting policies used in developing the GAAP basis financial plans are generally consistent with those used in preparing the annual GAAP financial statements. Generally, the financial plans are updated quarterly. The Legislature enacts appropriation bills and revenue measures embodying those parts of the Executive Budget it has approved. Expenditures are controlled at the major object (e.g., personal service, grants to local governments) level within each program/project of each State agency in accordance with the underlying approved appropriation bills.

In developing the State's accounting system, consideration was given to the adequacy of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits derived. The State's internal accounting controls are periodically tested to ensure adherence to internal control policies and procedures.

In 1987 the Legislature passed the New York State Governmental Accountability, Audit and Internal Control Act, which commits the State to enhancing existing systems of internal controls in all State governmental entities. As a result, there is now a requirement for managers in all branches and components of government to maintain comprehensive internal control systems and to regularly evaluate the effectiveness and adequacy of these systems by internal reviews and external audits. Finally, the legislation promotes accountability by assuring that all external audits are made available to the public.

Cash Management

Cash deposits into the State Treasury are controlled jointly by the State Comptroller and the Commissioner of Taxation and Finance. Cash is managed in pooled investment funds to maximize interest earnings. Investments are made in accordance with the State Finance Law. Cash is primarily invested in repurchase agreements involving United States Treasury obligations, and remaining funds are invested in United States Treasury bills and commercial paper. For the fiscal year ended March 31, 2008, the average daily balance of pooled investment funds was $11.6 billion, with an average yield of 4.5 percent and total investment income of $526.7 million. Cash deposits not held in the State Treasury and controlled by various other State officials are generally held in interest-bearing accounts.

Risk Management

The State does not insure its buildings or their contents against theft, fire or other risks and does not insure its automobiles against the possibility of bodily injury and property damage. However, the State does have fidelity insurance on State employees. Workers' compensation coverage is provided on a self-insurance basis.

State and Local Retirement System

The State and Local Retirement System, covering most non-teaching State employees and local government employees outside of New York City, reported combined net assets available for retirement benefits of $155.8 billion, as compared to the previous year-end amount of $156.6 billion. For further information refer to Note 12 of the Notes to the Basic Financial Statements.

General Governmental Results

An operating surplus of $1.6 billion is reported in the General Fund for fiscal year ended March 31, 2008. As a result, the General Fund now has an accumulated fund balance of $4 billion. The State completed its fiscal year ended March 31, 2008 with a combined Governmental Funds operating deficit of $360 million as compared to a combined Governmental Funds operating deficit in the preceding fiscal year of $45 million. The combined fiscal year ended March 31, 2008 operating deficit of $360 million included an operating surplus in the General Fund of $1.6 billion, offset by operating deficits in the General Obligation Debt Service Fund of $301 million and in the Other Governmental Funds of $1.6 billion. For further information, refer to the MD&A which immediately follows the auditors' report.

The State's financial position as shown in its Governmental Funds Balance Sheet as of March 31, 2008 includes a fund balance of $11.8 billion represented by liabilities of $23.6 billion and by assets available to liquidate such liabilities of $35.4 billion. The Governmental Funds fund balance includes a $4 billion accumulated General Fund balance.

Certificate of Achievement

The Office of the State Comptroller was honored for the nineteenth consecutive year to receive the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the State's 2007 Comprehensive Annual Financial Report. This prestigious award represents the highest form of recognition in the area of governmental financial reporting, and reflects a commitment by the Office of the State Comptroller to communicate the State's financial results and position clearly to the taxpayers through public disclosure.

Acknowledgments

This report could not have been prepared without the cooperation of all State agencies, the Legislature, and the Judiciary. I especially appreciate the professionalism and dedication demonstrated by my staff in the preparation of this report.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

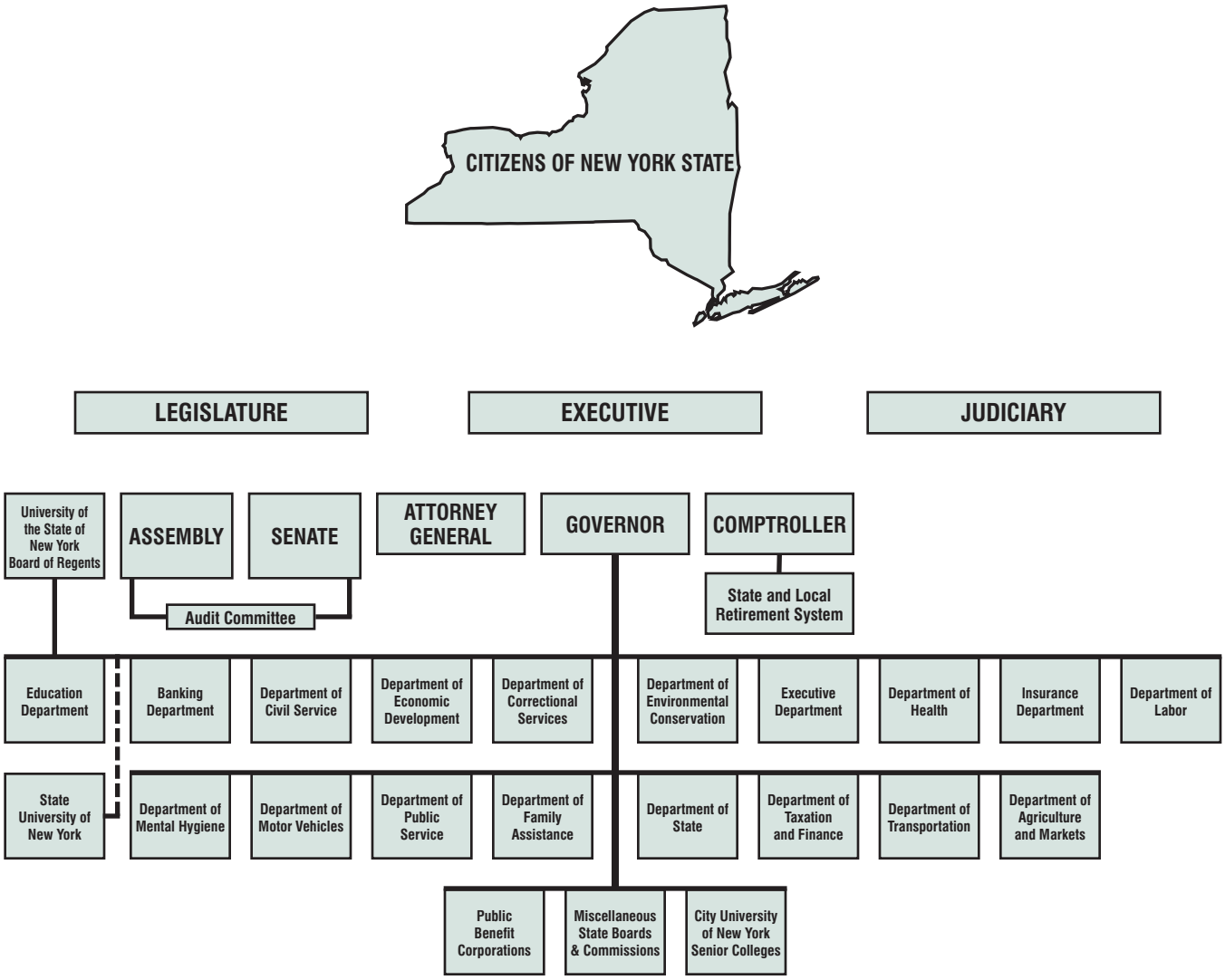
State of New York

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
March 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director



STATE OF NEW YORK
Selected State Officials

Executive

David A. Paterson, Governor • **Vacant,** Lieutenant Governor • **Thomas P. DiNapoli,** State Comptroller
Andrew M. Cuomo, Attorney General

Judicial

Judith S. Kaye, Chief Judge of the Court of Appeals of New York

Legislative

Dean G. Skelos, Temporary President of the Senate • **Sheldon Silver,** Speaker of the Assembly
Malcolm A. Smith, Senate Minority Leader • **James N. Tedisco,** Assembly Minority Leader

STATE OF NEW YORK
EXCELSIOR
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Financial Section

KPMG LLP
515 Broadway
Albany, NY 12207

Independent Auditors' Report

To the Audit Committee of the New York State Legislature

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New York (the "State"), as of and for the year ended March 31, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of certain discretely presented component units identified in Note 14, the State University of New York, the State and Local Retirement System, the Tuition Savings Program or the Port Authority of New York and New Jersey. The certain discretely presented component units represent 64% of the total assets and 77% of the total revenues of the aggregate discretely presented component unit amounts. The State University of New York represents 100% of the total assets and revenues of the SUNY Fund and 57% of the total assets and 31% of the total revenues of the business-type activities. The State and Local Retirement System and the Tuition Savings Program represent 93% of the total assets and 31% of the total revenues (including additions) of the aggregate remaining fund information, and the Port Authority of New York and New Jersey represents 100% of the information disclosed in Note 15. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and, our opinions, insofar as they relate to the amounts and disclosures included for those component units, the State University of New York, the State and Local Retirement System, the Tuition Savings Program and the Port Authority of New York and New Jersey, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Lottery, a major enterprise fund, and of certain discretely presented component units identified in Note 14, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

KPMG LLP, a U.S. limited liability partnership, is the U.S.
member firm of KPMG International, a Swiss cooperative.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New York as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1r and Note 13, the State adopted the provisions of Governmental Accounting Standards Board Statements No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as of April 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 25, 2008 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information, listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of New York's basic financial statements. The introductory section, other supplementary information section, and statistical section, listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

July 25, 2008

STATE OF NEW YORK
EXCELSIOR
COMPTROLLER

MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

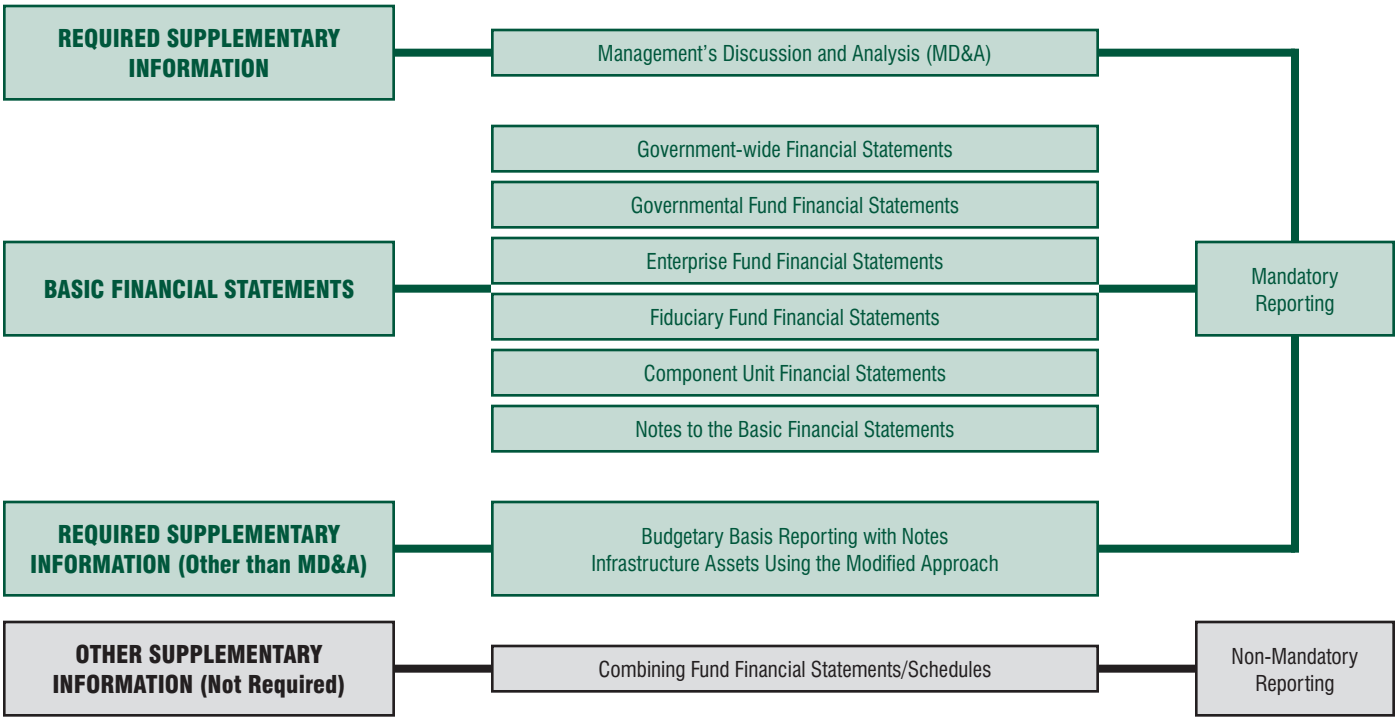
The management's discussion and analysis (MD&A) provides a narrative overview and analysis of the financial activities of the State of New York for the fiscal year ended March 31, 2008. The MD&A is intended to serve as an introduction to the State's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to (a) assist the reader in focusing on significant financial matters, (b) provide an overview of the State's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

- New York State reported net assets of $47.7 billion, comprised of $130.3 billion in total assets offset by $82.6 billion in total liabilities.
- The State's net assets decreased by $1.2 billion as a result of this year's operations and restatements by business-type activities. The net assets for governmental activities decreased by $1.8 billion (4 percent) and net assets of business-type activities increased by $618 million (17.2 percent) (Table 2).
- The State's governmental activities had total revenues of $113.5 billion which exceeded total expenses of $113.4 billion, excluding transfers to business-type activities of $1.9 billion, by $105 million (Table 2).
- The total cost of all the State's programs, which includes $17.9 billion in business-type activities, was $131.2 billion (Table 2).
- The General Fund reported an operating surplus this year of $1.6 billion which increased the accumulated fund balance to $4 billion.
- Total debt outstanding at year-end was $50.6 billion, comprised of $41.8 billion in governmental activities and $8.8 billion in business-type activities (Table 5).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and supplementary information. The Statement of Net Assets and the Statement of Activities (on pages 31 and 32, respectively) provide information about the activities of the State as a whole and present a longer-term view of the State's finances. Fund financial statements start on page 34. For governmental activities, these statements show how services were financed in the short-term as well as how much may remain for future spending. Fund financial statements also report the State's operations in more detail than the government-wide statements by providing information about the State's most significant funds. The remaining statements provide financial information about activities for which the State acts solely as a trustee for the benefit of those outside the government and public benefit corporations for which the State is accountable. The layout and relationship of the financial statements and supplementary information is visually illustrated as follows:



Reporting the State as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the State, as a whole, begins on page 22. One of the most important questions asked about the State's finances is: "Is the State, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the State as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash was received or paid.

These two statements report the State's net assets and changes to them. One can think of the State's net assets—the difference between assets and liabilities—as one way to measure the State's financial health, or financial position. Over time, increases or decreases in the State's net assets are one indicator of whether its financial health is improving or deteriorating. One may need to consider other non-financial factors, such as changes in the State's tax structure, population, employment, and the condition of the State's roads, bridges and buildings, in order to assess the overall health of the State.

In the Statement of Net Assets and the Statement of Activities, operations of the State are divided into three kinds of activities:

- ***Governmental activities***—Most of the State's basic services are reported here, including education, public health, public welfare, public safety, transportation, environment and recreation, support and regulation of business, general government, and interest on long-term debt. Federal grants, personal income taxes, consumption and use taxes, business and other taxes, lottery revenues, and bond proceeds finance most of these activities.
- ***Business-type activities***—The State charges a fee to customers to help it cover all or part of the cost of certain services it provides. The State's Lottery Fund, Unemployment Insurance Benefit Fund, the State University of New York and the City University of New York—senior colleges are reported here.

- ***Component units***—The State includes 44 separate legal entities in its report, as disclosed in Notes 1 and 14 of the Notes to the Basic Financial Statements. Although legally separate, these "component units" are important because the State is financially accountable for them and may be affected by their financial well-being. In addition, the State blends two other component units in the governmental activities because they provide services exclusively to the State.

Reporting the State's Most Significant Funds

Fund Financial Statements

Financial statements prepared at the fund level provide additional detail about the State's financial position and activities. By definition, funds are accounting entities with a self-balancing set of accounts created for the purpose of carrying on specific activities or achieving specific goals. Information presented in the fund financial statements differs from the information presented in the government-wide statements because the perspective and basis of accounting used to prepare the fund financial statements is different than the perspective and basis of accounting used to prepare the government-wide statements. The State's governmental and proprietary fund types use different perspectives and accounting bases. The funds presented in the fund financial statements are categorized as either major or non-major funds as required by generally accepted accounting principles (GAAP). The State uses three fund types for operations—governmental, proprietary and fiduciary. The analysis of the State's major funds begins on page 24. The fund financial statements begin on page 34 and provide detailed information about the most significant funds, not the State as a whole.

- ***Governmental Funds***—Most of the State's basic services and expenditures are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Assets and liabilities that do not impact current financial resources within 12 months after fiscal year-end are not recognized in the governmental funds statements. Capital assets and long-term liabilities are examples of assets and liabilities that are not recognized in the governmental funds statements. The governmental funds statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental funds information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds is presented in the reconciliations following the fund financial statements.

- ***Proprietary Funds***—These funds are utilized when the State charges customers to recover its costs of providing services. Proprietary funds report on business-type activities, which include enterprise type funds and internal service type funds. The State has no internal service type funds on a GAAP basis and, therefore, has only one Proprietary Fund type—Enterprise. The State's enterprise funds are the same as the business-type activities reported in the government-wide statements. Proprietary funds statements are prepared using the economic resources measurement focus and the accrual basis of accounting. In addition to a Statement of Net Assets and a Statement of Revenues, Expenses and Changes in Fund Net Assets, Proprietary Funds are also required to report a Statement of Cash Flows (page 40).

Reporting the State's Fiduciary Responsibilities

The State is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All the State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 42 and 43, respectively. We exclude these activities from the State's government-wide financial statements because the State cannot use these assets to finance its operations. The State is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Component Units of the State

The State has created numerous public benefit corporations—two of which provide services exclusively to the State government itself (the Local Government Assistance Corporation (LGAC) and the Tobacco Settlement Financing Corporation (TSFC)) and the rest of which also provide services directly to citizens. The financial position and activities of the LGAC and the TSFC have been blended within the Statement of Net Assets and Statement of Activities in the governmental activities column and in the governmental funds. The financial position and activities of the public benefit corporations that provide services directly to citizens have been presented in the Statement of Net Assets and Statement of Activities under the component units' column and also in more detail in the component units' Combining Statement of Net Assets and component units' Combining Statement of Activities. These component units have been discretely presented in the State's financial statements because their nature and significance to the State cause them to have an effect on the fiscal condition of the State and the State is accountable for them.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental entities are required by GAAP to report on their net asset condition. The Statement of Net Assets presents the value of all of New York State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of changes in a government's financial position. The State reported net assets of $47.7 billion, which was comprised of $63.2 billion in capital assets net of related debt, and $6.6 billion in restricted net assets offset by an unrestricted net assets deficit of $22 billion.

Net assets reported for governmental activities decreased by $1.8 billion from a year ago, decreasing from $45.3 billion to $43.5 billion. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—had a deficit of $22.8 billion at March 31, 2008. The following table (Table 1) was derived from the current and prior year government-wide Statements of Net Assets.

Table 1
Net Assets as of March 31, 2008 and 2007
(Amounts in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Assets:						
Non-capital assets:						
Cash and investments	$ 11,962	$ 13,556	$ 6,688	$ 5,968	$ 18,650	$ 19,524
Receivables, net	20,080	16,338	3,378	3,262	23,458	19,600
Other	1,005	1,159	210	207	1,215	1,366
Total non-capital assets	**33,047**	**31,053**	**10,276**	**9,437**	**43,323**	**40,490**
Capital assets	79,194	78,320	7,773	7,296	86,967	85,616
Total assets	**112,241**	**109,373**	**18,049**	**16,733**	**130,290**	**126,106**
Liabilities:						
Liabilities due within one year	22,943	20,620	2,763	2,759	25,706	23,379
Liabilities due in more than one year	45,788	43,426	11,069	10,375	56,857	53,801
Total liabilities	**68,731**	**64,046**	**13,832**	**13,134**	**82,563**	**77,180**
Net assets (deficit):						
Invested in capital assets, net of related debt	62,800	62,500	353	207	63,153	62,707
Restricted	3,535	4,523	3,057	2,756	6,592	7,279
Unrestricted (deficit)	(22,825)	(21,696)	807	636	(22,018)	(21,060)
Total net assets	**$ 43,510**	**$ 45,327**	**$ 4,217**	**$ 3,599**	**$ 47,727**	**$ 48,926**

The deficit in unrestricted governmental net assets, which increased by nearly $1.1 billion in 2008, exists primarily because the State has issued debt for purposes not resulting in a capital asset related to State governmental activities. Such outstanding debt included securitizing the State's future tobacco settlement receipts ($3.9 billion), eliminating the need for seasonal borrowing by the Local Government Assistance Corporation ($4 billion), local highway and bridge projects ($3.3 billion), local mass transit projects ($2.2 billion), and a wide variety of grants and other expenditures not resulting in State capital assets ($9.8 billion). This deficit in unrestricted net assets of governmental activities can be expected to continue for as long as the State continues to have obligations outstanding for purposes other than the acquisition of State governmental capital assets.

Net assets for business-type activities increased by $618 million (17.2 percent), to $4.2 billion in 2008 compared to $3.6 billion in 2007. The increase in net assets for business-type activities was caused primarily by: a net restatement of beginning net assets of $331 million; SUNY and CUNY Senior College operating revenues and State support exceeding operating expenses ($186 million and $13 million, respectively); Lottery revenues exceeding expenses, including education aid transfers ($83 million); and, employer contributions exceeding unemployment benefit payments for the Unemployment Insurance Fund ($5 million).

The following table (Table 2) was derived from the current and prior year government-wide Statements of Activities.

Table 2
Changes in Net Assets for the Fiscal Years Ended March 31, 2008 and 2007
(Amounts in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	$ 7,713	$ 7,506	$ 11,271	$ 10,607	$ 18,984	$ 18,113
Operating grants and contributions	36,509	36,752	4,518	4,504	41,027	41,256
Capital grants and contributions	1,305	1,392	415	369	1,720	1,761
General revenues:						
Taxes	63,060	58,855	—	—	63,060	58,855
Other	4,873	5,073	758	658	5,631	5,731
Total revenues	**113,460**	**109,578**	**16,962**	**16,138**	**130,422**	**125,716**
Expenses:						
Education	31,215	28,222	—	—	31,215	28,222
Public health	44,777	44,539	—	—	44,777	44,539
Public welfare	12,491	11,291	—	—	12,491	11,291
Public safety	6,011	5,521	—	—	6,011	5,521
Transportation	6,595	5,893	—	—	6,595	5,893
Other	12,266	12,450	—	—	12,266	12,450
Lottery	—	—	5,044	4,945	5,044	4,945
Unemployment insurance	—	—	2,412	2,344	2,412	2,344
State University of New York	—	—	7,965	7,003	7,965	7,003
City University of New York	—	—	2,443	2,246	2,443	2,246
Total expenses	**113,355**	**107,916**	**17,864**	**16,538**	**131,219**	**124,454**
Increase in net assets before transfers	**105**	**1,662**	**(902)**	**(400)**	**(797)**	**1,262**
Transfers	(1,922)	(2,332)	1,189	863	(733)	(1,469)
Changes in net assets	**(1,817)**	**(670)**	**287**	**463**	**(1,530)**	**(207)**
Net assets, beginning of year, as restated	**45,327**	**45,997**	**3,930**	**3,136**	**49,257**	**49,133**
Net assets, end of year	**$ 43,510**	**$ 45,327**	**$ 4,217**	**$ 3,599**	**$ 47,727**	**$ 48,926**

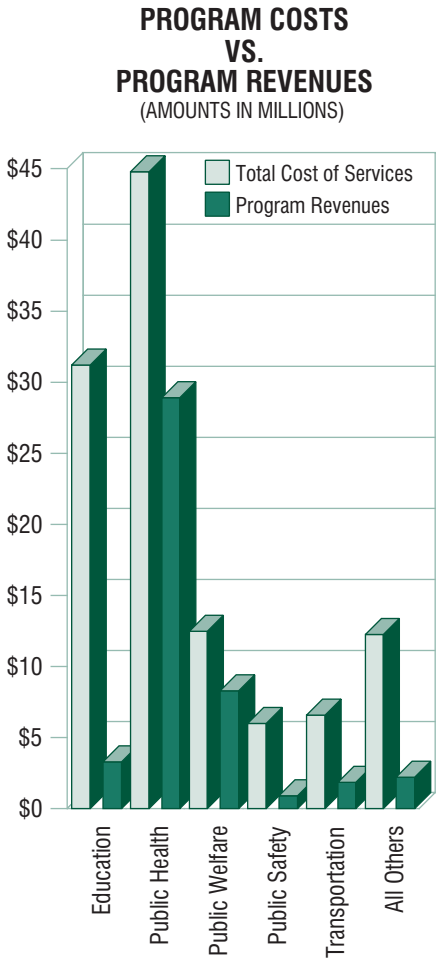
Governmental Activities

The State's total revenues for governmental activities of $113.5 billion exceeded its total expenses of $113.4 billion by $105 million (Table 2). However, as shown in the Statement of Activities on page 32, the amount that State taxpayers ultimately financed for activities through State taxes and other State revenue was $67.9 billion, including education aid transfers from the State Lottery of $2.6 billion, grants and contributions of $37.8 billion, and revenues derived by those who directly benefited from the programs of $7.7 billion. Overall, the State's governmental program revenues, including intergovernmental aid, fees for services and capital grants were $45.5 billion in 2008. The State paid for the remaining "public benefit" portion of governmental activities with $63.1 billion in taxes and $4.9 billion in other revenues including investment earnings.

Table 3 presents the cost of State support for each of the State's five largest programs: education, public health, public welfare, public safety, and transportation, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial obligation that was placed upon the State's taxpayers by each of these functions.

Table 3
Governmental Activities for the Years Ended March 31, 2008 and 2007
(Amounts in millions)

	2008			2007
	Total Cost of Services	Program Revenues	Net Cost of Services	Net Cost of Services
Education	$ 31,215	$ 3,315	$ 27,900	$ 24,456
Public health	44,777	28,900	15,877	15,355
Public welfare	12,491	8,315	4,176	3,409
Public safety	6,011	916	5,095	4,824
Transportation	6,595	1,844	4,751	3,969
All others	12,266	2,237	10,029	10,253
Totals	**$ 113,355**	**$ 45,527**	**$ 67,828**	**$ 62,266**



Business-type Activities

The cost of all business-type activities this year was $17.9 billion (Table 2). The increase in business-type activities' expenses was caused primarily by increases in operating expenses of the State University of New York and the City University of New York. As shown in the Statement of Activities on page 32, the amount reported as transfers that General Fund tax revenues ultimately financed for business-type activities was $1.2 billion after some activity costs were paid by: those directly benefiting from the programs ($11.3 billion), grants and contributions ($4.9 billion) and other miscellaneous revenue ($758 million). The increase in charges for service revenues was primarily caused by increases in Lottery ticket sales, outpatient and inpatient revenue, Medicaid Disproportionate Share Program revenue, and increases in student enrollment and residence hall occupancy levels.

THE STATE'S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with legal and finance-related requirements. As the State completed the year, its governmental funds (as presented in the balance sheet on page 34) reported a combined fund balance of $11.8 billion. Included in this year's total change in fund balance is an operating surplus of $1.6 billion in the State's General Fund. The General Fund operating surplus is attributable to several factors, including an increase of $1.5 billion in personal income tax revenue, a $121 million increase in consumption and use taxes and a $260 million increase in other taxes; offset by a $380 million decline in business tax revenue and a $45 million decrease in miscellaneous revenues. Much of the increase in tax revenues is related to tax increases enacted for personal income. The decrease in business taxes is due to a slowdown in corporate profitability and audit and compliance receipts. The increase in General Fund revenues was offset by a $2.8 billion increase in expenditures. Local assistance expenditures increased by nearly $2 billion, due primarily to increased spending for medical assistance and education programs. State operations increased $857 million, due primarily to negotiated salary increases, increased health insurance costs and employer pension costs.

The State ended the 2007-08 fiscal year with a General Fund accumulated fund balance of $4 billion. The increase of the fund balance is due primarily to an increase in tax revenues as a result of an increase in personal income tax revenues.

The Enterprise Funds provide the same type of information found in the government-wide financial statements, but in more detail. The change in net assets of the Enterprise Funds has already been discussed in the preceding discussion of business-type activities.

General Fund Budgetary Highlights

The financial plan, which uses the cash basis of accounting, was updated quarterly throughout the year as required by the State Finance Law. The quarterly updates reflected revisions to the original financial plan based on actual operating results to date and an updated analysis of underlying economic, revenue and spending trends.

General Fund disbursements exceeded receipts by $291 million in 2007-08. The General Fund ended the fiscal year with a closing cash fund balance of $2.8 billion, which consisted of $1.2 billion in the State's rainy day reserve funds ($1 billion in the Tax Stabilization Reserve Account and $175 million in the new Rainy Day Reserve Account), $340 million in the Community Projects Account, $21 million in the Contingency Reserve Account, and $1.2 billion in general reserves.

Actual operating results were $279 million less favorable than anticipated in the original financial plan, but fell above the projections in the final financial plan by $128 million. The original financial plan projected that expenditures would exceed receipts by $12 million in 2007-08. During the fiscal year, actual receipts and disbursements were less than the level forecast in the original financial plan. The original financial plan assumed base tax growth of 7.7 percent. However, actual base growth from the prior year was 6 percent. The decline in receipts growth is primarily driven by a decline in business taxes, including corporate franchise tax and bank taxes. Lower spending reflected, among other things, decreases in Medicaid and higher education spending.

The final financial plan (issued on February 12, 2008) projected negative General Fund operating results of $419 million, or $128 million below actual results. The most significant variances from the final financial plan include lower-than-anticipated collections in all business taxes, delayed use of the Debt Reduction Reserve monies and lower-than-expected spending primarily for Medicaid, mental health insurance coverage payments mandated under "Timothy's Law" and school aid, driven by slower-than-expected non-public school aid and federal support in excess of expectations. These declines were partially offset by prepayments of the State's obligations for Medicaid "clawback," Supplementary Medical Insurance and a portion of the State's 2008-09 pension bill.

The State's General Fund GAAP operating surplus of $1.6 billion reported on page 36 differs from the General Fund's budgetary basis operating deficit of $291 million reported in the reconciliation found under Budgetary Basis Reporting on page 94. This variation results from differences in basis of accounting, entity and perspective differences between budgetary reporting versus those established as GAAP and followed in preparation of this financial statement.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of 2008, the State has $87 billion invested in a broad range of capital assets, including equipment, buildings, construction in progress, land preparation, and infrastructure, which primarily includes roads and bridges (Table 4). This amount represents a net increase (including additions and deductions) of $1.4 billion over last year.

Table 4
Capital Assets at Year-End
(Net of depreciation, amounts in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Land and land improvements	$ 3,773	$ 3,662	$ 489	$ 476	$ 4,262	$ 4,138
Land preparation	3,083	2,981	—	—	3,083	2,981
Buildings	4,208	4,187	5,100	4,721	9,308	8,908
Equipment and library books	225	219	718	720	943	939
Construction in progress	3,589	3,369	1,147	1,146	4,736	4,515
Infrastructure	64,316	63,902	284	225	64,600	64,127
Artwork and historical treasures	—	—	35	8	35	8
Totals	**$ 79,194**	**$ 78,320**	**$ 7,773**	**$ 7,296**	**$ 86,967**	**$ 85,616**

The State-owned roads and bridges that are maintained by the Department of Transportation are being reported using the modified approach. As allowed by the reporting provisions in Governmental Accounting Standards Board Statement No. 34, infrastructure assets that meet prescribed criteria do not have to be depreciated but must be maintained at levels defined by State policy. The State is responsible for maintaining more than 42,504 lane miles of highway and 7,846 bridges.

Highway condition is rated using a scale of A1 (very poor) to A10 (excellent) based on the prevalence of surface-related pavement distress. For bridges, a rating of 6 to 7 is excellent, which indicates that no repairs are necessary. A rating of 3 to 5 is fair to good, which indicates that minor repairs are required. A rating of 1 to 2 is deficient, which indicates major repairs or replacements are necessary. Refer to Required Supplementary Information (RSI) for additional information regarding infrastructure assets using the modified approach. Pavement condition rating parameters for the current year are expected to be between 6.7 and 7.2, while bridge pavement condition parameters are expected to be between 5.3 and 5.6. Capital spending for highway and bridge maintenance and preservation projects was approximately $1.7 billion in 2008.

The State's 2008-09 fiscal year capital budget calls for it to spend in the 2007-08 fiscal year, $8.8 billion for capital projects, of which $4 billion is for transportation projects. To pay for these capital projects the State plans to use $311 million in general obligation bond proceeds, $5 billion in other financing arrangements with public authorities, $1.9 billion in Federal funds, and $1.6 billion in funds on hand or received during the year. More detailed information about the State's capitalization policy for capital assets is presented in Note 1 of the Notes to the Basic Financial Statements.

Debt Administration

The State has obtained long-term financing in the form of voter-approved General Obligation debt (voter-approved debt) and other obligations that are authorized by legislation but not approved by the voters (non-voter-approved debt), including lease-purchase and contractual obligations where the State's legal obligation to make payments is subject to and paid from annual appropriations made by the Legislature or assignment of revenue in the case of Tobacco Settlement Revenue Bonds. One minor exception, Equipment and Building Capital Leases, and Mortgage Loan Commitments, which represent $364 million as of March 31, 2008, do not require legislative or voter approval. Other obligations include certain bonds issued through State public authorities, certificates of participation, and capital leases obtained through vendors. The State administers its long-term financing needs as a single portfolio of State-supported debt that includes general obligation bonds and other obligations of both its governmental activities and business-type activities. Most of the debt reported under business-type activities, all of which was issued for capital assets used in those activities, is supported by payments from resources generated by the State's governmental activities—thus it is not expected to be repaid from resources generated by business-type activities. The State Finance Law allows the bonded portion of this single combined debt portfolio, which includes debt reported in both governmental and business-type activities combined, to include debt instruments which result in a net variable rate exposure in an amount that does not exceed 20 percent of total outstanding State-supported debt, and interest rate exchange agreements (swaps) that do not exceed 20 percent of total outstanding State-supported debt. At March 31, 2008 the State had $1.8 billion in State-supported (net) variable rate bonds outstanding and $5.9 billion in interest rate exchange agreements, where the State issues variable rate bonds and enters into a swap agreement that converts the rate effectively to a fixed rate. Risks related to these transactions are explained in Note 7 of the financial statements.

In addition, the State had $2.4 billion in convertible bonds, which bear a fixed rate until future mandatory tender dates in 2009, 2011, 2012 and 2013 at which time they can convert to either a fixed or variable rate. The interest rate mode will be determined close to the conversion date. Similar to the convertible bonds, the State also entered into approximately $693 million in swaps that create synthetic variable rate exposure in the future. In these transactions, the State issued fixed rate bonds and entered into forward starting swaps in which it receives a fixed rate that exceeds the rate it pays on the bonds and pays the Securities Industry and Financial Markets Association (SIFMA) variable rate, resulting in the State paying net variable rates. The net result is the State will be paying interest at a fixed rate through 2014, and at a variable rate between 2014 and 2030.

At March 31, 2008, variable rate bonds, net of those subject to the fixed rate swaps, were equal to 4.1 percent of the State-supported debt portfolio. Variable rate bonds that were converted to a synthetic fixed rate through swap agreements of $5.9 billion were equal to 13.2 percent of the total State-supported debt portfolio. Additionally, the State and CUNY reported $537 million and $177 million, respectively, in fixed to variable rate swap agreements outstanding, which are excluded from the statutory cap because at the time the transactions were completed, they offset specific risks in the State's swap portfolio.

At March 31, 2008, the State had $50.6 billion in bonds, notes, and other financing agreements outstanding compared with $48.8 billion last year, an increase of $1.8 billion as shown below in Table 5.

Table 5
Outstanding Debt at Year-End
(Amounts in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
General obligation bonds (voter-approved)	$ 3,264	$ 3,344	$ —	$ —	$ 3,264	$ 3,344
Tobacco Settlement Financing Corporation bonds	3,870	4,084	—	—	3,870	4,084
MBBA Special Purpose School Aid bonds	464	484	—	—	464	484
Capital lease obligations	37	162	231	219	268	381
Mortgage loan commitments	—	—	96	65	96	65
Unamortized bond premiums (discounts)	1,423	1,300	(51)	(85)	1,372	1,215
Accumulated accretion on capital appreciation bonds	255	318	—	—	255	318
State-supported debt as defined by the State Finance Law	32,462	30,683	8,511	8,187	40,973	38,870
Totals	**$ 41,775**	**$ 40,375**	**$ 8,787**	**$ 8,386**	**$ 50,562**	**$ 48,761**

During the 12 month period reported, the State issued $6.6 billion in bonds, of which $2.3 billion were for refunding and $4.3 billion were for new borrowing. See Note 16 for State debt issued subsequent to the reporting period.

Table 6
New Debt Issued During Prior 12 Month Period
(Amounts in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Voter-approved debt:						
General obligation:						
New issues	$ 268	$ 180	$ —	$ —	$ 268	$ 180
Refunding issues	—	162	—	—	—	162
Total voter-approved debt	**268**	**342**	**—**	**—**	**268**	**342**
Non-voter-approved debt:						
Other financing arrangements:						
New issues	3,238	2,886	827	850	4,065	3,736
Refunding issues	2,280	357	28	104	2,308	461
Total non-voter-approved debt	**5,518**	**3,243**	**855**	**954**	**6,373**	**4,197**
Totals	**$ 5,786**	**$ 3,585**	**$ 855**	**$ 954**	**$ 6,641**	**$ 4,539**

The State's assigned general obligation bond ratings are as follows: AA by Standard & Poor's Investor Services, Aa3 by Moody's Investor Service, and AA- by Fitch Investor Service. The State Constitution, with exceptions for emergencies, limits the amount of general obligation bonds that can be issued to that amount approved by the voters for a single work or purpose in a general election. Currently, the State has $3.1 billion in authorized but unissued bond capacity that can be used to issue bonds for specifically approved purposes. The State may issue short-term debt without voter approval in anticipation of the receipt of taxes and revenues or proceeds from duly authorized but not issued general obligation bonds.

The State Finance Law, through the Debt Reform Act of 2000 (the Act), also imposes phased-in caps on new State-supported debt issued and related debt service costs. The Act also limits the use of debt to capital works and purposes, and establishes a maximum length of term for repayment of 30 years. The Act applies to all State-supported debt. The Debt Reform Act does not apply to debt issued prior to April 1, 2000 or to other obligations issued by public authorities where the State is not the direct obligor.

ECONOMIC FACTORS AFFECTING THE STATE

In 2007, as problems in the subprime mortgage credit markets developed into a nation-wide correction in the housing market and a credit crunch, New York State's economy outperformed the national economy. The rates of growth in personal income (7.7 percent) and employment (1.4 percent) in the State were higher than in 2006, and higher than the national rates of growth in 2007. Compared with other states, New York's rate of job growth was in the top half and its growth in personal income was among the highest in the nation. New York's economy performed relatively well because the State was less affected by the housing slowdown than other parts of the nation.

For the nation, growth in inflation-adjusted Gross Domestic Product (GDP) slowed from 3.1 percent in 2006 to 2 percent in 2007, which was the lowest national growth rate since 2002. Growth in national employment also slowed in 2007, to 1.1 percent from a 1.8 percent gain in 2006; as did growth in personal income, to 6.2 percent from 6.7 percent in 2006. The nation's population continued to grow, increasing at about 1 percent—approximately the same annual growth rate experienced since 2000.

Growth in New York State's inflation-adjusted GDP slowed in 2007, to 4.4 percent from 5.2 percent in 2006, but growth was still higher than the annual increases in 2001 through 2005. The State's growth rate in 2007 was well above the national growth rate and was second-highest among all the states, after Utah. Many other states experienced greater declines in GDP growth, which contributed to a rise in New York's ranking (from seventh in 2006). Among the different sectors in the State's economy, information, finance, and business services were the largest contributors to the increases in the GDP.

Between 2000 and 2007, population in New York increased at an average annual rate of 0.2 percent (growth was faster earlier in the period, and virtually stagnant over the last three years). New York ranked 42nd among the states for population growth during this period. Although New York continues to attract immigrants (with a 4.3 percent increase since 2000, the second-highest growth in the nation), overall population growth has been held back by a 7.4 percent decline due to residents who moved to other states.

In 2007, employment growth in New York increased to 1.4 percent from 1 percent in 2006. New York was one of only seven states in which the rate of employment growth was higher than in 2006. As a result, New York ranked 18th in the nation for job growth that year (compared with 39th in 2006 and 41st in 2005). The job growth in New York during 2007 allowed it to reach a new employment peak, surpassing the previous peak (reached in 2000 before the last recession) by 100,000 jobs.

While employment levels in New York State have increased at a relatively slow rate since 2000, personal income growth has expanded more rapidly. In 2007, personal income in the State increased by 7.7 percent. It was the fourth consecutive year that growth in New York exceeded growth in the nation. New York's ranking for personal income growth relative to other states has improved in each of the four years, rising from 19th in 2004 to 13th in 2005, 11th in 2006, and 7th in 2007.

On a per capita basis, personal income in New York State was $47,385 in 2007, which exceeded the national level ($38,611) and ranked fourth among all the states. After adjusting for inflation, per capita income in New York grew by 4.6 percent in 2007, compared with a 2.2 percent gain in the nation. New York's increase ranked second among all the states, exceeded only by Louisiana.

New York State's strong income performance in recent years reflects the importance of the securities industry in the State—it accounts for 10 percent of the State's earned income and up to 20 percent of the State's tax revenues. In 2006, the securities industry generated near-record profits of $20.9 billion, but in 2007 the industry began to experience a transition. Strong growth in mergers and acquisitions and underwriting enabled the industry to earn profits of $8.9 billion during the first half of the year. During the summer of 2007, problems in subprime mortgage lending developed into a worldwide credit crunch. The values of many collateralized debt instruments became difficult to determine, resulting in sizable write-offs in the value of debt held by financial institutions. These write-offs contributed to a $20.2 billion loss for the securities industry in the second half of 2007. Although the industry had a full-year net loss of $11.3 billion (the first loss since 1990), Wall Street's year-end bonuses totaled $33.2 billion, which was only slightly lower than the record amount of $33.9 billion in 2006. The resiliency of bonuses relative to industry profitability helped support overall income levels in the State in 2007.

In response to the unfolding credit crunch, in August 2007 the Federal Reserve began efforts to increase liquidity in the financial system. It assisted in the takeover of investment bank Bear Stearns when that firm came close to collapse, and it introduced new financial supports for investment banks. Between September 2007 and April 2008, the Federal Reserve also lowered the federal funds rate seven times, from 5.25 percent to 2 percent. Long-term interest rates—including mortgage rates—also receded. Although mortgage rates are low by historical standards, real estate prices have been declining in many parts of the nation, reflecting tighter credit availability and the collapse of the subprime mortgage market.

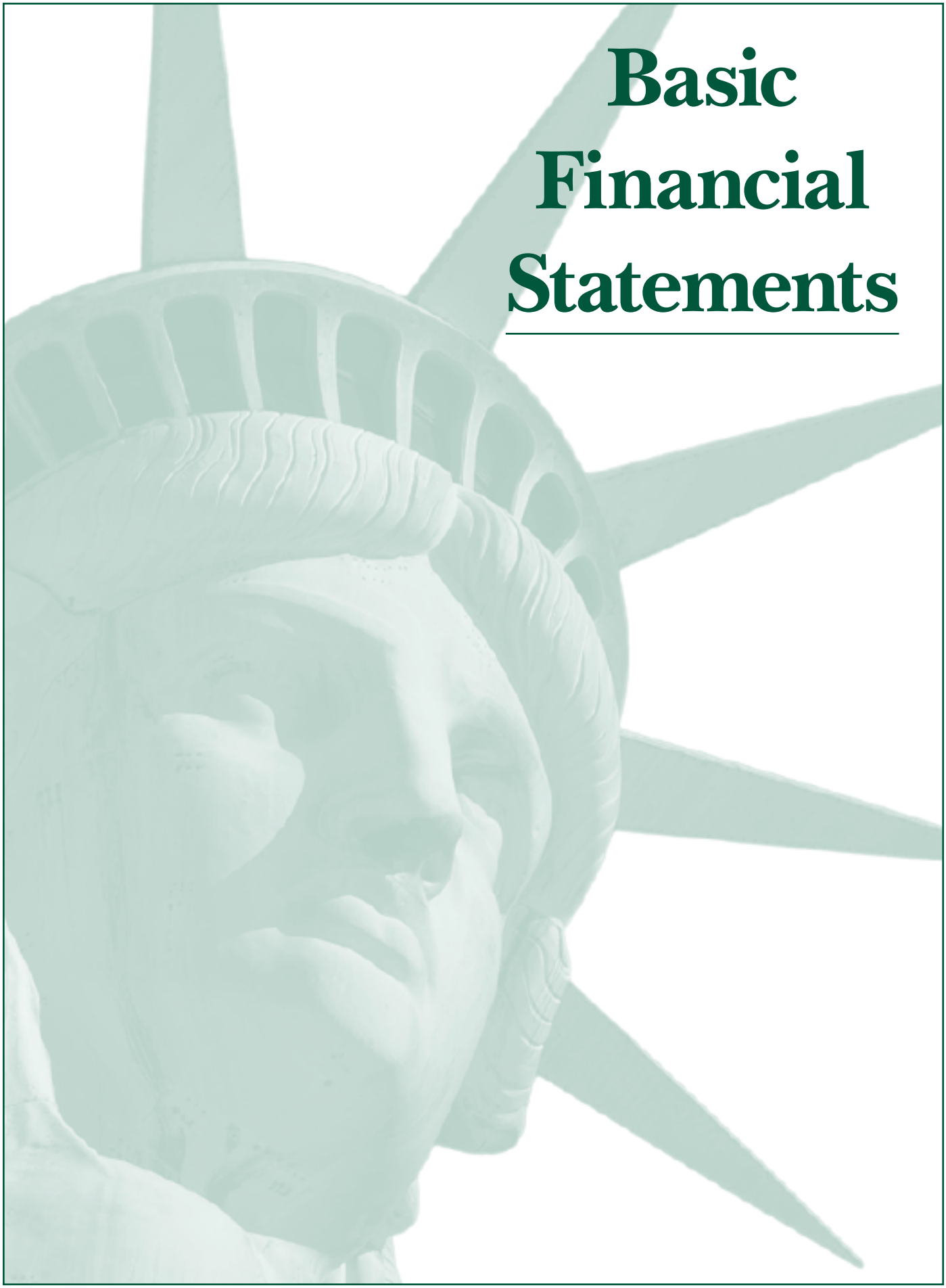
In addition to the credit crunch, both the nation and the State are experiencing rising inflation, fueled by higher energy and food prices. In the fourth quarter of 2007 and the first quarter of 2008, energy prices as measured by the national consumer price index rose at annualized rates of 17.9 percent and 18.9 percent, respectively. In each of the three quarters beginning with the third quarter of 2007, food prices increased at an annual rate of more than 4 percent.

Geographically, the downstate portions of New York State performed better than the upstate regions in 2007. Job gains in New York City accounted for nearly two thirds of the jobs added throughout the State in 2007; when combined with job gains in the Long Island and Hudson Valley suburbs, the downstate region accounted for 87 percent of jobs added. The Mid-Hudson Valley region and the North Country region were the only two regions of the State in which employment declined, while employment stayed unchanged in the Southern Tier and Western New York regions. New York City had the highest rate of employment growth in the State (2.2 percent). Population growth in New York State has also been concentrated in the downstate region. New York City's population has increased by 3.2 percent since 2000, accounting for 85.3 percent of the growth Statewide. New York City also benefited from continued strength in tourism, with the number of visitors reaching a new record (46 million) in 2007.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to show the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the State Comptroller's Communications Office at 110 State Street, 15th Floor, Albany, New York 12236 or visit our website at *www.osc.state.ny.us.*

Basic Financial Statements



STATE OF NEW YORK
EXCELSIOR
COMPTROLLER

Statement of Net Assets

March 31, 2008
(Amounts in millions)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS:				
Cash and investments	$ 11,962	$ 6,688	$ 18,650	$ 40,126
Receivables, net of allowances for uncollectibles:				
Taxes	12,985	—	12,985	—
Due from Federal government	5,083	—	5,083	—
Loans, leases and notes	—	—	—	33,351
Other	2,447	2,926	5,373	3,425
Internal balances	(435)	452	17	—
Other assets	1,005	210	1,215	5,150
Intangible assets	—	—	—	2,859
Capital assets:				
Land, infrastructure and construction in progress	74,495	1,667	76,162	6,858
Buildings, equipment, land improvements and infrastructure, net of depreciation	4,699	6,106	10,805	50,410
Total assets	**112,241**	**18,049**	**130,290**	**142,179**
LIABILITIES:				
Tax refunds payable	7,918	—	7,918	—
Accounts payable	1,282	451	1,733	558
Accrued liabilities	5,797	805	6,602	16,466
Due to Federal government	—	33	33	—
Payable to local governments	4,358	—	4,358	—
Interest payable	478	301	779	—
Pension contributions payable	9	—	9	228
Deferred revenues	525	304	829	1,147
Long-term liabilities:				
Due within one year	2,576	869	3,445	2,934
Due in more than one year:				
Tax refunds payable	699	—	699	—
Accrued liabilities	3,466	658	4,124	294
Payable to local governments	222	—	222	—
Lottery prizes payable	—	1,174	1,174	—
Pension contributions payable	481	—	481	42
Other postemployment benefits	2,099	882	2,981	1,671
Obligations under lease/purchase and other financing arrangements	36,769	8,355	45,124	—
Deferred loss on refunding	(857)	—	(857)	—
Notes payable	—	—	—	670
Bonds payable	2,909	—	2,909	70,826
Other long-term liabilities	—	—	—	8,646
Total liabilities	**68,731**	**13,832**	**82,563**	**103,482**
NET ASSETS:				
Invested in capital assets, net of related debt	62,800	353	63,153	21,644
Restricted for:				
Unemployment benefits	—	1,313	1,313	—
Debt service	2,304	—	2,304	3,406
Other specified purposes	1,231	1,744	2,975	8,018
Unrestricted (deficit)	(22,825)	807	(22,018)	5,629
Total net assets	**$ 43,510**	**$ 4,217**	**$ 47,727**	**$ 38,697**

See accompanying notes to the basic financial statements.

Statement of Activities

For the Year Ended March 31, 2008
(Amounts in millions)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental activities:				
Education	$ 31,215	$ 88	$ 3,227	$ —
Public health	44,777	4,676	24,224	—
Public welfare	12,491	597	7,717	1
Public safety	6,011	208	678	30
Transportation	6,595	264	404	1,176
Environment and recreation	1,275	291	104	98
Support and regulate business	1,288	539	13	—
General government	7,841	1,050	142	—
Interest on long-term debt	1,862	—	—	—
Total governmental activities	**113,355**	**7,713**	**36,509**	**1,305**
Business-type activities:				
Lottery	5,044	7,548	—	—
Unemployment insurance	2,412	—	2,389	—
State University of New York	7,965	3,219	1,439	64
City University of New York	2,443	504	690	351
Total business-type activities	**17,864**	**11,271**	**4,518**	**415**
Total primary government	**$ 131,219**	**$ 18,984**	**$ 41,027**	**$ 1,720**
Total component units	**$ 29,204**	**$ 17,205**	**$ 5,636**	**$ 2,300**

General revenues:
- Taxes:
  - Personal income
  - Consumption and use
  - Business
  - Other
- Grants and contributions not restricted to specific programs
- Investment earnings
- Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets—beginning of year, as restated

Net assets—end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (27,900)	$ —	$ (27,900)	$ —
(15,877)	—	(15,877)	—
(4,176)	—	(4,176)	—
(5,095)	—	(5,095)	—
(4,751)	—	(4,751)	—
(782)	—	(782)	—
(736)	—	(736)	—
(6,649)	—	(6,649)	—
(1,862)	—	(1,862)	—
(67,828)	**—**	**(67,828)**	**—**
—	2,504	2,504	—
—	(23)	(23)	—
—	(3,243)	(3,243)	—
—	(898)	(898)	—
—	**(1,660)**	**(1,660)**	**—**
(67,828)	**(1,660)**	**(69,488)**	**—**
			(4,063)
38,756	—	38,756	—
13,856	—	13,856	—
8,157	—	8,157	—
2,291	—	2,291	—
—	—	—	2,180
997	639	1,636	1,421
3,876	119	3,995	2,033
67,933	**758**	**68,691**	**5,634**
(1,922)	1,189	(733)	—
66,011	**1,947**	**67,958**	**5,634**
(1,817)	**287**	**(1,530)**	**1,571**
45,327	**3,930**	**49,257**	**37,126**
$ 43,510	**$ 4,217**	**$ 47,727**	**$ 38,697**

Balance Sheet

GOVERNMENTAL FUNDS

March 31, 2008
(Amounts in millions)

	Major Funds					
	General	Federal Special Revenue	General Obligation Debt Service	Other Governmental Funds	Eliminations	Total
ASSETS:						
Cash and investments	$ 3,764	$ 323	$ 1,236	$ 6,639	$ —	**$ 11,962**
Receivables, net of allowances for uncollectibles:						
Taxes	9,830	—	2,743	412	—	**12,985**
Due from Federal government	—	4,646	—	437	—	**5,083**
Other	370	20	455	877	—	**1,722**
Due from other funds	2,654	230	—	422	(164)	**3,142**
Other assets	428	25	—	50	—	**503**
Total assets	**$ 17,046**	**$ 5,244**	**$ 4,434**	**$ 8,837**	**$ (164)**	**$ 35,397**
LIABILITIES:						
Tax refunds payable	$ 6,163	$ —	$ 1,558	$ 197	$ —	**$ 7,918**
Accounts payable	605	55	175	447	—	**1,282**
Accrued liabilities	2,469	2,644	5	119	—	**5,237**
Payable to local governments	2,061	1,451	81	765	—	**4,358**
Due to other funds	1,308	344	1,091	836	(164)	**3,415**
Pension contributions payable	9	—	—	—	—	**9**
Deferred revenues	480	750	63	134	—	**1,427**
Total liabilities	**13,095**	**5,244**	**2,973**	**2,498**	**(164)**	**23,646**
FUND BALANCES:						
Reserved for:						
Encumbrances	799	964	—	6,188	—	**7,951**
Debt service	—	—	1,632	672	—	**2,304**
Tax stabilization	1,031	—	—	—	—	**1,031**
Other specified purposes	1,716	—	—	801	—	**2,517**
Unreserved:						
General	405	—	—	—	—	**405**
Federal special revenue	—	(964)	—	—	—	**(964)**
Special revenue	—	—	—	3,558	—	**3,558**
Debt service	—	—	(171)	264	—	**93**
Capital projects	—	—	—	(5,144)	—	**(5,144)**
Total fund balances	**3,951**	**—**	**1,461**	**6,339**	**—**	**11,751**
Total liabilities and fund balances	**$ 17,046**	**$ 5,244**	**$ 4,434**	**$ 8,837**	**$ (164)**	**$ 35,397**

See accompanying notes to the basic financial statements.

Reconciliation of the Balance Sheet

GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

March 31, 2008
(Amounts in millions)

Total fund balances—governmental funds	**$**	**11,751**
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		79,194
Some of the State's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds		902
Deferred charges related to bond issuance costs		475
Medicaid cost recoveries not available soon enough to reduce current period expenditures		30
Some liabilities (listed below) are not due and payable in the current period and therefore are not reported in the funds:		
Interest payable		(478)
Long-term liabilities due within one year		(2,576)
Tax refunds payable		(699)
Accrued liabilities		(3,466)
Payable to local governments		(222)
Pension contributions payable		(481)
Other postemployment benefits		(2,099)
Lease/purchase and other financing arrangements		(36,769)
Deferred loss on refunding		857
Bonds payable		(2,909)
Total net assets—governmental activities	**$**	**43,510**

See accompanying notes to the basic financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances

GOVERNMENTAL FUNDS

Year Ended March 31, 2008
(Amounts in millions)

	Major Funds					
	General	Federal Special Revenue	General Obligation Debt Service	Other Governmental Funds	Eliminations	Total
REVENUES:						
Taxes:						
Personal income	$ 23,948	$ —	$ 10,180	$ 4,664	$ —	**$ 38,792**
Consumption and use	8,252	—	—	5,618	—	**13,870**
Business	5,950	—	—	2,213	—	**8,163**
Other	1,271	—	—	1,021	—	**2,292**
Federal grants	52	36,005	—	1,745	—	**37,802**
Public health/patient fees	—	—	—	3,900	—	**3,900**
Tobacco settlement	—	—	475	105	—	**580**
Miscellaneous	5,950	69	66	2,794	(238)	**8,641**
Total revenues	**45,423**	**36,074**	**10,721**	**22,060**	**(238)**	**114,040**
EXPENDITURES:						
Local assistance grants:						
Social services	13,445	26,337	—	2,907	—	**42,689**
Education	19,511	3,190	—	7,507	—	**30,208**
Mental hygiene	1,532	168	—	159	—	**1,859**
General purpose	928	—	—	—	—	**928**
Health and environment	1,426	894	—	2,103	—	**4,423**
Transportation	446	24	—	3,164	—	**3,634**
Criminal justice	242	171	—	80	—	**493**
Miscellaneous	712	689	—	1,741	—	**3,142**
State operations:						
Personal service	8,407	566	—	257	—	**9,230**
Non-personal service	3,522	567	38	2,243	(192)	**6,178**
Pension contribution	1,052	48	—	17	—	**1,117**
Other fringe benefits	3,317	178	—	51	(46)	**3,500**
Capital construction	—	—	—	4,467	—	**4,467**
Debt service, including payments on financing arrangements	—	—	3,352	726	—	**4,078**
Total expenditures	**54,540**	**32,832**	**3,390**	**25,422**	**(238)**	**115,946**
Excess (deficiency) of revenues over expenditures	**(9,117)**	**3,242**	**7,331**	**(3,362)**	**—**	**(1,906)**
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	16,234	—	2,651	5,919	(22,095)	**2,709**
Transfers to other funds	(5,884)	(3,243)	(10,294)	(7,484)	22,095	**(4,810)**
General obligation bonds isssued	—	—	—	268	—	**268**
Premiums on general obligation bonds isssued	—	—	—	2	—	**2**
Financing arrangements/advance refundings issued	325	—	1,500	3,692	—	**5,517**
Payments to escrow agents for advance refundings	—	—	(1,559)	(824)	—	**(2,383)**
Premiums on financing arrangements/ advance refundings	9	—	70	164	—	**243**
Net other financing sources (uses)	**10,684**	**(3,243)**	**(7,632)**	**1,737**	**—**	**1,546**
Net change in fund balances	**1,567**	**(1)**	**(301)**	**(1,625)**	**—**	**(360)**
Fund balances at April 1, 2007	**2,384**	**1**	**1,762**	**7,964**	**—**	**12,111**
Fund balances at March 31, 2008	**$ 3,951**	**$ —**	**$ 1,461**	**$ 6,339**	**$ —**	**$ 11,751**

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances

GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

(Amounts in millions)

Net change in fund balances—total governmental funds		**$ (360)**
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds and the sale of capital assets is recorded as revenue in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Depreciation expense, net of asset disposal	$ (244)	
Disposal of assets	(1,872)	
Purchase of assets	2,990	
		874
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This amount is the net effect of proceeds and repayments:		
Repayment of principal	$ 2,236	
Long-term debt proceeds	(6,030)	
Payments to refunding agent	2,383	
		(1,411)
Decrease in revenues in the statement of activities that do not reduce current financial resources and are not reported in the funds		(62)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Local assistance grants	$ (113)	
State operations	(739)	
Other	(6)	
		(858)
Change in net assets of governmental activities		**$ (1,817)**

See accompanying notes to the basic financial statements.

Statement of Net Assets

ENTERPRISE FUNDS

March 31, 2008
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2007 SUNY	June 30, 2007 CUNY	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	$ 105	$ —	$ 1,056	$ 428	$ 1,589
Investments	186	—	196	19	401
Deposits with trustees	—	—	—	228	228
Receivables, net of allowance for uncollectibles	472	1,430	784	124	2,810
Due from other funds	—	—	406	117	523
Other assets	10	—	51	27	88
Total current assets	**773**	**1,430**	**2,493**	**943**	**5,639**
Noncurrent assets:					
Restricted cash and cash equivalents	—	—	72	7	79
Long-term investments	1,308	—	1,403	208	2,919
Deposits with trustees	—	—	920	552	1,472
Receivables, net of allowance for uncollectibles	—	—	112	4	116
Due from other funds	—	—	105	—	105
Capital assets:					
Land, construction in progress and artwork	—	—	1,055	612	1,667
Buildings and equipment, net of depreciation	—	—	4,178	1,928	6,106
Other assets	11	—	66	45	122
Total noncurrent assets	**1,319**	**—**	**7,911**	**3,356**	**12,586**
Total assets	**2,092**	**1,430**	**10,404**	**4,299**	**18,225**
LIABILITIES:					
Current liabilities:					
Accounts payable	27	—	314	110	451
Accrued liabilities	224	84	519	219	1,046
Other postemployment benefits	—	—	6	—	6
Due to Federal government	—	33	—	—	33
Lottery prizes payable	190	—	—	—	190
Due to other funds	176	—	—	—	176
Interest payable	—	—	232	69	301
Deferred revenues	15	—	183	106	304
Obligations under lease/purchase and other financing arrangements	4	—	250	178	432
Total current liabilities	**636**	**117**	**1,504**	**682**	**2,939**
Noncurrent liabilities:					
Accrued liabilities	2	—	576	80	658
Other postemployment benefits	—	—	785	97	882
Lottery prizes payable	1,174	—	—	—	1,174
Obligations under lease/purchase and other financing arrangements	7	—	5,271	3,077	8,355
Total noncurrent liabilities	**1,183**	**—**	**6,632**	**3,254**	**11,069**
Total liabilities	**1,819**	**117**	**8,136**	**3,936**	**14,008**
NET ASSETS:					
Invested in capital assets, net of related debt	8	—	597	(252)	353
Restricted for:					
Nonexpendable purposes	—	—	246	36	282
Expendable purposes	—	—	914	438	1,352
Unemployment benefits	—	1,313	—	—	1,313
Future prizes	110	—	—	—	110
Unrestricted	155	—	511	141	807
Total net assets	**$ 273**	**$ 1,313**	**$ 2,268**	**$ 363**	**$ 4,217**

See accompanying notes to the basic financial statements.

Statement of Revenues, Expenses and Changes in Fund Net Assets

ENTERPRISE FUNDS

Year Ended March 31, 2008

(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2007 SUNY	June 30, 2007 CUNY	Total
OPERATING REVENUES:					
Ticket sales	$ 7,548	$ —	$ —	$ —	$ 7,548
Employer contributions	—	2,389	—	—	2,389
Tuition and fees, net	—	—	918	488	1,406
Government grants and contracts	—	—	1,152	557	1,709
Private grants and contracts	—	—	270	100	370
Hospitals and clinics	—	—	1,621	—	1,621
Auxiliary enterprises	—	—	680	16	696
Other	—	—	108	38	146
Total operating revenues	**7,548**	**2,389**	**4,749**	**1,199**	**15,885**
OPERATING EXPENSES:					
Benefits paid	—	2,412	—	—	2,412
Prizes	3,953	—	—	—	3,953
Commissions and fees	829	—	—	—	829
Educational and general	—	—	4,888	2,121	7,009
Hospitals and clinics	—	—	1,724	—	1,724
Auxiliary enterprises	—	—	682	13	695
Instant game ticket costs	28	—	—	—	28
Depreciation and amortization	5	—	380	144	529
Other	154	—	11	—	165
Total operating expenses	**4,969**	**2,412**	**7,685**	**2,278**	**17,344**
Operating income (loss)	**2,579**	**(23)**	**(2,936)**	**(1,079)**	**(1,459)**
NONOPERATING REVENUES (EXPENSES):					
Investment earnings	175	27	127	66	395
Other income (expense)	(40)	1	4	(51)	(86)
Private gifts, grants, contracts	—	—	47	2	49
Federal and City appropriations	—	—	17	33	50
Net increase in the fair value of investments	—	—	224	20	244
Plant and equipment write-off	—	—	(14)	—	(14)
Interest expense	(75)	—	(266)	(165)	(506)
Total nonoperating revenues (expenses)	**60**	**28**	**139**	**(95)**	**132**
Income (loss) before other revenues and transfers	**2,639**	**5**	**(2,797)**	**(1,174)**	**(1,327)**
State transfers	—	—	2,910	835	3,745
Education aid transfer	(2,556)	—	—	—	(2,556)
Capital appropriations	—	—	3	351	354
Capital gifts and grants	—	—	61	—	61
Additions to permanent endowments	—	—	9	1	10
Increase in net assets	**83**	**5**	**186**	**13**	**287**
Net assets—beginning of year (as restated)	**190**	**1,308**	**2,082**	**350**	**3,930**
Net assets—end of year	**$ 273**	**$ 1,313**	**$ 2,268**	**$ 363**	**$ 4,217**

See accompanying notes to the basic financial statements.

Statement of Cash Flows

ENTERPRISE FUNDS

Year Ended March 31, 2008
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2007 SUNY	June 30, 2007 CUNY	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from:					
Contributions	$ —	$ 2,389	$ —	$ —	**$ 2,389**
Ticket sales	7,530	—	—	—	**7,530**
Tuition and fees	—	—	922	487	**1,409**
Government grants and contracts	—	—	1,100	648	**1,748**
Private grants and contracts	—	—	265	—	**265**
Hospitals and clinics	—	—	1,526	—	**1,526**
Auxiliary enterprises	—	—	670	16	**686**
Other	—	—	86	32	**118**
Payments for:					
Claims	—	(2,371)	—	—	**(2,371)**
Prizes	(4,006)	—	—	—	**(4,006)**
Commissions and fees	(885)	—	—	—	**(885)**
Operating expenses	(129)	—	(5,522)	(1,930)	**(7,581)**
Other	(2)	—	(91)	(154)	**(247)**
Net cash provided (used) by operating activities	**2,508**	**18**	**(1,044)**	**(901)**	**581**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfer to education	(2,787)	—	—	—	**(2,787)**
Temporary loan from Federal government	—	145	—	—	**145**
Repayment of temporary loan from Federal government	—	(194)	—	—	**(194)**
Government transfers	103	—	1,978	912	**2,993**
Other, net	—	1	81	(76)	**6**
Net cash provided (used) by noncapital financing activities	**(2,684)**	**(48)**	**2,059**	**836**	**163**
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Proceeds from capital debt	—	—	603	360	**963**
Capital appropriations	—	—	4	351	**355**
Purchase of capital assets	(4)	—	(272)	(223)	**(499)**
Payments to contractors	—	—	(523)	—	**(523)**
Principal payments on capital leases	—	—	(475)	(130)	**(605)**
Interest payments on capital leases	—	—	(302)	(127)	**(429)**
Other, net	—	—	68	(173)	**(105)**
Net cash provided (used) by capital financing activities	**(4)**	**—**	**(897)**	**58**	**(843)**

(Continued)

Statement of Cash Flows (cont'd)

ENTERPRISE FUNDS

Year Ended March 31, 2008
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2007 SUNY	June 30, 2007 CUNY	Total
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest, dividends and realized gains on investments	23	27	183	66	**299**
Proceeds from sales and maturities of investments	185	—	3,530	429	**4,144**
Purchases of investments	(266)	—	(3,613)	(352)	**(4,231)**
Other, net	(32)	—	—	3	**(29)**
Net cash provided (used) by investing activities	**(90)**	**27**	**100**	**146**	**183**
Net increase (decrease) in cash and cash equivalents	**(270)**	**(3)**	**218**	**139**	**84**
Cash and cash equivalents, beginning of year (as restated)	375	3	910	296	**1,584**
Cash and cash equivalents, end of year	**$ 105**	**$ —**	**$ 1,128**	**$ 435**	**$ 1,668**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ 2,579	$ (23)	$ (2,936)	$ (1,079)	**$ (1,459)**
Adjustments to reconcile operating income (loss) to net cash provided (used) by nonoperating and noncash activities:					
Depreciation and amortization	5	—	380	144	**529**
Other nonoperating and noncash items	(1)	—	955	—	**954**
Change in assets and liabilities:					
Receivables, net	(20)	—	(99)	(12)	**(131)**
Other assets	2	—	(7)	1	**(4)**
Lottery prizes payable	(48)	—	—	—	**(48)**
Unclaimed and future prizes	(6)	—	—	—	**(6)**
Accrued liabilities	(8)	21	88	(46)	**55**
Other postemployment benefits	—	—	601	97	**698**
Deferred revenues	5	—	(26)	(6)	**(27)**
Other payables	—	20	—	—	**20**
Net cash provided (used) by operating activities	**$ 2,508**	**$ 18**	**$ (1,044)**	**$ (901)**	**$ 581**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
New capital leases/debt agreements	—	—	166	—	**166**
Noncash gifts	—	—	3	—	**3**
Increase in unrealized gains on investments	77	—	—	—	**77**
Amortization of investment discount	75	—	—	—	**75**

See accompanying notes to the basic financial statements.

Statement of Fiduciary Net Assets

FIDUCIARY FUNDS

March 31, 2008
(Amounts in millions)

	Pension Trusts	Private-Purpose Trusts	Agency
ASSETS:			
Cash and investments	$ —	$ 8,566	$ 3,140
Retirement system investments:			
Short-term investments	6,443	—	—
Government bonds	26,097	—	—
Corporate bonds	10,475	—	—
Domestic equities	58,582	—	—
International equities	24,572	—	—
Private equities	12,699	—	—
Absolute return strategy investments	5,328	—	—
Real estate and mortgage loans	9,682	—	—
Securities lending collateral, invested	27,835	—	—
Forward foreign exchange contracts	860	—	—
Receivables, net of allowances for uncollectibles	2,888	158	468
Due from other funds	—	305	296
Other assets	28	—	532
Total assets	**185,489**	**9,029**	**$ 4,436**
LIABILITIES:			
Securities lending obligations	27,947	—	—
Forward foreign exchange contracts	857	—	—
Accounts payable—investments	488	—	80
Accounts payable—benefits	186	—	—
Other liabilities	165	1,080	2,274
Payable to local governments	—	—	1,339
Due to other funds	—	—	743
Total liabilities	**29,643**	**1,080**	**$ 4,436**
NET ASSETS:			
Held in trust for pension benefits and other purposes	**$ 155,846**	**$ 7,949**	

See accompanying notes to the basic financial statements.

Statement of Changes in Fiduciary Net Assets

FIDUCIARY FUNDS

Year Ended March 31, 2008

(Amounts in millions)

	Pension Trusts	Private-Purpose Trusts
Additions:		
Investment earnings:		
Interest income	$ 1,976	$ —
Dividend income	2,060	224
Other income	586	1
Securities lending income	1,336	—
Net increase (decrease) in the fair value of investments	(1,287)	197
Total investment earnings	**4,671**	**422**
Less:		
Securities lending expenses	(1,187)	—
Investment expenses	(320)	(38)
Net investment earnings	**3,164**	**384**
Contributions:		
College savings	—	2,788
Employers	2,648	—
Employees	266	—
Interest on accounts	46	—
Other	70	—
Total contributions	**3,030**	**2,788**
Net transfers from General Fund	—	186
Total additions	**6,194**	**3,358**
Deductions:		
College aid redemptions	—	1,516
Benefits paid:		
Retirement allowances	6,654	—
Death benefits	182	—
Other benefits	47	—
Administrative expenses	90	—
Claims paid	—	159
Total deductions	**6,973**	**1,675**
Net increase (decrease)	**(779)**	**1,683**
Net assets held in trust for pension benefits and other purposes at April 1, 2007	**156,625**	**6,266**
Net assets held in trust for pension benefits and other purposes at March 31, 2008	**$ 155,846**	**$ 7,949**

See accompanying notes to the basic financial statements.

Combining Statement of Net Assets

DISCRETELY PRESENTED COMPONENT UNITS

March 31, 2008
(Amounts in millions)

	Major Component Units				
	Power Authority	Housing Finance Agency	Thruway Authority	Metropolitan Transportation Authority	Dormitory Authority
ASSETS:					
Cash and investments	$ 2,196	$ 1,442	$ 716	$ 5,548	$ 6,796
Receivables, net of allowances for uncollectibles:					
Loans, leases, and notes	107	7,352	—	—	30,774
Other	212	48	64	3,076	706
Other assets	720	—	76	2,534	—
Intangible assets	—	—	—	—	—
Capital assets:					
Construction in progress	125	—	451	5,955	—
Land and buildings, net of depreciation	3,648	—	3,892	34,656	14
Total assets	**7,008**	**8,842**	**5,199**	**51,769**	**38,290**
LIABILITIES:					
Accounts payable	—	7	—	447	—
Accrued liabilities	436	88	151	2,066	1,573
Pension contributions payable	—	—	—	228	—
Deferred revenues	—	92	43	353	129
Notes payable	284	—	—	—	—
Bonds payable	110	146	54	391	1,417
Current portion of other long-term liabilities	—	—	4	7	12
Due in more than one year:					
Accrued liabilities	—	—	—	—	177
Pension contributions payable	—	—	—	42	—
Other postemployment benefits	38	28	47	1,290	13
Deferred revenues	789	149	—	—	—
Notes payable	538	—	—	—	—
Bonds payable	1,355	7,884	2,400	24,515	34,233
Other long-term liabilities	1,190	(5)	22	3,133	81
Total liabilities	**4,740**	**8,389**	**2,721**	**32,472**	**37,635**
NET ASSETS:					
Invested in capital assets, net of related debt	1,701	—	2,312	15,903	14
Restricted for:					
Debt service	—	355	87	1,088	—
Other specified purposes	27	—	55	—	559
Unrestricted (deficit)	540	98	24	2,306	82
Total net assets	**$ 2,268**	**$ 453**	**$ 2,478**	**$ 19,297**	**$ 655**

See accompanying notes to the basic financial statements.

Major Component Units

Long Island Power Authority	Urban Development Corporation	State Insurance Fund	SONY Mortgage Agency	Environmental Facilities Corporation	Non-Major Component Units	Eliminations	Total
$ 815	$ 2,582	$ 11,737	$ 1,841	$ 3,888	$ 4,219	$ (1,654)	**$ 40,126**
155	6,541	—	2,915	7,669	594	(22,756)	**33,351**
465	254	175	26	159	486	(2,246)	**3,425**
1,327	208	55	94	—	169	(33)	**5,150**
2,855	—	—	—	—	4	—	**2,859**
233	—	—	—	—	94	—	**6,858**
5,088	947	—	—	—	2,165	—	**50,410**
10,938	**10,532**	**11,967**	**4,876**	**11,716**	**7,731**	**(26,689)**	**142,179**
—	—	—	—	—	104	—	**558**
900	599	10,056	143	238	767	(551)	**16,466**
—	—	—	—	—	—	—	**228**
—	—	416	—	—	114	—	**1,147**
100	30	—	—	—	—	—	**414**
427	429	—	116	304	65	(1,191)	**2,268**
202	—	—	—	—	27	—	**252**
39	—	—	—	33	45	—	**294**
—	—	—	—	—	—	—	**42**
12	4	—	23	1	215	—	**1,671**
—	—	—	—	1	286	(14)	**1,211**
—	130	—	—	—	2	—	**670**
6,403	7,293	—	2,832	6,723	2,368	(25,180)	**70,826**
2,592	378	—	(5)	—	90	(41)	**7,435**
10,675	**8,863**	**10,472**	**3,109**	**7,300**	**4,083**	**(26,977)**	**103,482**
(190)	787	—	—	—	1,117	—	**21,644**
—	—	—	1,775	—	90	11	**3,406**
—	795	—	—	4,399	2,183	—	**8,018**
453	87	1,495	(8)	17	258	277	**5,629**
$ 263	**$ 1,669**	**$ 1,495**	**$ 1,767**	**$ 4,416**	**$ 3,648**	**$ 288**	**$ 38,697**

Combining Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

Year Ended March 31, 2008
(Amounts in millions)

	Major Component Units				
	Power Authority	Housing Finance Agency	Thruway Authority	Metropolitan Transportation Authority	Dormitory Authority
Expenses:					
Program operations	$ 2,545	$ 120	$ 458	$ 9,850	$ 89
Interest on long-term debt	94	311	84	1,054	1,642
Other interest	20	—	—	—	—
Depreciation and amortization	178	—	211	1,689	—
Other expenses	—	11	—	—	123
Total expenses	**2,837**	**442**	**753**	**12,593**	**1,854**
Program revenues:					
Charges for services	2,906	356	553	5,246	1,581
Operating grants and contributions	—	56	13	2,644	—
Capital grants and contributions	—	—	31	2,035	—
Total program revenues	**2,906**	**412**	**597**	**9,925**	**1,581**
Net program revenues (expenses)	**69**	**(30)**	**(156)**	**(2,668)**	**(273)**
General revenues:					
Non-State grants and contributions not restricted to specific programs	—	—	—	2,066	—
Investment earnings:					
Restricted	—	53	—	—	174
Unrestricted	79	—	4	—	2
Miscellaneous	87	—	30	536	121
Total general revenues	**166**	**53**	**34**	**2,602**	**297**
Change in net assets	**235**	**23**	**(122)**	**(66)**	**24**
Net assets—beginning of year, as restated	**2,033**	**430**	**2,600**	**19,363**	**631**
Net assets—end of year	**$ 2,268**	**$ 453**	**$ 2,478**	**$ 19,297**	**$ 655**

See accompanying notes to the basic financial statements.

Major Component Units

Long Island Power Authority	Urban Development Corporation	State Insurance Fund	SONY Mortgage Agency	Environmental Facilities Corporation	Non-Major Component Units	Eliminations	Total
$ 2,967	$ 663	$ 2,118	$ 62	$ 188	$ 4,228	$ (7)	**$ 23,281**
307	325	—	138	334	73	(1,302)	**3,060**
13	—	—	—	—	11	—	**44**
246	13	—	3	—	144	—	**2,484**
—	71	—	1	—	131	(2)	**335**
3,533	**1,072**	**2,118**	**204**	**522**	**4,587**	**(1,311)**	**29,204**
3,543	56	1,764	161	18	1,873	(852)	**17,205**
—	889	—	—	19	2,483	(468)	**5,636**
—	—	—	—	168	66	—	**2,300**
3,543	**945**	**1,764**	**161**	**205**	**4,422**	**(1,320)**	**25,141**
10	**(127)**	**(354)**	**(43)**	**(317)**	**(165)**	**(9)**	**(4,063)**
—	—	—	—	—	114	—	**2,180**
—	—	633	93	184	26	—	**1,163**
40	26	—	—	—	107	—	**258**
43	190	47	174	336	469	—	**2,033**
83	**216**	**680**	**267**	**520**	**716**	**—**	**5,634**
93	**89**	**326**	**224**	**203**	**551**	**(9)**	**1,571**
170	**1,580**	**1,169**	**1,543**	**4,213**	**3,097**	**297**	**37,126**
$ 263	**$ 1,669**	**$ 1,495**	**$ 1,767**	**$ 4,416**	**$ 3,648**	**$ 288**	**$ 38,697**

STATE OF NEW YORK
EXCELSIOR
COMPTROLLER

NOTES TO THE BASIC FINANCIAL STATEMENTS

March 31, 2008

Note 1 Summary of Significant Accounting Policies

The accompanying basic financial statements of the State of New York (State) have been prepared in conformity with generally accepted accounting principles (GAAP) for governments. Such principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America.

The basic financial statements have been prepared primarily from accounts maintained by the State Comptroller. Additional data has been derived from reports prescribed by the State Comptroller and prepared by State departments, agencies, public benefit corporations and other entities based on independent or subsidiary accounting systems maintained by them.

a. Reporting Entity

The basic financial statements include all funds of the primary government, which is the State, as well as the component units and other organizational entities determined to be included in the State's financial reporting entity.

The decision to include a potential component unit in the State's reporting entity is based on several criteria, including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the State's reporting entity.

Blended Component Units

The New York Local Government Assistance Corporation (LGAC) was created by Chapter 220 of the Laws of 1990. LGAC is administered by seven directors consisting of the State Comptroller and the Director of the Division of the Budget, serving ex-officio, and five directors appointed by the Governor. LGAC was created to issue long-term debt on behalf of the State to finance certain local assistance aid payments plus amounts necessary to fund a capital reserve fund and other issuance costs. LGAC is legally separate but provides services exclusively to the State and therefore is reported as part of the primary government as a blended component unit.

The Tobacco Settlement Financing Corporation (TSFC) was created by Part D3 of Chapter 62 of the Laws of 2003. TSFC was created as a subsidiary of the State of New York Municipal Bond Bank Agency (Agency). The directors of the Agency are members of TSFC. TSFC is governed by a seven member board: the Chairman of the Agency, the Secretary of State, the Director of the Budget, three directors appointed by the Governor and the State Comptroller or his appointee. TSFC was created to issue long-term debt on behalf of the State to finance State operations plus amounts necessary to fund a capital reserve fund and other issuance costs. TSFC is legally separate but provides services exclusively to the State and therefore is reported as part of the primary government as a blended component unit.

Discretely Presented Component Units

The public benefit corporations (Corporations) listed in Note 14 were established by State statute with full corporate powers. The Governor, with the approval of the State Senate, appoints most members of the board of directors of most Corporations and either the Governor or the board of directors selects the chairman and chief executive officer. Corporations generally submit annual reports to the Governor, the Legislature and the State Comptroller on their operations and finances accompanied by an independent auditors' report thereon. Corporations also submit to the Governor and the Legislature annual budget information on operations and capital construction. The State Comptroller is empowered to conduct financial and management audits of the Corporations. Financial assistance was provided in the fiscal year ended March 31, 2008 to certain Corporations and such assistance is expected to be required in future years. Accordingly, the fiscal condition of the State is related to the fiscal stability of the Corporations. Since the Corporations are legally separate organizations for which the Governor and Legislature are financially accountable, they are discretely presented as component units of the State.

Related Organizations and Joint Ventures

The State's officials are also responsible for appointing the members of the boards of various related organizations, but the State's accountability for these organizations does not extend beyond making the appointments (e.g. the Nassau County Interim Finance Authority). As discussed in more detail in Note 15, the State participates in several joint ventures. The State does not include the financial activities of these organizations in its financial statements.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity within governmental and business-type activities has been eliminated from these statements. However,

balances due and resource flows between governmental and business-type activities have not been eliminated. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been allocated and are reported as direct program expenses of individual functions/programs. Program revenues include: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; grants and contributions that are restricted to meeting the operational requirements of a particular function or segment; and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items not included as program revenues are reported as general revenues, as required.

Separate financial statements are provided for Governmental Funds, Enterprise Funds and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the Enterprise Funds, Component Units and the Fiduciary Funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year in which they are earned. Grants, entitlements and donations are recognized as revenues as soon as all eligibility requirements have been met.

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collected within the current period or collectible within 12 months of the end of the current fiscal period. Tax revenues are recorded by the State as taxpayers earn income (personal income, general business and other taxes), as sales are made (consumption and use taxes) and as the taxable event occurs (miscellaneous taxes), net of estimated overpayments (refunds). Receivables not expected to be collected within the next 12 months are offset by deferred revenues. Expenditures and related liabilities are recorded in the accounting period the liability is incurred to the extent it is expected to be paid within the next 12 months with the exception of items covered by GASB Interpretation 6 (GASBI 6), *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. GASBI 6 modified the recognition criteria of certain expenditures and liabilities. GASBI 6 requires that expenditures and liabilities such as debt service, compensated absences, and claims and judgments be recorded in the governmental fund statements only when they mature or become due for payment within the period. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met. Nonexchange grants and subsidies, such as local assistance grants and public benefit corporation subsidies, are recognized as expenditures when all requirements of the grant and/or subsidy have been satisfied.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and Enterprise Fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. The State also has the option of following private-sector guidance issued after November 30, 1989 for its business-type activities, Enterprise Funds and component units. As allowed by GASB 20, the State has elected only to follow those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB), issued prior to December 1, 1989. However, the Power Authority of the State of New York and the Long Island Power Authority have elected to continue to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. In addition, the State Insurance Fund prepares financial statements in conformity with accounting practices prescribed or permitted by the Insurance Department of the State of New York (Insurance Department). The Insurance Department recognizes only New York Statutory Accounting Practices for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under New York State Insurance Law.

The State reports the following major and other governmental funds:

General Fund—is the primary operating fund of the State and is used to account for all financial transactions not required to be accounted for in another fund.

Federal Special Revenue Fund—accounts for Federal grants received by the State that are earmarked for specific programs. In order to comply with Federal accounting and reporting requirements, certain Federal grants are accounted for in a number of accounts that are combined and reported as the Federal Special Revenue Fund. Accounts that are combined include the Federal USDA-Food and Nutrition Services Account, the Federal Health and Human Services Account, the Federal Education Account, the Federal HHS Block Grant Account, the Federal Operating Grants Account, the Unemployment Insurance Administration Account, the Unemployment Insurance Occupational Training Account and the Federal Employment and Training Grants Account.

General Obligation Debt Service Fund—accounts for the payment of principal and interest on the State's general obligation debt, the payments on certain lease/purchase or other contractual obligations and transactions related to the Tobacco Settlement Financing Corporation.

Other Governmental Funds—is a summarization of all the non-major governmental funds.

The governmental fund financial statements include a reconciliation between the fund statements and the government-wide statements. Differences that make a reconciliation necessary include the differing measurement focuses and basis of accounting between the statements. The Statement of Activities reflects the net costs of each major function of State operations. The presentation differs from the presentation of expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds which closely matches the State's budgetary (financial plan) presentation.

The State reports the following major Enterprise Funds:

Lottery Fund—accounts for lottery revenues that are earmarked for education assistance to local school districts, administrative costs of the Division of the Lottery and payment of lottery prizes.

Unemployment Insurance Benefit Fund—accounts for employer unemployment contributions utilized for the payment of unemployment compensation benefits.

SUNY Fund—accounts for the operation of the State University of New York (SUNY). Information reported in this fund is obtained from the audited financial statements prepared by SUNY for the fiscal year ended June 30, 2007.

CUNY Fund—accounts for the operation of the City University of New York (CUNY) senior colleges. Information reported in this fund is obtained from the audited financial statements prepared by CUNY for the fiscal year ended June 30, 2007.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an Enterprise Fund's principal ongoing operations. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The Fiduciary Fund types of the State consist of the following:

Pension Trust Fund—accounts for the activities of the State and Local Retirement System, which accumulates resources for pension benefit payments to qualified public employees.

Private-Purpose Trust Funds—are used to account for resources legally held in trust as escheat property and resources held in trust to facilitate savings for higher education expenses, pursuant to the New York State tuition savings program. There is no requirement that any portion of these resources be preserved as capital. Information reported for the tuition savings program is obtained from the audited financial statements prepared by the program for the fiscal year ended December 31, 2007.

Agency Funds—report those resources held by the State in a purely custodial capacity (assets equal liabilities).

Additionally, the State includes discretely presented component units:

Component Units—Public Benefit Corporations—The public benefit corporations' financial statements, except for the State Insurance Fund, are prepared using the economic resources measurement focus and are accounted for on the accrual basis of accounting.

d. Cash and Investments

Cash balances of funds held in the State Treasury are commingled in a general checking account and several special purpose bank accounts. The available cash balance in the general checking account beyond immediate need is pooled for short-term investment purposes. The balances pooled are limited to legally stipulated investments, which are reported at cost, including accrued interest, which approximates fair value. Non-interest bearing compensating balances of $26 million are included in cash and investments at March 31, 2008. At various times during the year, compensating balances could be substantially higher. Cash

balances not held in the State Treasury and controlled by various State officials are generally deposited in interest-bearing accounts or other legally stipulated investments. Additional information about the State's cash and investments is provided in Note 2.

Generally, for purposes of reporting cash flows, cash includes cash and cash equivalents. Cash equivalents are composed of liquid assets with maturities of 90 days or less. The Enterprise Funds Statement of Cash Flows uses the direct method of reporting cash flows. All investments with a maturity of more than a year are recorded on the Statement of Net Assets and the balance sheet at fair value and all investment income, including changes in the fair value of investments, is reported as revenue. Investments of the short-term investment pool have a maturity of one year or less and are recorded at cost. Fair values were determined using market values at the applicable entities' year end.

e. Receivables

Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions. Due from Federal government represents amounts owed to the State to reimburse it for expenditures incurred pursuant to federally funded programs. Other receivables represent amounts owed to the State, including lottery revenues, student loans, tobacco settlements, and patient fees of SUNY and Health Department hospitals and various Mental Hygiene facilities. Additional information about receivables is provided in Note 4.

f. Internal Balances

All outstanding balances between funds at the end of the fiscal year are referred to as "due to/from other funds" on the governmental fund financial statements. Generally, the effect of interfund activity within the governmental funds has been removed. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." For the most part, the remaining difference is a result of different year-ends for SUNY and CUNY.

g. Other Assets

Other assets in governmental activities include payments for costs applicable to future accounting periods, and other types of assets not reported on other lines. Inventories reported by the Governmental Funds are recorded as expenditures when they are purchased. Inventories reported by the Enterprise Funds are valued at cost using the first-in/first-out (FIFO) method.

h. Capital Assets

Capital assets are reported in the government-wide Statement of Net Assets and further disclosed in Note 5. Capital assets include: land in urban centers, rural areas and forest preserves; land improvements; land preparation-roads; buildings which house State offices, correctional facilities, hospitals and educational facilities; equipment used in construction work, hospitals, offices, etc.; construction in progress; and infrastructure assets such as roads and bridges. Capital assets are reported at historical cost or estimated historical cost and donated capital assets are valued at their estimated fair market value at the date of donation.

Equipment that has a cost in excess of $40 thousand at the date of acquisition and has an expected useful life of two or more years is capitalized. All initial building costs and building improvements and land and land improvements in excess of $100 thousand are capitalized. Infrastructure assets in excess of $1 million are also capitalized. Software is not capitalized. The State chose the option in GASB Statement 34 of not recording non-major infrastructure assets at transition except for Department of Transportation (DOT) infrastructure assets. Therefore, non-DOT infrastructure assets acquired prior to April 1, 2002 were deemed to be non-major relative to total infrastructure and are not reported. However, prospective reporting of non-DOT depreciable infrastructure acquired subsequent to April 1, 2002 is included in the capital asset balances at March 31, 2008.

The costs of normal repairs and maintenance that do not add to the value or extend lives of assets materially are not capitalized, but are shown as expenses in the year incurred. Expenses relating to roads and bridges that add to the capacity and efficiency of the road and bridge networks are not expensed but are capitalized. All maintenance and preservation costs relating to roads and bridges will be expensed and not capitalized.

Buildings, land improvements and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Governmental Activities (Years)	Business-type Activities (Years)
Buildings and building improvements	12-60	5-50
Equipment and vehicles	4-30	5-50
Land improvements	12-30	5-50

Land preparation reflects the costs of preparing the land for the construction of roads. Since land preparation has an indefinite life, associated costs are not depreciated.

The State has elected to use the modified approach for reporting and accounting for its highways and bridges reported by the DOT. The modified approach requires the State to commit to preserving and maintaining these infrastructure assets at levels established by the DOT. No depreciation expense is reported for these assets and no amounts are capitalized in connection with improvements that lengthen the lives of

such assets, unless the improvements also increase their service potential. The DOT maintains an inventory of these assets and performs periodic condition assessments to ensure that the predetermined condition level is maintained. Refer to the Required Supplementary Information (RSI) for additional information regarding infrastructure using the modified approach.

Capital asset reporting does not include historic artifacts, artwork and collections that are maintained by various State agencies, the State Archives, State Museum and State Library. These items are protected and preserved, held for public exhibition and educational purposes and the proceeds from the sale of items are used to acquire new items for the collection.

Capital assets in business-type activities and Enterprise Funds are from SUNY and CUNY. These capital assets are stated at cost, or in the case of gifts, fair value at the date of receipt. SUNY capitalizes building renovations and additions costing over $100 thousand and equipment items with a unit cost of more than $5 thousand. CUNY capitalizes renovations and improvements that significantly increase the value or extends the useful lives of the structures and equipment with a cost of more than $5 thousand and useful lives of two or more years. SUNY and CUNY report artwork, historical treasures and library books with a unit cost of more than $5 thousand. SUNY and CUNY capital assets, with the exception of land, construction in progress and works of art and historical treasures, are depreciated on a straight-line basis over their estimated useful lives ranging from 5 to 50 years.

i. Long-Term Obligations

In the government-wide financial statements and Enterprise Funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities Statement of Net Assets. Bond premiums, discounts, issuance costs and deferred loss on refunding are deferred and amortized over the life of the bonds using the straight-line method for governmental activities.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

j. Compensated Absences

The estimated vacation leave liability for State employees at March 31, 2008 is $829 million. State employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 25 days a year, but may accumulate no more than a maximum of 40 days.

SUNY employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 21 days per year and may accumulate no more than a maximum of 40 days. CUNY employees accrue vacation leave based upon the number of years employed, with the maximum accumulation generally ranging from 45 to 50 days. The liability for vacation leave approximated $230 million and $50 million for SUNY and CUNY, respectively, at June 30, 2007.

CUNY employees may receive payments of up to 50 percent of the value of their accumulated sick leave as of the date of retirement from CUNY. CUNY reported a liability of $35 million for sick leave credits in accrued liabilities.

k. Accounting for Lease Purchase and Other Financing Arrangements

The construction of certain State office buildings, campus facilities and other public facilities has been financed through bonds and notes issued by public benefit corporations pursuant to lease/purchase and other financing arrangements with the State. The State has also entered into financing arrangements with public benefit corporations that have issued bonds to finance past State budgetary deficits and grants to local governments for both capital and operating purposes (see Note 7).

These lease/purchase and other financing arrangements which the State will repay over the duration of the agreements constitute long-term liabilities. The amount included in obligations under lease/purchase and other financing arrangements consists of total future principal payments and equals the outstanding balance of the related bonds and notes. Reporting relative to capitalized interest is not included for leased capital assets.

l. State Lottery

The State Lottery is accounted for within an Enterprise Fund. The revenues, administrative costs, aid to education and expenses for amounts allocated to prizes are reported and uncollected ticket sales at March 31, 2008 are accrued. Prize monies to meet long-term prize payments are invested in United States government-backed obligations that are recorded at fair value. Lottery prize liabilities are recorded at a discounted value equivalent to the related investments. At March 31, 2008, the prize liabilities of approximately $2.1 billion were reported at a discounted value of approximately $1.4 billion (at interest rates ranging from 1.61 percent to 10.7 percent).

m. Net Assets

Net assets should be reported as restricted when constraints placed on net asset use are either:

a. Externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments.
b. Imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the State to assess, levy, charge or otherwise mandate payment of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups or the judiciary) can compel the government to honor. At March 31, 2008, $3.5 billion was reported as restricted net assets because of restrictions imposed by enabling legislation. When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

Unemployment Benefits
Net assets restricted for the payment of unemployment benefits.

Debt Service
Net assets restricted for the payment of future debt service payments from various capital reserve funds.

Other Specified Purposes
Net assets restricted for the funding of various mass transportation projects, environmental remediation projects, payment of future lottery prizes, and various other legally restricted funds.

Unrestricted Net Asset (Deficit)
Unrestricted net asset (deficit) is the amount by which liabilities exceed the total assets of the State less net assets invested in capital assets net of related debt and those restricted net assets described above.

n. Reservations of Fund Balance

Reserved fund balances indicate that portion of fund balance that is not available for appropriation or is legally segregated for specific future use.

Encumbrances
Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the Governmental Funds. The cost of construction contract commitments generally is recorded as an encumbrance of Other Governmental Funds and is presented as a reserve for encumbrances. These committed amounts generally will become liabilities in future periods as the construction work is performed by the contractors. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Debt Service
Fund balance reserved for debt service represents various capital reserve assets available to finance future debt service payments in accordance with the underlying bond indentures.

Tax Stabilization
Pursuant to law, receipts in excess of disbursements of the General Fund (Local Assistance and State Purposes Accounts) not otherwise appropriated are required to be transferred to the Tax Stabilization Reserve Account at the end of each fiscal year. These amounts may be borrowed by these two accounts temporarily and repaid within the same fiscal year. They may also be borrowed to cover an operating deficit at year-end. Generally, these loans must be repaid within six years in no less than three equal annual installments.

Other Specified Purposes
The amount of fund balance reserved for other specified purposes represents the net amount of appropriated loans receivable, and other reserves of the General Fund.

o. Post-Retirement Benefits

Other postemployment costs are measured and disclosed using the accrual basis of accounting (see Note 13). In addition to providing pension benefits, the State is statutorily required to provide health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the State's employees may become eligible for these benefits if they reach normal retirement age while working for the State. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the State and the retired employee. The State, including Lottery, recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the General Fund in the year paid. Additionally, the survivor's benefit program provides for a death benefit to be paid by the State to a retiree's designated beneficiary. During the year, approximately $11.9 million was paid on behalf of 3,985 retirees and recorded as an expenditure in the General Fund.

p. Deficit Fund Balances

As of March 31, 2008, fund deficits were reported in the following Capital Projects Funds: the Dedicated Highway and Bridge Trust Fund ($241 million), the Housing Program Fund ($129 million), the Mental Hygiene Facilities Capital Improvement Fund ($50 million), and the Department of Transportation Engineering Services Fund ($24 million). The deficits related to the Capital Projects Funds are the result of differences in cash flow timing relating to the reimbursement of capital project costs and contractual commitments from bond proceeds and are routinely

resolved during subsequent fiscal years. The Environmental Protection and Spill Compensation Fund ($3 million), which is a Special Revenue Fund, also had a fund deficit. The deficit is a result of cash flow timing relating to reimbursement of clean-up expenditures which are routinely resolved by reimbursement from responsible parties in the subsequent fiscal year.

q. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

r. Adoption of New Accounting Pronouncements and Restatements

During the fiscal year ended March 31, 2008, the State adopted several new accounting standards issued by GASB:

GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial statements of State governmental employers. The effects of applying this standard are disclosed in Note 13.

As a result of adopting GASBS No. 45, the State and SUNY changed its policy on accounting for employee sick leave credits expected to be used to pay for a share of postemployment health insurance.

The provisions of GASBS No. 45 have been applied to SUNY's beginning net assets. The following is a reconciliation of the total net assets as previously reported as of June 30, 2006 to the beginning net assets balance (amounts in millions):

Net assets at June 30, 2006	$	1,717
Change to compensated absences accrual		438
Research Foundation post-retirement plan		(73)
Total net assets at July 1, 2006	**$**	**2,082**

GASBS No. 50, *Pension Disclosures*; requires the State and Local Retirement System to include a Schedule of Funding Progress using the entry age normal funding method to approximate the funding status of the system. The adoption of GASBS 50 did not have an impact on the State and Local Retirement System's financial statements.

In 2007, certain foundations that were once blended component units of CUNY Senior College entity are now discretely presented. This necessitated a restatement of beginning net assets as follows (amounts in millions):

Net assets at June 30, 2006	$	384
The City College 21st Century Foundation, Inc.		(33)
York College Foundation		(1)
Total net assets at July 1, 2006	**$**	**350**

Note 2 Cash and Investments

Information on cash and investments of the Pension Trust Fund is presented in Note 12.

Deposits

The State maintains approximately 3,000 bank accounts for various purposes at locations throughout the State. Bank deposits may be under the joint custody of the State Comptroller and the Commissioner of Taxation and Finance or under the sole custody of a specified State official. Both the State Comptroller and the Commissioner of Taxation and Finance are also sole custodians of certain accounts. Cash balances not required for immediate use are invested either through a short-term investment pool (STIP) administered by the State Comptroller, or by the fund custodian.

The custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the State will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

For demand accounts, checking accounts or certificates of deposits, the State requires that its depository banks pledge collateral or provide a surety bond based on actual and average daily available bank balances. All securities pledged as collateral are held by the State's fiscal agent in the name of the State and are valued on a monthly basis. Surety bonds will be accepted only from AAA rated insurance companies. The use of average daily available balances to determine collateral requirements may result in the available balances being under-collateralized at various times during the fiscal year. The State's cash management policy is to invest all major revenues as soon as the monies are available within the banking system which limits under-collateralization. The State's deposits with financial institutions were fully collateralized (carrying amount of account balance was $260 million and the average available bank balance was $384 million; the total amount of certificates of deposits on deposit was $3 billion. Total securities held by the State's fiscal agent

was $3.4 billion and a surety bond in the amount of $394 million was used as collateral) at fiscal year-end, except for accounts with a total book balance of $320 million, and bank balance of $414 million. At March 31, 2008, primary government deposits totaling $414 million were exposed to custodial credit risk because they were uninsured and uncollateralized.

Governmental Activities, Private Purpose and Agency Funds

Investments

The State holds investments both for its own benefit and as an agent for other parties. Major investment programs conducted for the direct benefit of the State include STIP which is used for the temporary investment of funds not required for immediate payments and sole custody funds administered by the Department of Taxation and Finance.

Legally authorized investments vary by fund but generally include: obligations of/or guaranteed by the United States; obligations of New York State and its political subdivisions; certificates of deposit; savings bank trust company notes; bankers' acceptance; repurchase agreements; corporate bonds and commercial paper.

As of March 31, 2008 (except for the Tuition Savings Program which is as of December 31, 2007), the State had the following investments and maturities (amounts in millions):

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
U.S. Treasury bills	$ 2,778	$ 2,775	$ 3	$ —	$ —
U.S. Treasury notes	1,030	533	497	—	—
Government sponsored agencies	447	437	10	—	—
Repurchase agreements	719	686	—	3	30
Commercial paper	4,996	4,996	—	—	—
Certificates of deposit	336	336	—	—	—
Money markets	210	210	—	—	—
Forward purchase agreements	449	—	—	—	449
Fannie Mae securities	55	55	—	—	—
Other	201	201	—	—	—
Subtotal	**11,221**	**$ 10,229**	**$ 510**	**$ 3**	**$ 479**
Mutual funds	7,877				
Equity securities	324				
Investments held in an agent or trust capacity	789				
Total	**$ 20,211**				

Included in the table are securities which either were not acquired for investment purposes or cannot be classified or categorized and are being held by the State in an agent or trust capacity. Employers seeking self-insurer status for workers' compensation purposes may deposit securities specified by Section 235 of the New York State Banking Law with the Chairman of the Workers' Compensation Board. The State holds these securities (carrying amount $49 million, which approximates fair value) only as an agent for the employers. Securities, which are unclaimed at financial institutions, are transferred periodically to the State and are held temporarily by the State until they can be liquidated. The securities or proceeds can be claimed by the owners under established procedures. These securities had a carrying amount and fair value of $658 million at March 31, 2008. The State holds cash and securities deposited by contractors in lieu of retainage on contract payments (carrying amount and fair value of $82 million).

Credit Risk

State law limits investments in commercial paper, repurchase agreements and corporate bonds to the highest ratings issued by two nationally recognized statistical rating organizations (NRSROs). Investments in commercial paper and repurchase agreements are limited to a rating of A-1 by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc. If an investment in commercial paper drops in rating below the legal requirements during the year, the State investment staff would consult with appropriate advisors to determine what action, if any, should be taken. Repurchase agreements are collateralized with U.S. Treasury obligations. Investments in money market funds are unrated.

The Tuition Savings Program, a Private Purpose Trust Fund, has certain underlying mutual funds invested in fixed-income securities which are subject to classification of risk under GASB Statement 40. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. The underlying mutual funds in which the Tuition Savings Program invests are not rated by any nationally recognized statistical rating organization. Certain mutual funds in the Tuition Savings Program invest primarily in bonds rated Ba or B by Moody's Investors Service, Inc. or BB or B by

Standard & Poor's Corporation. These lower rated bonds, commonly referred to as "junk bonds," are subject to greater credit risk, and are generally less liquid than higher-rated, lower yielding bonds.

Custodial Credit Risk

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held either by: (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. The risk being that the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. The State's policy is to hold all of its investments in the State's name; however, the investments listed below are exposed to custodial credit risk because they are not held by the State but are held by a public benefit corporation in the public benefit corporation's name. The following table presents the fair value of investments by type (amounts in millions):

Investment Type	Fair Value
U.S. Treasury bills	$ 1,281
U.S. Treasury notes	683
Government sponsored agencies	447
Repurchase agreements	172
Forward purchase agreements	449
Fannie Mae securities	55
Other	191
Total	**$ 3,278**

Interest Rate Risk

The fair values of the State's fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of those instruments. Fair values of interest rate-sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument and other general market conditions.

The State manages its interest rate risk by limiting the majority of its investments to a maturity structure of one year or less. Additionally, the State holds its investments to maturity, which minimizes the occurrence of a loss on an investment.

The State's investments in mutual funds and equity securities have no stated maturity and have not been allocated on the preceding table to a time period.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the State's investment in a single issuer (five percent or more of total investments). To mitigate this risk, it is the policy of the State to maintain a diversified portfolio among a variety of investment instruments which it is legally permitted to invest. At March 31, 2008, the Public Asset Fund (an Other Governmental Fund) held 100 percent of its investments in WellPoint, Inc. common stock representing approximately $324 million.

Foreign Currency Risk

The State Finance Law, Section 98-a, does not expressly permit investment in foreign currency; however the Tuition Savings Plan has certain underlying mutual funds which invest in foreign securities. There are certain additional risks involved when investing in foreign securities that are not inherent with investments in domestic securities. These risks may involve foreign currency exchange rate fluctuations, adverse political and economic developments and the possible prevention of currency exchange or other foreign governmental laws or restrictions. In addition, the liquidity of foreign securities may be more limited than that of domestic securities.

Business-type Activities

Deposits

SUNY does not have a formal policy for collateral requirements for cash deposits. Deposits not held in the State Treasury that are not covered by depository insurance are: uncollateralized ($54 million); collateralized with securities held by a pledging financial institution ($21 million); or collateralized, with securities held by a pledging financial institution's trust department or agency, but not in SUNY's or an affiliate's name ($3 million).

CUNY's cash and cash equivalents were held by depositories and amounted to $335 million, of which $8 million was insured and $327 million was uninsured and uncollateralized, or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in CUNY's name.

Investments

Generally, SUNY and CUNY are allowed to invest in a diverse investment portfolio. Permitted investments include, but are not limited to, obligations of the U.S. government and its agencies, municipal debt securities, repurchase agreements, corporate bonds, commercial paper, equity securities, mutual funds, asset backed securities, money market funds and security lending transactions.

The Lottery is authorized by state statute to invest in U.S. Government-backed obligations (U.S. Treasury Strips) that provide for payment of prizes payable.

As of June 30, 2007 (except for the State Lottery which is as of March 31, 2008), the business-type activities had the following investments and maturities (amounts in millions):

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1	1-5	6-10	More than 10
U.S. Treasury strips	$ 1,751	$ 394	$ 438	$ 329	$ 590
U.S. Treasury notes/bonds	878	854	11	2	11
U.S. Treasury bills	559	559	—	—	—
Mutual funds non-equities	71	22	33	16	—
Asset-backed securities	63	4	37	10	12
Corporate bonds	56	4	18	17	17
U.S. Government agencies	42	—	14	13	15
U.S. agency mortgage-backed securities	36	18	4	—	14
Repurchase agreements	24	24	—	—	—
U.S. Government bonds other	14	—	8	5	1
International funds non-equities	12	1	3	2	6
U.S. Government TIPS	12	—	8	—	4
Municipal bonds	6	—	2	3	1
Commercial paper	6	6	—	—	—
Certificates of deposit	3	3	—	—	—
Subtotal	**3,533**	**$ 1,889**	**$ 576**	**$ 397**	**$ 671**
Equities	511				
Corporate stocks	387				
International stocks	221				
Equity mutual funds	128				
International mutual fund equities	55				
Cash equivalents	32				
Money market funds	25				
Other	87				
Total	**$ 4,979**				

Credit Risk

Generally, SUNY individual fixed income investment securities must be of investment grade. SUNY maintains a portfolio which possesses an overall weighted average rating by Moody's and Standard and Poor's (S&P) of at least A. Private placement securities must be rated A3 or higher by Moody's or A- or higher by S&P. Parameters exist that allow some limited investments in non-investment grade securities; however, investments rated below B3 by Moody's or B- by S&P are prohibited.

CUNY's investment policy requires that the overall average quality of each foreign fixed income portfolio be AA or higher. Non-rated foreign fixed income securities may be purchased provided the investment manager considers them to have an overall portfolio quality of AA or higher. Foreign issues below investment grade (BBB) may be purchased up to a maximum of 15 percent of the portfolio. CUNY's policy does not otherwise place formal limitations on credit risk. CUNY does not have any international fixed income securities in its portfolio. CUNY holds $5 million in U.S. mortgage-backed securities which are not rated by S&P; however, there is an implied AAA rating in the market.

As of June 30, 2007, SUNY and CUNY had the following investments with ratings (amounts in millions):

Investment Type	AAA	AA	A	BBB	BB	B	CCC	Not Rated
Mutual funds non-equities	$ 6	$ 32	$ —	$ —	$ —	$ —	$ —	$ 33
Asset-backed securities	56	—	—	1	—	—	—	6
Corporate bonds	5	4	15	20	4	3	1	4
U.S. agency mortgage-backed securities	31	—	—	—	—	—	—	5
U.S. Government agencies	41	—	—	—	—	—	—	1
Repurchase agreements	—	—	—	—	—	—	—	24
International non-equities	4	1	1	1	—	—	—	5
Municipal bonds	5	—	—	—	—	—	—	1
Commercial paper	1	—	—	—	—	—	—	5
Total	**$ 149**	**$ 37**	**$ 16**	**$ 22**	**$ 4**	**$ 3**	**$ 1**	**$ 84**

Custodial Credit Risk

At June 30, 2007, SUNY had $920 million in cash and investments held by the Dormitory Authority of the State of New York (DASNY), which represents bond proceeds needed to finance capital projects and to establish required building and equipment replacement and debt service reserves. These cash and investments are registered in SUNY's name and held by an agent or in a trust in SUNY's name. SUNY's investment policy does not formally address custodial credit risk.

At June 30, 2007, CUNY's $26 million in securities lending transactions are held in the investment's counterparty, not in CUNY's name. CUNY also has $780 million held by DASNY or the bond trustee, not in CUNY's name. CUNY's investment policy does not formally address custodial credit risk.

Securities Lending

CUNY lends certain securities to broker-dealers and other entities under a contractual agreement with its custodian. In exchange for the securities loaned, CUNY receives collateral, which has an underlying fair value in amounts not less than 102 percent of securities lent. The custodian may invest the cash collateral in U.S. Government securities or repurchase agreements, which are fully collateralized by U.S. Government securities, high grade corporate obligations, high grade asset-backed securities or domestic money market instruments (carrying amount and fair value of $34 million). The custodian may not invest the collateral in any securities which cause the dollar-weighted average portfolio maturity of the cash collateral to exceed 45 days or the dollar-weighted average mismatch (the relationship between the maturities of the invested collateral and the maturities of the securities loaned) to exceed 30 days.

The University Senior Colleges are indemnified against borrowers who fail to return securities, provide inadequate collateral to replace the securities, or fail to pay distributions by securities' issuers while the securities are on loan. Further, CUNY cannot pledge or sell any of the collateral received unless the borrower defaults. At June 30, 2007, CUNY had no credit risk resulting from securities lending transactions.

At June 30, 2007, investments include $26 million of repurchase agreements that have been lent out in accordance with securities lending contracts for which cash collateral has been received. Further, at June 30, 2007, CUNY also received securities, having a fair value of $8 million as collateral on securities lending contracts.

Interest Rate Risk

SUNY has policies in place that limit fixed income investment duration within certain benchmarks and a highly diversified portfolio is maintained which limits interest rate exposure. CUNY's investment policy does not formally limit investment maturities as a means of managing exposure to fair market value losses arising from increased interest rates. The Lottery's policy for managing interest rate risk is to hold investment securities to maturity, at which time the fair value of the investment is equal to the stated maturity value.

Foreign Currency Risk

SUNY's exposure to foreign currency risk for investments held at June 30, 2007, by currency denomination, was as follows (amounts in millions):

Currency	Fair Value
Euro	$ 48
Japanese Yen	34
British Pound Sterling	30
Swiss Franc	9
Australian Dollar	9
South Korean Won	8
Taiwanese Dollar	8
Hong Kong Dollar	7
Brazil Real Cruzeiro	5
Swedish Krona	4
Canadian Dollar	3
South African Rand	3
Singapore Dollar	2
Turkish Lira	2
Malaysian Ringgit	2
Norwegian Krone	2
Mexican Nuevo Peso	2
Other	10
Total	**$ 188**

Investment Pool

CUNY has certain assets included with investments in the accompanying financial statements which are pooled on a fair value basis, with each individual fund subscribing to or disposing of units on the basis of the fair value per unit determined quarterly. At June 30, 2007, the investment pool consisted of 164 million units with a fair value of $163.9 million.

Note 3 Taxes Receivable and Tax Refunds Payable

Taxes Receivable

Taxes receivable represent amounts owed by taxpayers for the 2007 calendar year and the first quarter of the 2008 calendar year, including prior year assessments for underpayments, penalties and interest. Taxes receivable are accrued when they become both measurable and available based on actual collections or estimates of amounts to be collected during the next 12 months.

Personal income tax (PIT) revenues are reported as income is earned by the taxpayers. The primary components of the PIT receivable are the estimated and withholding payments that relate to the first quarter of the 2008 calendar year, payments with final returns which relate to the 2007 calendar year, and assessments which relate to prior tax periods.

Consumption and use tax revenues are reported in the fiscal period when the sale is made. The principal component of this receivable is sales tax receivables which include sales tax due through March 31, 2008 and assessments which relate to prior tax periods.

General business tax revenues are reported as businesses earn income. General business tax receivables are comprised of estimated tax payments, payments remitted with final returns, and assessments.

Other taxes receivable are comprised of estate and gift taxes, real property gains taxes, real estate transfer taxes, and assessments.

Taxes receivable at March 31, 2008 for the governmental funds totaled $13 billion. The following table summarizes taxes receivable by major tax type for the governmental funds (amounts in millions):

	General	General Obligation Debt Service	Other Governmental Funds	Total Governmental Funds
Current taxes receivable:				
Personal income	$ 8,065	$ 2,689	$ —	$ 10,754
Consumption and use	596	—	320	916
Business	152	—	61	213
Other	831	—	34	865
Subtotal	**9,644**	**2,689**	**415**	**12,748**
Long-term taxes receivable:				
Personal income	189	63	—	252
Consumption and use	36	—	13	49
Business	40	—	1	41
Other	2	—	—	2
Subtotal	**267**	**63**	**14**	**344**
Allowance for uncollectibles	(81)	(9)	(17)	(107)
Total	**$ 9,830**	**$ 2,743**	**$ 412**	**$ 12,985**

Tax Refunds Payable

Tax refunds payable primarily represent amounts owed to taxpayers because of overpayments of their 2007 calendar year and first quarter 2008 calendar year tax liabilities. Tax refunds payable, which reduce respective tax revenues, are accrued to the extent they are measurable based on payments and estimates. The amount of PIT refunds payable is comprised of estimates of overpayments of the first calendar quarter (2008) tax liability and payments of 2007 calendar and prior year refunds. The remaining portion of tax refunds payable is comprised of payments made subsequent to the end of the fiscal year and estimates of a remaining refund liability.

Tax refunds payable at March 31, 2008 are summarized as follows (amounts in millions):

	Current			Total	
	General	General Obligation Debt Service	Other Governmental Funds	Current	Long-term
Governmental Activities:					
Personal income	$ 4,673	$ 1,558	$ —	$ 6,231	$ 299
Consumption and use	60	—	38	98	211
Business	1,385	—	159	1,544	170
Other	45	—	—	45	19
Total	**$ 6,163**	**$ 1,558**	**$ 197**	**$ 7,918**	**$ 699**

Note 4 Other Receivables

Other receivables at March 31, 2008 are summarized as follows (amounts in millions):

	General	Federal Special Revenue	General Obligation Debt Service	Other Governmental Funds	Total Governmental Activities
Governmental activities:					
Other current receivables:					
Public health/patient fees	$ —	$ —	$ —	$ 639	$ 639
State of New York Mortgage Agency	101	—	—	—	101
Other	89	20	455	64	628
Subtotal	**190**	**20**	**455**	**703**	**1,368**
Other long-term receivables:					
Public health/patient fees	—	—	—	28	28
Other	217	—	—	303	520
Subtotal	**217**	**—**	**—**	**331**	**548**
Gross receivables	**407**	**20**	**455**	**1,034**	**1,916**
Allowance for uncollectibles	(37)	—	—	(157)	(194)
Total governmental funds receivable	**$ 370**	**$ 20**	**$ 455**	**$ 877**	**1,722**
Receivable from fiduciary funds					725
Total					**$ 2,447**

	Lottery	Unemployment Insurance Benefits	SUNY	CUNY	Total
Enterprise Funds:					
Other current receivables:					
Ticket sales	$ 473	$ —	$ —	$ —	$ 473
Public health/patient fees	—	—	590	—	590
Student loans	—	—	155	32	187
Contributions	—	2,179	—	—	2,179
Benefit overpayments	—	195	—	—	195
State Agencies/Municipalities	—	23	—	—	23
Other	—	7	223	115	345
Subtotal	**473**	**2,404**	**968**	**147**	**3,992**
Allowance for uncollectibles	(1)	(974)	(184)	(23)	(1,182)
Net current receivables	**472**	**1,430**	**784**	**124**	**2,810**
Other long-term receivables:					
Other	38	—	133	21	192
Allowance for uncollectibles	(38)	—	(21)	(17)	(76)
Net long-term receivables	**—**	**—**	**112**	**4**	**116**
Total receivables	**$ 472**	**$ 1,430**	**$ 896**	**$ 128**	**$ 2,926**

Other receivables, in the tables above, include monies advanced in the form of loans from the Governmental Funds to finance local government or public benefit corporations' operations and to finance construction or debt service of public benefit corporations or local governments. The appropriation bills authorizing these loans provide that the advanced amounts will be repaid pursuant to repayment agreements. The loans are reported net of estimated uncollectible amounts and as a reservation of fund balance (other specified purposes).

Pursuant to section 2429-b(2) of the Public Authorities Law, the State of New York Mortgage Agency has certified that there was an excess balance of $101 million in the Mortgage Insurance Fund at March 31, 2008 which was reported in the General Fund. As required by law, this amount was remitted to the General Fund during June 2008.

Note 5 Capital Assets

Capital asset activity for the year ended March 31, 2008 was as follows (amounts in millions):

	Balance April 1, 2007	Additions	Retirements	Balance March 31, 2008
Governmental activities:				
Depreciable assets:				
Buildings and building improvements	$ 8,744	$ 699	$ 459	$ 8,984
Land improvements	424	31	5	450
Infrastructure	105	22	—	127
Equipment	611	99	82	628
Total depreciable assets	**9,884**	**851**	**546**	**10,189**
Less accumulated depreciation:				
Buildings and building improvements	(4,557)	(265)	(46)	(4,776)
Land improvements	(291)	(14)	(5)	(300)
Infrastructure	(6)	(5)	—	(11)
Equipment	(392)	(49)	(38)	(403)
Total accumulated depreciation	**(5,246)**	**(333)**	**(89)**	**(5,490)**
Total depreciable assets, net	**4,638**	**518**	**457**	**4,699**
Non-depreciable assets:				
Land	3,529	162	68	3,623
Land preparation	2,981	102	—	3,083
Construction in progress (buildings)	331	382	203	510
Construction in progress (roads and bridges)	3,038	922	881	3,079
Infrastructure (roads and bridges)	63,803	571	174	64,200
Total non-depreciable assets	**73,682**	**2,139**	**1,326**	**74,495**
Governmental activities, capital assets, net	**$ 78,320**	**$ 2,657**	**$ 1,783**	**$ 79,194**

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
Business-type activities:				
SUNY:				
Depreciable assets:				
Infrastructure & land improvements	$ 483	$ 37	$ 1	$ 519
Buildings	5,572	449	21	6,000
Equipment and library books	1,971	266	95	2,142
Total depreciable assets	**8,026**	**752**	**117**	**8,661**
Less accumulated depreciation:				
Infrastructure & land improvements	(314)	(15)	(1)	(328)
Buildings	(2,550)	(144)	(16)	(2,678)
Equipment and library books	(1,333)	(214)	(70)	(1,477)
Total accumulated depreciation	**(4,197)**	**(373)**	**(87)**	**(4,483)**
Total depreciable assets, net	**3,829**	**379**	**30**	**4,178**
Non-depreciable assets:				
Land	264	12	—	276
Construction in progress	712	515	475	752
Artwork	27	—	—	27
Total non-depreciable assets	**1,003**	**527**	**475**	**1,055**
SUNY capital assets, net	**4,832**	**906**	**505**	**5,233**
CUNY:				
Depreciable assets:				
Buildings & building improvements	2,936	188	2	3,122
Land improvements	51	1	—	52
Equipment	324	28	20	332
Infrastructure	61	42	—	103
Total depreciable assets	**3,372**	**259**	**22**	**3,609**
Less accumulated depreciation:				
Buildings & building improvements	(1,237)	(107)	—	(1,344)
Land improvements	(48)	—	—	(48)
Equipment	(269)	(28)	(18)	(279)
Infrastructure	(5)	(5)	—	(10)
Total accumulated depreciation	**(1,559)**	**(140)**	**(18)**	**(1,681)**
Total depreciable assets, net	**1,813**	**119**	**4**	**1,928**
Non-depreciable assets:				
Land	209	—	—	209
Construction in progress	434	131	170	395
Artwork and historical treasures	8	—	—	8
Total non-depreciable assets	**651**	**131**	**170**	**612**
CUNY capital assets, net	**2,464**	**250**	**174**	**2,540**
Business-type activities, capital assets, net	**$ 7,296**	**$ 1,156**	**$ 679**	**$ 7,773**

For year ended March 31, 2008, depreciation expense was charged to the following governmental functions (amounts in millions):

	Governmental Activities
Allocation of depreciation:	
Education	$ 3
Public health	109
Public welfare	8
Public safety	114
Transportation	28
Environment and recreation	14
Support and regulate business	2
General government	55
Total depreciation expense	**$ 333**

For year ended June 30, 2007, depreciation expense was charged to the following business-type functions (amounts in millions):

	Business-type Activities
Allocation of depreciation:	
SUNY	$ 373
CUNY	140
Total depreciation expense	**$ 513**

Note 6 Bonds Payable

General obligation bonds are backed by the full faith and credit of the State and constitutionally must be repaid in equal annual principal installments or substantially level or declining debt service payments beginning not more than one year after issuance of such bonds and mature within 40 years after issuance. The Debt Reform Act of 2000 further limits the maximum term of new State-supported debt issued on and after April 1, 2000, including general obligation bonds, to a maximum term of 30 years. Refer to Note 7 for further discussion of the Debt Reform Act of 2000.

The State has purchased letters of credit to ensure the liquidity needs of its variable rate demand bonds can be met. Note 7 contains further discussion of letters of credit held by the State.

Changes for the year in bonds payable were as follows (amounts in millions):

Purpose	Outstanding April 1, 2007	Issued	Redeemed	Outstanding March 31, 2008
Accelerated capacity and transportation improvements of the nineties	$ 827	$ 6	$ 91	$ 742
Clean water/clean air	901	60	90	871
Environmental quality:				
Land acquisition	86	—	13	73
Solid waste management	646	2	55	593
Environmental quality protection:				
Air	32	—	4	28
Land and wetlands	65	—	9	56
Water	160	—	17	143
Housing:				
Low income	81	—	10	71
Middle income	55	—	5	50
Pure waters	113	2	13	102
Rail preservation	28	—	6	22
Transportation capital facilities:				
Mass transportation	49	—	13	36
Aviation	37	—	6	31
Energy conservation through improved transportation	33	—	4	29
Rebuild New York—transportation infrastructure renewal:				
Highways, parkways, bridges	9	—	2	7
Rapid transit, rail, aviation	33	—	6	27
Rebuild and renew New York transportation:				
Highway facilities	50	155	2	203
Mass transit—DOT	—	4	—	4
Mass transit—MTA	93	39	3	129
Rail and port—DOT	4	—	—	4
Total	**$ 3,302**	**$ 268**	**$ 349**	**$ 3,221**

Debt service expenditures (principal and interest) related to the above general obligation bonds during the year were $489 million. The total amount of general obligation bonds authorized but not issued at March 31, 2008 was $3.1 billion. At March 31, 2008, approximately $203 million of bonds defeased by refunding transactions in prior years remain outstanding.

Debt service requirements for general obligation bonds in future years, which are financed by transfers from the General Fund to the General Obligation Debt Service Fund, are as follows (amounts in millions):

Fiscal Year	Principal	Interest	Total
2009	$ 353	$ 126	$ 479
2010	340	114	454
2011	325	100	425
2012	305	87	392
2013	279	75	354
2014-2018	974	231	1,205
2019-2023	344	98	442
2024-2028	183	44	227
2029-2033	83	17	100
2034-2038	35	4	39
Total	**$ 3,221**	**$ 896**	**$ 4,117**

Debt service requirements on approximately $586 million in general obligation variable rate bonds were calculated using the variable rates in effect as of March 31, 2008 which ranged from .7 percent to 4.4 percent. Debt service requirements for fixed rate issues were calculated based upon actual rates ranging from 2 percent to 6.8 percent.

Note 7 Obligations Under Lease/Purchase and Other Financing Arrangements

Governmental Activities Debt

The State has entered into contractual financing arrangements with certain public benefit corporations and other entities for various capital assets, local assistance payments and deficit financing. Under these agreements, generally construction costs are initially paid by the State from appropriations (reported as capital construction expenditures in the Governmental Funds). These appropriations are then repaid to the State from the proceeds of bonds issued by the public benefit corporations or other entities (reported as financing arrangements in the Governmental Funds). The State becomes the tenant of the facility under a lease/purchase agreement which provides for the payment of rentals sufficient to cover the related bond debt service and for the passage of title to the State after the bonds have been repaid.

The State has also entered into contractual obligation financing arrangements (also referred to as "service contract bonds") with certain public benefit corporations that have issued bonds to finance past State budgetary deficits, grants to local governments and various special project initiatives undertaken in partnership with private entities, including commercial enterprises, for both capital and operating purposes. The terms of these arrangements require the State to fund the debt service requirements of the specific debt issued by these entities.

Chapter 59 of the Laws of 2000 enacted the Debt Reform Act (Act) which applies to all new State-supported debt issued on and after April 1, 2000. The Act imposes statutory limitations which restrict the issuance of State-supported debt to capital purposes only and establishes a maximum term of 30 years for such debt. The Act also imposes phased-in caps that ultimately limit the amount of new State-supported debt (issued on and after April 1, 2000) to 4 percent of State personal income and new State-supported debt service (on debt issued on and after April 1, 2000) to 5 percent of total governmental funds receipts. The Act requires the limitations be calculated by October 31 of each year using the new State-supported debt outstanding and new State-supported debt service from the previous fiscal year. For the fiscal year ended March 31, 2007 the cumulative debt outstanding and debt service caps were both 2.98 percent. There was $17.8 billion of new State-supported debt outstanding applicable to the debt reform cap which was $7.5 billion below the statutory debt outstanding limitation. The debt service cost on this new debt was $1.4 billion, about $1.9 billion below the statutory debt service limitation. The Act does not apply to debt which is not considered State-supported and therefore does not encompass State-guaranteed debt, moral obligation debt, and contingent-contractual obligation financing such as the Tobacco Settlement Financing Corporation issued bonds.

The State and some of its public authorities who issue debt on behalf of the State have purchased letters of credit and standby purchase agreements from various providers to ensure the liquidity needs of variable rate demand bonds can be met. As of March 31, 2008, these agreements covered $4.1 billion of variable rate demand bonds outstanding with costs ranging from 12.5 to 224 basis points of the amount of credit provided with expiration dates ranging from January 8, 2009 to March 16, 2017.

In 2003, the State enacted legislation creating the Tobacco Settlement Financing Corporation (TSFC) to finance a portion of its future revenues expected to be received under the 1998 Master Settlement Agreement (MSA) with the settling cigarette manufacturers. The future MSA revenues are to compensate the State for all claims for past, present, and future health care costs originating from health care expenses incurred by the State from the effects of cigarette smoking by its citizens. In accordance with the legislation, TSFC issued $4.6 billion in bonds to finance a payment of $4.2 billion to the State's General Fund to enable it to finance a portion of the budget deficits occurring in fiscal years ending March 31, 2003 through March 31, 2005, establish $449 million in debt service reserves, and to provide $129 million to finance a portion of the first debt service payments due on TSFC bonds. In accordance with the legislation all future revenues from the 1998 MSA will be used to repay the debt until it is fully retired, after which all funds of TSFC will revert to the State. The State has agreed to make additional payments for TSFC debt service, subject to annual appropriation, from other sources if the future revenues prove insufficient to meet TSFC debt service requirements of the State.

In 2001, the State enacted legislation providing for the issuance of State Personal Income Tax Revenue Bonds (PIT) to be issued by several State Public Benefit Corporations. The legislation provides that 25 percent of personal income tax receipts, excluding refunds owed to taxpayers and deposits to the Other Governmental Funds (School Tax Assistance Relief Fund), be deposited to the Revenue Bond Tax Fund which is an account of the General Obligation Debt Service Fund.

These deposits are used to make debt service payments on PIT bonds with excess amounts returned to the General Fund. In the event that the State Legislature fails to appropriate amounts required to make debt service payments on the PIT bonds or if required payments have not been made when due, the legislation requires that deposits continue to be made to the Revenue Bond Tax Fund until amounts on deposit equal the greater of 25 percent of personal income tax receipts or $6 billion. Amounts in excess of that needed for current debt service are subsequently transferred to the General Fund. The first PIT bonds were issued on May 9, 2002 and approximately $10.8 billion were outstanding as of March 31, 2008.

Prior to 1996, certain payments due to the State's local government units in the first quarter of the State's fiscal year exceeded available State funds. To meet these payments in the past, the State issued short-term tax and revenue anticipation notes called the annual Spring Borrowing. The New York Local Government Assistance Corporation (LGAC) was established in 1990 to issue up to $4.7 billion in long-term debt to finance certain local assistance aid payments plus amounts necessary to fund a capital reserve fund and other issuance costs. Issuance of the entire $4.7 billion bond authorization as of March 31, 1996 eliminated the need for the State's annual Spring Borrowing. Pursuant to the legislation establishing LGAC, the State deposits an amount equal to a 1 percent rate of taxation of the total State sales and use tax collected into Other Governmental Funds (Local Government Assistance Tax Fund) to make payments to LGAC for debt service on its bonds and other expenses of LGAC. Amounts in excess of LGAC's needs are subsequently transferred to the General Fund. Payments to LGAC are subject to annual appropriations by the Legislature. LGAC's bondholders do not have a lien on monies deposited in the Local Government Assistance Tax Fund. Under current State statute, any issuance of bonds by LGAC in the future will be for refunding purposes only.

Chapter 62 and Chapter 63 of the Laws of 2003 enacted, among other provisions, the Municipal Assistance Refinancing Act (Act), effective July 1, 2003 and deemed repealed July 1, 2034. The Act created an incentive for the State to seek an appropriation to provide $170 million per year, from Other Governmental Funds (Local Government Assistance Tax Fund (Fund)) to the City of New York (City) for each of the City's fiscal years beginning July 1, 2003 and ending June 30, 2034. The Act requires LGAC to annually certify $170 million so that the State, subject to annual State appropriation by the legislature, can provide for a series of payments to the City or the Mayor's assignee in each City fiscal year beginning July 1, 2003 and ending June 30, 2034 totaling $5.3 billion. Based on current law, until the legislature enacts an appropriation of $170 million, LGAC certifies the release of the funds, and the $170 million State payment is made, and LGAC receives the amount it has certified for its needs, no excess sales tax receipts can be transferred from the Fund to the State's General Fund. During the fiscal year ended March 31, 2008, LGAC certified the release for the State payment of $170 million to the City.

The State has authorized the New York State Thruway Authority to issue up to $16.5 billion in bonds for State highway and bridge projects which are secured and funded by a dedication of portions of the State's petroleum business tax, motor fuel tax, highway and fuel use tax, motor vehicle registration fees, auto rental tax, transmission and transportation tax and certain miscellaneous revenues.

Changes in lease/purchase and other financing arrangements for the year were as follows (amounts in millions):

Issuer	Outstanding April 1, 2007	Issued	Redeemed	Outstanding March 31, 2008
Public Benefit Corporations (PBCs):				
Dormitory Authority	$ 6,832	$ 1,082	$ 429	$ 7,485
Environmental Facilities Corporation	750	160	51	859
Energy Research & Development Authority	9	—	6	3
Housing Finance Agency	1,335	136	89	1,382
Local Government Assistance Corporation	4,204	780	963	4,021
Municipal Bond Bank Agency	484	—	21	463
Metropolitan Transportation Authority	2,266	—	47	2,219
Tobacco Settlement Financing Corporation	4,084	444	657	3,871
Triborough Bridge & Tunnel Authority	184	—	32	152
Thruway Authority	9,239	1,801	1,151	9,889
Urban Development Corporation	5,864	1,115	527	6,452
Total	**$ 35,251**	**$ 5,518**	**$ 3,973**	**$ 36,796**

Debt service expenditures (principal and interest) for the aforementioned obligations during the fiscal year were $3.6 billion. These expenditures were financed primarily by the revenues reported in the governmental funds.

Certain of the underlying bond indentures require the maintenance of various reserves. Such amounts were $880 million at March 31, 2008 and are reported as cash in the General Obligation Debt Service Fund and appropriate Other Governmental Funds with a corresponding reservation of fund balance.

Following is a summary of the future minimum rental payments for lease/purchase and contractual obligation financing arrangements including fixed rate interest at rates ranging from 2 percent to 7.5 percent and variable rate interest at rates ranging from 1.9 percent to 11 percent (amounts in millions):

Fiscal Year	Principal	Interest	Net Swap Amount	Total
2009	$ 1,655	$ 1,783	$ 69	$ 3,507
2010	1,784	1,709	70	3,563
2011	1,857	1,601	70	3,528
2012	2,266	1,457	69	3,792
2013	2,285	1,352	69	3,706
2014-2018	10,965	5,223	304	16,492
2019-2023	9,785	2,675	164	12,624
2024-2028	4,108	995	58	5,161
2029-2033	1,661	308	12	1,981
2034-2038	430	45	—	475
Total	**$ 36,796**	**$ 17,148**	**$ 885**	**$ 54,829**

Future debt service is calculated using rates in effect at March 31, 2008 for variable rate bonds. The net swap payment amounts were calculated by subtracting the future variable rate interest payment subject to swap agreements from the synthetic fixed rate amount intended to be achieved by the swap agreements.

The actual amounts of future interest to be paid are affected by changes in variable interest rates. The actual amounts of future net swap payments are also affected by changes in published indexes—the London Interbank Offered Rate (LIBOR) and the Securities Industry and Financial Markets Association (SIFMA), which are floating rates.

The State is also committed under numerous capital leases, including EDP and telecommunications equipment, and real property capital leases. Debt service expenditures for these obligations during the year were $22 million and will require future principal and interest payments totaling $37 million and $7 million, respectively. Following is a summary of the principal and interest payments, some of which are financed by transfers from the General Fund to the General Obligation Debt Service Fund, for the remaining lease periods of these capital leases (amounts in millions):

Fiscal Year	Principal	Interest	Total
2009	$ 11	$ 1	$ 12
2010	4	1	5
2011	3	1	4
2012	3	1	4
2013	2	1	3
2014-2018	10	2	12
2019-2023	4	—	4
Total	**$ 37**	**$ 7**	**$ 44**

Refunding

During the fiscal year ended March 31, 2008, the State, acting through its public authorities, refunded $2.3 billion in existing fixed and variable rate bonds related to lease/purchase and other financing arrangements by issuing refunding bonds in a par amount of $2.3 billion at a $116 million premium and releasing a net amount of $24 million from reserves and debt service accounts. The result will produce an estimated gain of $221 million in future cash flow with an estimated present value gain of $173 million. The deferred accounting loss was $48 million, of which $46 million will be amortized into interest expense in future years. The impact of the refunding issues is presented in the following table (amounts in millions):

Issue Description	Refunding Amount	Refunded Amount	Cash Flow Gain	Present Value Gain
NYS Housing Finance Agency PIT Economic Development & Housing Bond Series 2007C	$ 19	$ 19	$ 1	$ 1
NYS Thruway Authority Local Highway and Bridge Service Contract Bond Series 2007	204	199	8	7
NYS Thruway Authority Local Highway and Bridge Service Contract Bond Series 2008	247	246	17	16
NYS Thruway Authority PIT Transportation Bond Series 2007A	171	173	6	5
NYS Thruway Authority General Highway and Bridge Trust Fund Bond Series 2008A	92	95	5	5
NYS Dormitory Authority Consolidated Service Contract Revenue Bond Series 2007	50	56	6	2
NYS Urban Development Corporation Service Contract Revenue Bond Series 2007A	273	284	27	19
New York Local Government Assistance Corporation Bond Series 2007A	387	404	26	19
New York Local Government Assistance Corporation Bond Series 2008A	393	408	30	24
Tobacco Settlement Financing Corporation Bond Series 2008A and 2008B*	444	443	95	75
Total	**$ 2,280**	**$ 2,327**	**$ 221**	**$ 173**

**Estimated savings based on Auction Rate Security rate assumed to equal 7 percent and principal redemptions occurring on a planned accelerated schedule.*

In prior years, the State refunded certain of its obligations under lease/purchase and other financing arrangements. At March 31, 2008, approximately $5.2 billion of such obligations were outstanding. The assets and liabilities related to these obligations are not reported in the accompanying basic financial statements.

Business-type Activities Debt

The State has issued bonds for SUNY and CUNY Senior Colleges educational facilities through DASNY. Such debt totaling $7.6 billion is funded by payments from the State's General Fund. The remainder of the debt of CUNY ($1.1 billion) is funded from student fees and other operating aid paid by the State.

The following represents year-end principal balances (June 30, 2007 for SUNY and CUNY and March 31, 2008 for Lottery) for business-type activities lease/purchase and other financing arrangements (amounts in millions):

	Beginning Outstanding	Issued	Redeemed	Ending Outstanding
Dormitory Authority:				
SUNY Educational Facilities	$ 4,465	$ 473	$ 389	$ 4,549
SUNY Dormitory Facilities	688	87	23	752
CUNY Dormitory Facilities	2,954	295	103	3,146
Unamortized discount/premium	(85)	22	(12)	(51)
Total Dormitory Authority	**8,022**	**877**	**503**	**8,396**
Lottery Capital Lease Commitments	16	—	5	11
SUNY Capital Lease Commitments	203	76	59	220
CUNY Capital Lease and Mortgage Loan Commitments	65	32	1	96
CUNY Line of Credit	7	5	10	2
CUNY Certificates of Participation	73	—	17	56
CUNY Oracle Financing Agreement	—	6	—	6
Total (See note 8)	**$ 8,386**	**$ 996**	**$ 595**	**$ 8,787**

The following represents June 30, 2007 year-end summary of future minimum debt service payments on the bonds issued by DASNY for SUNY including interest rates ranging from 2 percent to 7.5 percent (amounts in millions):

Fiscal Year	Principal	Interest	Total
2008	$ 199	$ 310	$ 509
2009	209	301	510
2010	198	288	486
2011	223	276	499
2012	279	226	505
2013-2017	1,367	906	2,273
2018-2022	1,095	588	1,683
2023-2027	854	346	1,200
2028-2032	627	143	770
2033-2037	250	27	277
Total	**$ 5,301**	**$ 3,411**	**$ 8,712**

The following represents June 30, 2007 year-end summary of future minimum debt service payments on the bonds issued by DASNY for CUNY Senior Colleges including interest rates ranging from 2.625 percent to 7.5 percent (amounts in millions):

Fiscal Year	Principal	Interest	Net Swap Amount	Total
2008	$ 163	$ 146	$ (1)	$ 308
2009	120	138	(1)	257
2010	176	130	(1)	305
2011	121	122	(1)	242
2012	176	114	(1)	289
2013-2017	803	448	(5)	1,246
2018-2022	617	274	(8)	883
2023-2027	535	152	(3)	684
2028-2032	311	62	(1)	372
2033-2037	124	14	—	138
Total	**$ 3,146**	**$ 1,600**	**$ (22)**	**$ 4,724**

The following represents June 30, 2007 year-end summary for SUNY and CUNY and March 31, 2008 year-end summary for the Lottery of future minimum debt service payments on certificates of participation, capital lease commitments and mortgage loans payable for the business-type activities (amounts in millions):

	Lottery		SUNY		CUNY		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ —	$ —	$ 51	$ 8	$ 22	$ 5	$ 73	$ 13
2009	4	1	46	6	23	3	73	10
2010	3	—	34	5	24	2	61	7
2011	2	—	21	4	5	2	28	6
2012	2	—	13	3	4	1	19	4
2013-2017	—	—	28	9	74	2	102	11
2018-2022	—	—	22	3	—	—	22	3
2023-2027	—	—	3	1	—	—	3	1
2028-2032	—	—	2	—	—	—	2	—
2033-2037	—	—	—	—	—	—	—	—
Total	**$ 11**	**$ 1**	**$ 220**	**$ 39**	**$ 152**	**$ 15**	**$ 383**	**$ 55**

The liabilities for lease/purchase debt, certificates of participation, mortgage loans and capital leases are reported as obligations under lease/purchase and other financing arrangements in the Enterprise Funds.

Debt service expenditures (principal and interest) for all of the aforementioned obligations during the year ended June 30, 2007 totaled $1 billion.

During SUNY's fiscal year ending June 30, 2007, Personal Income Tax Revenue Bonds (PIT) were issued for the purpose of financing capital construction and major rehabilitation for educational facilities in the amount of $473 million. Also during the year, SUNY entered into agreements with DASNY to issue residential hall facility obligations totaling $87.4 million

for the purpose of financing capital construction and major rehabilitation for residential hall facilities.

In prior years, SUNY defeased various obligations, whereby proceeds of new obligations were placed in an irrevocable trust to provide for all future debt service payments on the defeased obligations. Accordingly, the trust account assets and liabilities for the defeased obligations are not included in SUNY's financial statements. As of March 31, 2007, $1.3 billion and $346.9 million of outstanding educational and residence hall facility obligations, respectively, were considered defeased. At June 30, 2007, $826.1 million of CUNY bonds outstanding are considered defeased for CUNY Senior Colleges.

During CUNY's fiscal year ending June 30, 2007, DASNY issued bonds for new construction with a par value of $267.1 million and original issue premium of $21.3 million and issued refunding bonds with a par value of $28.5 million and original issue premium of $1 million on behalf of CUNY Senior Colleges.

Interest Rate Exchange Agreements (Swaps)

Article 5-D of the State Finance Law authorized the use of a limited amount of swaps equal to 20 percent of statutorily defined State-supported debt. Starting in November 2002, the State began to enter into swap agreements to "synthetically" change the interest cost associated with bonds it issued from either variable rate to fixed rate or from fixed rate to variable rate. The intention of each of the swaps was to lower the cost of borrowing to the State below what could have been achieved on bonds without the use of the associated swap agreements.

The statutory authorization for the use of swaps also requires that each of the swaps entered into meet the following requirements:

- Counterparties have a credit rating from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories;
- A finding by an independent financial advisor certifying that the terms and conditions of all swaps reflect a fair value;
- Utilization of a standardized interest rate exchange agreement;
- Issuance of monthly reports by the public benefit corporations to provide monitoring and swap performance assessment; and
- Compliance with uniform interest rate exchange guidelines.

The State manages the swaps as a single portfolio although they affect debts reported under both governmental activities and business-type activities.

The swap contracts require that each counterparty have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories and ratings which are obtained from any other nationally recognized statistical rating agencies for such counterparty shall also be within the three highest investment grade categories, or the payment obligations of the counterparty shall be unconditionally guaranteed by an entity with such credit ratings. The swap agreements and Article 5-D of the State Finance Law also require that should the credit rating of a counterparty fall below the rating required, that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by, the United States of America, with a net market value of at least 102 percent of the net market value of the contract to the Issuer and such collateral shall be deposited with the Issuer or its agent.

The swap contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes "additional termination events," providing that the swaps may be terminated if either the State or a counterparty's credit quality rating falls below certain levels. The State or the counterparties may terminate the swap agreements if the other party fails to perform under the terms of the contract. The State may also terminate the swaps at its option. If a swap agreement is terminated, the synthetically created fixed or variable interest rate will cease to exist and the State's only interest payment will be based upon the rate required by the bonds as issued. When a termination occurs, a mark-to-market (or fair market value) calculation is performed to determine whether the State owes money or must pay money to close out a swap position. A negative fair market value means the State would incur a loss and need to make a termination payment to settle the swap position. A positive fair market value means the State would realize a gain and receive a termination payment to settle the swap position. The terms of the synthetic fixed rate swaps are coterminous with the underlying bonds.

Swap Variable Rate to Fixed Rate (Synthetic Fixed Rate)

The State had approximately $6 billion of swaps ($5 billion of which related to governmental activities and $884 million related to business-type activities) outstanding that were issued to synthetically create fixed rate debt from variable rate debt. The $6 billion portfolio includes 106 separate pay-fixed, receive variable interest rate swap agreements with nine counterparties.

The table below summarizes the terms and fair values at March 31, 2008 for governmental activities and at June 30, 2007 for business-type activities. The weighted average intended fixed rate of the $5 billion and $884 million in variable to fixed rate swaps was approximately 3.3 percent and 3.35 percent, respectively, excluding support costs on the underlying variable rate bonds, as displayed in the following table (amounts in millions):

Issuer	Notional Amount	Effective Dates	Average Swap Rate	Final Maturity Dates	Fair Value
Governmental Activities:					
NYS Dormitory Authority	$ 1,480	4/10/2003-3/3/2005	3.2%	2/15/2021-3/15/2032	$ (53)
NYS Urban Development Corporation	1,299	11/26/2002-12/22/2004	3.6%	1/1/2030-3/15/2033	(109)
NYS Housing Finance Agency	459	2/13/2003-3/10/2005	3.4%	9/15/2021-3/15/2033	(28)
NY Local Government Assistance Corporation	1,210	2/20/2003-2/26/2004	3.2%	4/1/2021-4/1/2024	(46)
NYS Thruway Authority	531	11/6/2003	3.4%	3/15/2021	(34)
Subtotal	**4,979**				**(270)**
Business-type Activities (as of June 30, 2007):					
NYS Dormitory Authority	884	4/10/2003-3/2/2005	3.35%	7/1/2025-3/15/2032	20
Total	**$ 5,863**				**$ (250)**

The bonds and the related synthetic fixed rate swap agreements have final maturities occurring through March 15, 2033 and the swaps' total notional amount of $5.9 billion matches the $5.9 billion variable-rate bonds. Under the swap agreements, the State pays the counterparties a fixed payment at rates ranging from 2.86 percent to 3.66 percent and receives a variable payment computed as 65 percent of the one month LIBOR rate. The bonds' variable-rate coupons are based upon rates determined by remarketing agents for bonds in the weekly interest rate mode and by auction rate agents for bonds in the auction rate mode.

Swap agreements expose the State to basis risk, which is the possibility that the underlying variable rate payments received by the State (65 percent of LIBOR) in the swap are less than the variable rate payments made by the State on the underlying bonds issued. Should the relationship between LIBOR and the actual variable rate payments converge, the expected cost savings may not materialize.

Based on market conditions, the synthetic fixed rate swap portfolio reported under governmental activities at March 31, 2008 and business-type activities at June 30, 2007 has estimated fair market values of a negative $270 million and positive $20 million, respectively, indicating the size of the payment the State would need to make under governmental activities and receive under business-type activities if these existing swaps were terminated at those respective dates. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted back using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. The fair market value, which fluctuates significantly based on market conditions, is monitored closely by the Division of the Budget (Division) and Public Authorities that issue swaps on behalf of the State. The Division reviews the actual mark-to-market (or fair market value) of each outstanding swap on a monthly basis. Exposure to counterparties is well-diversified among nine counterparties, who have total notional amounts ranging from $188 million to $977 million. Each counterparty, with the exception of one, had a credit rating from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories as of March 31, 2008. The counterparty whose rating fell below the required rating was not required to post collateral for 102 percent of the mark-to-market value of the swap because the value was negative to the State.

For those swaps with positive fair value, the swaps' fair values represent the State's credit exposure to the counterparties. Certain DASNY swap agreements contain set-off provisions. Under the terms of the agreements, should an agreement terminate, close-out set-off provisions permit all outstanding transactions with the related counterparty to terminate and net the transaction's fair values so that a single sum will be owed by, or owed to, the State.

Swap Fixed Rate to Variable Rate (Synthetic Variable Rate)

The State also had additional swaps outstanding of $537 million related to governmental activities and $177 million related to business-type activities that were issued to synthetically create variable rate debt. The portfolio includes 20 separate pay-variable, receive fixed interest rate swap agreements (which includes eight forward start agreements) with six counterparties Synthetic variable rate debt is being utilized because it can provide variable rate debt at a lower cost than traditional (or natural) variable rate debt because it does not require additional support costs (liquidity agreements, insurance, brokerage dealer fees, and remarketing fees).

The table below summarizes the terms and fair values of the State's swaps that synthetically create variable interest rates reported under governmental activities at March 31, 2008 and business-type activities at June 30, 2007, respectively (amounts in millions):

Issuer	Notional Amount	Effective Dates	Average Swap Rate	Final Maturity Dates	Fair Value
Governmental Activities:					
NYS Dormitory Authority	$ 99	3/24/2005-3/15/2017	3.15%	3/15/2010-3/15/2030	$ 1
NYS Urban Development Corporation	321	12/22/2004-3/15/2014	2.79%	3/15/2010-3/15/2025	12
NYS Housing Finance Agency	117	4/19/2005	4.56%	3/15/2013-3/15/2015	5
Subtotal	**537**				**18**
Business-type Activities (as of June 30, 2007):					
NYS Dormitory Authority	177	7/1/2016-3/15/2017	N/A	7/1/2024-3/15/2030	(1)
Total	**$ 714**				**$ 17**

Approximately $546 million of the $714 million in synthetic variable rate swaps reported in the table above are forward starting with beginning effective dates that range from March 15, 2014 to March 15, 2017. Because a significant portion of the synthetic variable rate swaps are forward starting with no rate in effect at March 31, 2008, an average swap rate in effect at March 31, 2008 is not presented for synthetic variable rate swaps. The balance, $168 million, creates synthetic variable rate exposure immediately with a weighted average swap rate paid of 4.09 percent.

Under the synthetic variable rate swap agreements, the State issues fixed rate bonds (and pays a fixed rate of interest over the life of the bonds), but converts the debt to a variable rate mode via a variable rate payment to the counterparty. On the effective date of the synthetic variable rate swap the State begins to receive a fixed rate payment that exceeds the fixed rate on the underlying bonds, and pays a variable rate of interest. The variable rate of interest is based on the Municipal Swap Index published by the Securities Industry and Financial Markets Association (SIFMA). Because the synthetic variable rate swaps require the State to pay a variable rate of interest to the counterparties based upon the SIFMA Municipal Swap Index, the State is exposed to interest rate risk during the swaps' effective term. As the SIFMA Municipal Swap Index increases, the net payments the State would have to make on the swaps will increase. Since the swaps are effective for the full term intended, the State is not exposed to any rollover risk.

Based on market conditions, the synthetic variable rate swap portfolio reported under the governmental activities at March 31, 2008 and the business-type activities at June 30, 2007 has estimated fair market values of positive $18 million and a negative $1 million, respectively, indicating the size of the payment the State would receive under governmental activities or would need to make under business-type activities if these existing swaps were terminated at the respective dates. The fair values were estimated using the zero-coupon method. Should the counterparties fail to perform according to the terms of the swap contracts, the maximum possible loss equivalent to the related swaps' net positive fair value, assuming set-off, is $17 million. The fixed rate to variable rate swaps with DASNY are also subject to the same set-off provisions described above for the variable to fixed rate swaps. Each of the six counterparties with notional amounts ranging from $30 million to $248 million had a credit rating from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories at March 31, 2008.

Operating Leases

The State is also committed under numerous operating leases covering real property and equipment. Rental expenditures reported for the year ended March 31, 2008 under such operating leases totaled $193 million and were financed primarily from the General Fund. The following is a summary of future minimum rental commitments under real property and equipment leases with terms exceeding one year (amounts in millions):

Fiscal Year	Governmental Activities
2009	$ 202
2010	185
2011	148
2012	137
2013	117
2014-2018	298
2019-2023	75
2024-2028	31
2029-2033	6
Total	**$ 1,199**

Business-type activities reported the following future minimum rental commitments under real property and equipment leases with terms exceeding one year at year-end (June 30, 2007 for SUNY and CUNY and March 31, 2008 for Lottery) (amounts in millions):

Fiscal Year	Business-type Activities
2008	$ 53
2009	54
2010	51
2011	43
2012	36
2013-2017	100
2018-2022	11
2023-2027	2
Total	**$ 350**

Note 8 Liabilities

Changes in Long-Term Liabilities

The following table summarizes changes in long-term liabilities for both governmental activities and business-type activities (amounts in millions):

CHANGES IN LONG-TERM LIABILITIES—GOVERNMENTAL ACTIVITIES

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Tax refunds payable	**$ 634**	**$ 65**	**$ —**	**$ 699**	**$ —**
Accrued liabilities:					
Payroll and fringe benefits	$ 166	$ 11	$ —	$ 177	—
Compensated absences	2,218	804	2,193	829	34
Medicaid	671	135	85	721	124
Health insurance	192	—	—	192	—
Litigation	151	48	102	97	33
Workers' compensation reserve	1,784	355	252	1,887	266
Miscellaneous	15	6	—	21	1
Total	**$ 5,197**	**$ 1,359**	**$ 2,632**	**$ 3,924**	**458**
Payable to local governments:					
Education aid—prior year adjustment	$ 62	$ 18	$ —	$ 80	—
Handicapped pupil aid	81	1	—	82	—
Temporary and disability assistance programs	44	—	44	—	—
Emergency management	—	51	—	51	—
Miscellaneous	7	2	—	9	—
Total	**$ 194**	**$ 72**	**$ 44**	**$ 222**	—
Pension contributions payable	**$ 503**	**$ —**	**$ 22**	**$ 481**	—
Other postemployment benefits	**$ —**	**$ 3,097**	**$ 998**	**$ 2,099**	—

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General obligation bonds payable:					
General obligation bonds payable	$ 3,302	$ 268	$ 349	$ 3,221	353
Plus or minus deferred amounts:					
For unamortized premiums	42	2	1	43	2
Net Amount	**3,344**	**270**	**350**	**3,264**	**355**
Deferred loss on refunding	(51)	—	(2)	(49)	—
Total	**$ 3,293**	**$ 270**	**$ 348**	**$ 3,215**	**355**
Other financing arrangements:					
Capital leases	$ 162	$ —	$ 125	$ 37	11
Other financing arrangements	35,251	5,518	3,973	36,796	1,655
Arbitrage rebate	—	21	—	21	7
Plus deferred amounts:					
For unamortized premiums	1,300	243	120	1,423	90
For accreted discount on bonds	318	30	93	255	—
Net Amount	**37,031**	**5,812**	**4,311**	**38,532**	**1,763**
Deferred loss on refunding	(808)	(48)	(48)	(808)	—
Total	**$ 36,223**	**$ 5,764**	**$ 4,263**	**$ 37,724**	**1,763**
Total due within one year					**$ 2,576**

CHANGES IN LONG-TERM LIABILITIES—BUSINESS-TYPE ACTIVITIES

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Accrued liabilities:					
Compensated absences	$ 300	$ 149	$ 132	$ 317	$ 193
Litigation	145	56	69	132	27
Interfund loan	148	8	26	130	17
Miscellaneous	282	50	12	320	4
Total	**$ 875**	**$ 263**	**$ 239**	**$ 899**	**241**
Lottery prizes payable	**$ 1,337**	**$ 224**	**$ 197**	**$ 1,364**	**190**
Other postemployment benefits:					
SUNY (June 30, 2007)	$ 189	$ 748	$ 146	$ 791	6
CUNY (June 30, 2007)	—	97	—	97	—
Total	**$ 189**	**$ 845**	**$ 146**	**$ 888**	**6**
Other financing arrangements:					
Lottery	$ 16	$ —	$ 5	$ 11	4
SUNY (June 30, 2007)	5,356	636	471	5,521	250
CUNY (June 30, 2007)	3,099	338	131	3,306	178
Minus deferred amounts for unamortized discounts (June 30, 2007)	(85)	22	(12)	(51)	—
Total	**$ 8,386**	**$ 996**	**$ 595**	**$ 8,787**	**432**
Total due within one year					**$ 869**

Litigation and the workers' compensation liabilities will be liquidated by the General Fund. Medicaid accrued liabilities and payable to local governments will be liquidated by the General and the Federal Special Revenue Fund. Payroll and related fringe benefits, compensated absences, health insurance, pension contributions and miscellaneous accrued liabilities will be liquidated by the General Fund, Federal Special Revenue Fund and Other Governmental Funds.

Accrued Liabilities—Governmental activities

The following table summarizes accrued liabilities at March 31, 2008 for governmental activities (amounts in millions):

Description	General	Federal Special Revenue	General Obligation Debt Service	Other Governmental Funds	Total Governmental Activities
Payroll	$ 588	$ 44	$ —	$ 75	$ 707
Fringe benefits	277	20	—	35	332
Medicaid	1,537	2,573	—	—	4,110
Health programs	2	—	—	—	2
Miscellaneous	65	7	5	9	86
Total governmental funds	**$ 2,469**	**$ 2,644**	**$ 5**	**$ 119**	**5,237**
Payable to fiduciary funds					560
Total					**$ 5,797**

Payable to Local Governments—Governmental Funds

The following table summarizes payable to local governments at March 31, 2008 for governmental funds (amounts in millions):

Description	General	Federal Special Revenue	General Obligation Debt Service	Other Governmental Funds	Total
Education programs	$ 744	$ 23	$ —	$ 490	$ 1,257
Temporary and disability assistance	509	1,032	—	1	1,542
Local health programs	314	67	—	90	471
Mental hygiene programs	16	15	—	12	43
Criminal justice programs	40	37	—	1	78
Children and family services programs	51	80	—	—	131
Local share of tax revenues	243	—	81	—	324
Miscellaneous	144	197	—	171	512
Total	**$ 2,061**	**$ 1,451**	**$ 81**	**$ 765**	**$ 4,358**

Accrued Liabilities—Business-type Activities

The following table summarizes accrued liabilities at March 31, 2008 for Enterprise Funds (amounts in millions):

Description	Lottery	Unemployment Insurance Benefit	SUNY	CUNY	Total
Payroll	$ —	$ —	$ 149	$ 35	$ 184
Fringe benefits	—	—	53	31	84
Compensated absences	2	—	230	85	317
Litigation	—	—	132	—	132
Interfund loan	—	—	130	—	130
Employer overpayments	—	31	—	—	31
Benefits due claimants	—	32	—	—	32
Unclaimed and future prizes	224	—	—	—	224
Miscellaneous	—	21	401	148	570
Total	**$ 226**	**$ 84**	**$ 1,095**	**$ 299**	**$ 1,704**

Note 9 Interfund Transactions and Other Transfers

Interfund Transfers

Interfund transfers for the year ended March 31, 2008 consisted of the following (amounts in millions):

	Transfers To Other Funds							
Transfers From Other Funds	General	General Obligation Debt Service	Other Governmental	Elimination	Total Governmental Funds	Business-type Activities	Fiduciary	Total
General	$ —	$ 1,633	$ 581	$ —	**$ 2,214**	$ 3,484	$ 186	**$ 5,884**
Federal Special Revenue	328	—	2,685	—	**3,013**	230	—	**3,243**
General Obligation Debt Service	9,512	—	—	—	**9,512**	782	—	**10,294**
Other Governmental	6,366	987	98	—	**7,451**	33	—	**7,484**
Elimination	—	—	—	(22,095)	**(22,095)**	—	—	**(22,095)**
Total Governmental Funds	**16,206**	**2,620**	**3,364**	**(22,095)**	**95**	**4,529**	**186**	**4,810**
Business-type Activities	23	31	2,555	—	**2,609**	95	—	**2,704**
Fiduciary	5	—	—	—	**5**	—	—	**5**
Total	**$ 16,234**	**$ 2,651**	**$ 5,919**	**$ (22,095)**	**$ 2,709**	**$ 4,624**	**$ 186**	**$ 7,519**

Transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. The significant transfers include transfers to the General Fund from other funds representing excess revenues not needed in those funds. Transfers to the General Fund from the General Obligation Debt Service Fund for excess funds not needed for debt service on revenue bonds backed by personal income tax revenues of $9.5 billion. Transfers to the General Fund from Other Governmental Funds include: mental health patient fees in excess of debt service and rental reserve requirements of $2.7 billion, excess sales tax receipts not needed for LGAC debt service requirements of $2.2 billion, and excess real property transfer tax receipts from clean water and clean air programs of $682 million. The transfers from the General Fund to Fiduciary Funds ($186 million) represented unclaimed funds needed to pay claims. Transfers from the General Fund to Other Governmental Funds are made for State capital projects ($110 million), for State debt service payments ($1.5 billion), and to the Enterprise Funds as State support to SUNY and CUNY Funds ($3.5 billion). Transfers from the Federal Special Revenue Fund and Other Governmental Funds are comprised of the Federal share of Medicaid payments for a variety of purposes including transfers to the Mental Health Services Fund for recipients residing in State-operated mental health and retardation facilities ($2.7 billion) and transfers to SUNY to defease debt ($4 million). Transfers from the Lottery to Other Governmental Funds represent Lottery support for school aid payments ($2.6 billion). The eliminations of $22.1 billion represent transfers made between the Governmental Funds.

Transfers from the Governmental Funds to SUNY and CUNY Funds are reported as transfers to other funds by the Governmental Funds and as State appropriations by SUNY and CUNY Funds. As explained in Note 1, the amounts reported for SUNY and CUNY Funds are derived from their annual financial statements for the fiscal year ended June 30, 2007. Therefore, because of the different fiscal year-end for SUNY and CUNY Funds, total transfers to other funds exceed total transfers from other funds by $1.9 billion.

Due To/From Other Funds

The following is a summary of due to other funds and due from other funds at March 31, 2008 (amounts in millions):

	Due From Other Funds							
Due To Other Funds	General	Federal Special Revenue	Other Governmental	Elimination	Total Governmental Funds	Business-type Activities	Fiduciary	Total
General	$ —	$ 14	$ 88	$ —	**$ 102**	$ 648	$ 558	**$ 1,308**
Federal Special Revenue	242	—	96	—	**338**	6	—	**344**
General Obligation Debt Service	1,091	—	—	—	**1,091**	—	—	**1,091**
Other Governmental	788	—	3	—	**791**	43	2	**836**
Elimination	—	—	—	(164)	**(164)**	—	—	**(164)**
Total Governmental Funds	**2,121**	**14**	**187**	**(164)**	**2,158**	**697**	**560**	**3,415**
Business-type Activities	24	—	235	—	**259**	—	41	**300**
Fiduciary	509	216	—	—	**725**	18	—	**743**
Total	**$ 2,654**	**$ 230**	**$ 422**	**$ (164)**	**$ 3,142**	**$ 715**	**$ 601**	**$ 4,458**

The more significant balances due to/from other funds include $620 million due to the General Fund to cover cash overdrafts in the short-term investment pool. These temporary interfund loans include $142 million to the Federal Special Revenue Fund and $478 million to Other Governmental Funds. Due to other funds in the General Obligation Debt Service Fund for amounts owed to the General Fund for $1 billion for excess personal income revenues. The Federal Special Revenue Fund has a due to the Fiduciary Funds for $137 million for the Medicaid Drug Rebate Program.

As explained in Note 1, the amounts reported for SUNY and CUNY Funds are derived from their annual financial statements for fiscal year ended June 30, 2007. Therefore, because of the different fiscal year-end of SUNY and CUNY Funds, the total amount reported as due from other funds exceeds the total amount reported as due to other funds by $17 million.

Note 10 Commitments and Contingencies

The State receives significant financial assistance from the Federal government in the form of grants and entitlements. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all Federal grants are subject to either the Federal Single Audit Act or to financial and compliance audits by grantor agencies of the Federal government or their designees. Disallowances by Federal program officials as a result of these audits may become liabilities of the State.

DASNY has $713 million outstanding of Secured Hospital Revenue Bonds for financing mortgage loans to various hospitals in New York City. The hospitals are committed to pay the debt service, and reserves have been established to cover deficiencies incurred by the hospitals. However, if both of these funding sources are inadequate, the State may be called upon to pay the debt service. Any such payments would require authorization by the State Legislature.

The New York State Constitution provides that the State may guarantee repayment of certain borrowings of the Job Development Authority (JDA) to carry out designated projects. The State has never been called upon to make any direct payments pursuant to such guarantees. However, in 1996 the State entered into an agreement with JDA and the New York State Urban Development Corporation (UDC) whereby UDC will provide funding needed by JDA to meet its debt service obligations through March 31, 2010. JDA required no financial assistance to meet debt service obligations during the State Fiscal year ended March 31, 2008. As of March 31, 2008, JDA had $37 million of State-guaranteed bonds and notes outstanding (with an additional $24 million authorized but not issued).

In order to provide additional inducement to investors to purchase the obligations of certain public benefit corporations, the legislation creating these corporations authorizes the State to make up any deficiencies in their debt service reserve funds, subject to legislative appropriation (effectively, a "moral obligation" to back the corporations' credit). Such "moral obligation" does not constitute full faith and credit obligations of the State. As of March 31, 2008, approximately $50 million in moral obligation bonds were outstanding. During the year, the State was not called on to make any payments.

Health care providers have a right to appeal Medicaid reimbursement rates. Based on an analysis of appeals, a liability of $638 million has been recognized as a long-term accrued liability in the governmental activities.

In 1977-78, the State required that reserve funds held by insurance companies that underwrite the State employee health insurance programs be paid to the General Fund. The State is liable to replenish these reserve funds if needed to pay insured benefits or if the contracts with the insurance companies are terminated. Accordingly, based on actuarial calculations, the State has recorded a liability of $192 million, which is reported as accrued liabilities due beyond one year in the Statement of Net Assets.

Generally, the State does not insure its buildings, contents or related risks and does not insure its State-owned automobiles for bodily injury and property damages, but the State does have fidelity insurance on State employees. A liability is estimated for unpaid automobile claims based on an analysis of property loss and claim settlement trends. Routine uninsured losses are recorded as expenditures in the General Fund as paid, while significant uninsured losses usually are the result of litigation that is discussed further in Note 11. Insured losses incurred by the State did not exceed coverage for any of the three preceding fiscal years. Litigation losses are estimated based on an assessment of pending cases conducted by the Office of the Attorney General.

Workers' compensation is provided with the State Insurance Fund acting as the State's administrator and claims processing agent. Under an agreement with the State Insurance Fund, the State pays only what is necessary to fund claims. Based on actuarial calculations, discounted at 4.173 percent as of March 31, 2008, the State is liable for unfunded claims and incurred but not reported claims totaling $1.9 billion which is reported in accrued liabilities in the governmental activities.

Changes in the State's liability relating to workers' compensation claims, litigation (see Note 11) and auto claims in fiscal years 2007 and 2008 were (amounts in millions):

Fiscal Year	Claim Liability Beginning of Year	Increase in Liability Estimate	Payments and Decreases in Liability Estimate	Claim Liability End of Year
2006-2007	$ 1,925	$ 275	$ 264	$ 1,936
2007-2008	$ 1,936	$ 375	$ 326	$ 1,985

The State Abandoned Property Law requires the deposit of certain defined and unclaimed assets into a State-managed Abandoned Property Fund (Private Purpose Trust Fund). The State Finance Law provides that whenever the cash balance of the Abandoned Property Fund (Fund) exceeds $750 thousand at fiscal year-end, the excess must be remitted to the General Fund where it is reported as operating transfers from other funds. However, during the year, in accordance with the statute, the Fund has had cash balances that exceeded $750 thousand in order to meet anticipated cash flow demands. At March 31, 2008, the Fund included $658 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1942) to March 31, 2008 of approximately $9.3 billion, excluding interest, represent a contingent liability to the State since claims for refund may be filed by the owners of such property.

A liability representing the probable amount of escheat property that will be reclaimed and paid to claimants is reported in the Fund. To the extent that assets in the Fund are less than the claimant liability, a receivable (due from other funds) is reported in that Fund and an equal liability (due to other funds) is reported in the General Fund. At March 31, 2008, the amount reported in the Fund for claimant liability is $1 billion and the amount reported in the General Fund as due to the Fund is $305 million. Since receipts in the Fund are expected to be adequate to pay current claims, it is not expected that General Fund support for that purpose will be required. Claims paid from the Fund during the year totaled $186 million.

The State is liable for costs relating to the closure and post-closure of landfills totaling $19 million which is recorded in accrued liabilities. Closure and post-closure requirements are generally governed by Title 6, Part 360 of the New York Code of Rules and Regulations. Since most landfills are inactive, the liability reflects the total estimated closure and post-closure cost at year-end. Liability estimates are based on engineering studies or on estimates by agency officials that are updated annually. Additionally, there are a number of significant threats in actual hazardous waste disposal sites in New York State for which the State may be financially responsible if responsible parties do not perform the cleanup. The costs associated with the cleanup of these sites cannot be determined.

Legislation enacted in 2003 authorized the State to securitize all of its tobacco settlement payments to the Tobacco Settlement Financing Corporation through an asset-backed securitization transaction. To lower costs, the legislation authorized the State to enter into contingency contracts obligating the State to pay debt service, subject to annual appropriations, on the TSFC bonds in the event that tobacco receipts and bond reserves are insufficient. To ensure that State contractual payments will not be required and that tobacco receipts and bond reserves are sufficient to pay debt service, the TSFC bonds were structured to meet or exceed all rating agency tobacco bonds stress tests. The bonds carry a

final nominal maturity of 20 years and an expected final maturity of 13 years, based on optional redemptions. The expected final maturity may deviate due to the optional nature of the redemptions and adjustments to tobacco settlement payments due from participating manufacturers. Various manufacturers, including the original participating manufacturers, have adjusted payments downward or indicated that they plan on adjusting subsequent payments downward to states and territories, or otherwise have deposited or will deposit payments into a special disputed payments account awaiting determination of entitlement to adjustments. The State and local shares have been reduced by participating manufacturers based on adjustment provisions. A lawsuit was filed in 2006 by the Attorney General of New York to recover the settlement payments that were withheld from the State. Litigation continues to recover the funds withheld.

On May 21, 2008, the Federal government announced that it would voluntarily extend until August 1, 2008 a moratorium on the implementation of certain Centers for Medicaid and Medicare Services (CMS) regulations that, if they were to become effective, could have an adverse impact on the State's Financial Plan. The State continues to lobby Congress for an extension of the moratorium or modification of the proposed regulations.

The State has awarded a contract in excess of $2 billion for the development of a statewide wireless network to M/A-COM. The purpose of the contract is to implement a radio network for State public safety and public service agencies that is available statewide. The contract is a lease purchase agreement, wherein the State is not obligated to make payments to the vendor until a regional build out is completed, tested and accepted. The State has the right to purchase the network in whole or in part at any time during the contract term. The network becomes the property of the State at the end of the lease term. The State will treat this contract as a capital lease for financial reporting purposes. Since no regional build out has been completed, tested and accepted as of March 31, 2008, in accordance with the contract, the State has not recognized an asset or liability in the financial statements.

Note 11 Litigation

The State is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of State and Federal laws.

Included in the State's outstanding litigation are a number of cases challenging the legality or the adequacy of a variety of significant social welfare programs primarily involving the State's Medicaid and mental health programs. Adverse judgments in these matters generally could result in injunctive relief coupled with prospective changes in patient care that could require substantial increased financing of the litigated programs in the future.

With respect to pending and threatened litigation, the State has reported, in the governmental activities, liabilities of $97 million for awarded and anticipated unfavorable judgments. In addition, the State is party to other claims and litigation that its legal counsel has advised may result in possible adverse court decisions with estimated potential losses of nearly $234 million.

Note 12 State and Local Retirement System

There are three systems within the State and Local Retirement System (System) for employees of the State and its localities (except employees of New York City and teachers, essentially all of whom are covered by separate pension plans). The System, known and reported collectively as the New York State and Local Retirement System, are the State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS), and the Public Employees' Group Life Insurance Plan (GLIP). GLIP provides death benefits in the form of life insurance. All net assets of the System are held in the Common Retirement Fund which was established to hold all net assets and changes in net plan assets allocated to the System. In these statements, GLIP amounts are apportioned and included in either ERS or PFRS.

The State Comptroller is sole trustee and administrative head of the System. The System is a cost sharing multiple-employer defined benefit pension plan. On March 31, 2008, there were 3,021 participating government employers. Employees of the State constituted about 35 percent and 17 percent of the members for the ERS and PFRS, respectively, during the 2007-2008 fiscal year.

The System provides retirement benefits as well as death and disability benefits. Benefits vest after five years of credited service. Retirement benefits are established by the New York State Retirement and Social Security Law and are dependent upon the point in time at which the employees last joined the System. Contributory and noncontributory requirements also depend upon the point in time at which an employee last joined the System. Most members of ERS who joined the System on or before July 26, 1976 are enrolled in a noncontributory plan. Most members of PFRS are not required to make employee contributions. Employees who last joined ERS subsequent to

July 26, 1976 are enrolled in a contributory plan which requires a 3 percent contribution of their salary. As a result of Article 19, of the Retirement and Social Security Law, eligible Tier 3 and Tier 4 employees, with a membership date after July 26, 1976, who have ten or more years of membership or credited service with a System, are not required to contribute. Less than 1 percent of other members are contributory. Members cannot be required to begin contributing or make increased contributions beyond what was required when membership began. Generally, members of the System may retire at age 55; however, members of Tiers 2, 3 and 4 will receive a reduced benefit if they retire before age 62 with less than 30 years of service. An employee with less than five years of service may withdraw and obtain a refund, including interest, of the accumulated employee contributions.

The System's financial statements are prepared using the accrual basis of accounting. Revenue is recognized when earned and liabilities are recognized when incurred. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Employer contributions are recognized when billed. Investments are reported at fair value. Stocks traded on a national or international exchange are valued at market value at current exchange rates. Bonds are primarily reported at market values obtained from independent pricing services. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals made every three years or according to the fund agreement. Investments that do not have an established market are reported at estimated fair value. The System trades in foreign exchange contracts in the normal course of its investing activities in order to manage exposure to market risks. Such contracts, which are generally for a period of less than one year, are used to purchase and sell foreign currency at a guaranteed future price. These contracts are recorded at market value using foreign currency exchange rates. The System is exposed to various investment risks as follows:

Investment Custodial Credit Risk—Equity and fixed income investments owned directly by the System which trade in the United States (U.S.) markets are held at the System's custodian, in separate accounts, in the name of the Comptroller of the State of New York in Trust for the Common Retirement Fund. These securities are typically held in electronic form by the Depository Trust Company (DTC) and its subsidiaries acting as an agent of the System's custodian bank. Securities held directly by the System, which trade in markets outside the U.S., are held by a subsidiary of the System's custodian bank in the local market, a bank performing custodial services in the local market acting as an agent for the System's custodian bank, and in some foreign markets, the securities are held in electronic format by a DTC subsidiary or an organization similar to DTC. Directly held investments include: short-term and long-term fixed income, and domestic and international equity separately managed accounts. The aforementioned investments have the lowest custodial risk. Equity investments held indirectly by the System via limited partnerships, commingled investment funds, joint ventures and other similar vehicles are held in custody by an organization contracted with by the general partner and/or the investment management firm responsible for the management of each investment organization. Title to real property invested in by the System is either held by a real estate holding company or a real estate investment fund. Ownership of mortgage assets is documented by the System's holding of original mortgage and note documents by the Office of the State Comptroller (OSC), Division of Pension Investment and Cash Management.

Credit Risk—New York State statutes and the System's investment policies require that corporate fixed income obligations must be investment grade at the time of their acquisition.

Approximately 69.2 percent of the System's $37 billion long-term bond portfolio is guaranteed by the Federal government and has no credit risk. The remainder of the portfolio is exposed to credit risk as follows; 25.8 percent is rated A or higher by Moody's, 4.9 percent is rated Baa by Moody's and 0.1 percent is rated Caa by Moody's.

Interest Rate Risk—Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of the System's fixed income securities. The price volatility of the System's fixed income holdings are measured by duration. The System attempts to mitigate price volatility by matching the duration of the assets with the duration of the retired lives liabilities so that any change in the market value of the assets resulting from a change in interest rates will result in a similar change in the value of the liabilities. The average duration of the System's fixed income portfolio is 8.7 years.

Concentration of Credit Risk—Issuer limits for investments held by the System are established for each investment area by New York State Retirement and Social Security Law, Article 2, Section 13 and Article 4A, Sections 176, 177, and 313, and policy guidelines adopted by the Comptroller.

Restrictions are placed on short-term fixed income investments such that any one issuer of commercial paper must have the highest rating by two nationally recognized rating services and can be a maximum of $500 million of the short-term portfolio. In addition, simultaneous purchase and sales of U.S. Treasury obligations may be executed with primary government dealers; however, a maximum of $200 million may be invested with any one primary dealer.

Restrictions are placed on fixed income investments with maturities longer than one year such that obligations payable in U.S. dollars of any one department, agency or political subdivision of the U.S. Government or issued by any corporation, company of other issuer of any kind or description created or existing under the laws of the United States, any state of the United States, District of Columbia, Commonwealth of Puerto Rico and obligations of Canada or any province or city of Canada provided each obligation is rated investment grade by two nationally recognized rating services and shall not exceed 2 percent of the assets of the System or 5 percent of the direct liabilities of the issuer. In addition, the aggregate amount invested in interest bearing obligations payable in U.S. dollars which at the time of investment are rated one of the four highest grades by each rating service may not exceed 1 percent of the assets of the System and bonds issued or guaranteed by the State of Israel payable in U.S. dollars may not exceed 5 percent of the assets of the System.

Securities Lending—Section 177-D of the New York State Retirement and Social Security Law authorizes the System to enter into security loan agreements with broker/dealers and New York State or national banks. The System has designated its master custodian bank to manage a securities lending program. This program is subject to a written contract between the System and the Custodian who acts as Security Lending Agent for the System. The Custodian is authorized to lend securities within the borrower limits and guidelines established by the System. Types of collateral received from borrowers for securities loaned are cash and government securities. The Custodian is authorized to invest the cash collateral in short-term investments that are legal for the System. These include domestic corporate and bank notes, U.S. Treasuries, obligations of Federal agencies, and repurchase agreements. All rights of ownership to government securities pledged as collateral remain with the borrower except in the event of default. The System has not experienced any losses resulting from the default of a borrower or lending agent during the year ended March 31, 2008 or in the history of the program.

The System lends fixed income, domestic equity, and international equity securities to approved broker/dealers. Collateral for securities loaned equals 102 percent of fair market value for domestic securities and 105 percent for international securities. Credit risk associated with the investment of cash collateral pledged by borrowers is mitigated by the maturity restrictions, percentage limitations, and rating requirements for individual asset classes included in the System's reinvestment guidelines. The custodian acknowledges responsibility to reimburse the System for losses, which might arise from managing the program in a manner inconsistent with the contract. The System manages its market rate risk by recording investments at market value daily and maintaining the value of the collateral held by the System in excess of the value of the securities loaned.

As of March 31, 2008, the fair value of securities on loan was $29.2 billion. The associated fair value of the invested collateral was $29.8 billion of which $27.8 billion was invested cash collateral. The unrealized loss in invested cash collateral on March 31, 2008 was $112.6 million, which is reflected in the Statement of Changes in Fiduciary Net Assets, "Net increase (decrease) in the fair value of investments."

All open security loans can be terminated on demand by either the System or borrower. To provide sufficient liquidity, the policy of the System is to maintain a minimum of 10 percent of collateral in overnight investments. While the Securities Lending Investment Guidelines allow investments up to a maximum of two years, the average term of open security loans at March 31, 2008 was 13 days, matching term investments were 39 days and the overall average term to maturity of investment collateral for all loans was 15 days. Approximately 92 percent of all loans were open loans, while 8 percent represented direct matching loans.

The collateral pool is valued at market value obtained from independent pricing services.

Foreign Currency Risk—The System's investment policies permit it to invest up to 16 percent of its assets in publicly traded international equity investments. The System's current position in such equity securities invested in directly and through commingled funds is approximately $24.9 billion. The System also has foreign investments held in U.S. dollars of $6 billion, net forward foreign currency contracts position of $3.6 million, $3.4 billion in private equities and ARS funds, and $148 million in real property owned, made, or located outside the United States. The approximate total market value of investments made outside of the United States is $34.4 billion.

FUNDING STATUS AND FUNDING PROGRESS

Participating Employers are required under the New York State Retirement and Social Security Law to contribute annually to the System. Annual bills for employer contributions accrue interest at the actuarial interest rate applicable during the year. For fiscal year ended March 31, 2008, the applicable interest rate was 8 percent.

The funding of the System is accomplished through member and employer contributions and the investment earnings on these contributions, according to the New York State Retirement and Social Security Law (RSSL). The aggregate actuarial funding method is used by the System. Generally, Participating Employers that have adopted the same benefit plans contribute at the same rate of payroll. The total employer contribution rate as a percentage of salary includes rates for administrative expenses, GLIP, and supplemental benefits. GLIP is a one-year term insurance plan. Consequently, the GLIP rates are determined so as to pay for the current year's GLIP costs. Similarly, the administrative rates are determined so as to pay the current year's administrative expenses. Employers may make other contributions due to legislation, such as retirement incentives, the 17-year amortization, the 10-year amortization part of their fiscal year ended 2005 and 2006 bill and deficiency payments (which an employer may incur when joining the System and are payable for up to 25 years). The average employer contribution rate, excluding the 10-year amortization, for ERS and PFRS for the fiscal year ended March 31, 2008 was approximately 9.6 percent and 16.6 percent of payroll, respectively.

Funding of the System is accomplished through member and employer contributions and the investment earnings on these contributions, according to RSSL. The System uses the aggregate actuarial funding method, which does not identify or separately amortize unfunded actuarial accrued liabilities. As required under GASB Statement No. 50, Pension Disclosures (an amendment of GASB No. 25 and No. 27), following is a schedule of funding progress using the entry age normal funding method to approximate the funding status of the System as of the most recent actuarial valuation date. This 2008 actuarial valuation performed on April 1, 2007, determined employer contributions for the year ending March 31, 2009.

The funded status of the System as of April 1, 2007, the most recent valuation date, is as follows (in millions):

System	Actuarial Valuation Date	Actuarial Assets (a)	Actuarial Accrued Liability (b)	UAAL* (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL* as a Percentage of Covered Payroll ((b-a)/c)
ERS	4/1/2007	$ 121,116	$ 114,525	$ (6,591)	105.8%	$ 22,018	(29.9)%
PFRS	4/1/2007	$ 21,379	$ 20,074	$ (1,305)	106.5%	$ 2,825	(46.2)%

Unfunded Actuarial Accrued Liability (UAAL)

Significant actuarial assumptions used in the April 1, 2006 and April 1, 2007 valuations to determine employer contributions for the years ended March 31, 2008 and March 31, 2009 were: interest rate 8 percent, salary scale for ERS was 5.4 percent and PFRS was 6.7 percent, decrement tables April 1, 2000 to March 31, 2005 System's experience, and inflation rate of 3 percent.

The actuarial asset value for domestic bonds and mortgages is amortized value. Short-term investments are at market value. Normally, all other investments use a five-year moving average of market values method assuming a 7 percent rate of expected appreciation. This method immediately recognizes regular investment income (interest and dividends) while phasing in unexpected appreciation/depreciation over a five-year period. It treats realized or unrealized gains (or losses) in the same manner. For fiscal year 2008, the April 1, 2006 valuation reflects a market restart in 2004 and the second year of the phase-in to a full five-year smoothing method. The April 1, 2007 valuation reflects the third year of the phase-in.

CONTRIBUTIONS

Employers' contributions receivable are presented net of withdrawals, refunds, advance employer payments, and credits due employers. Receivable amounts from Participating Employers include $72.1 million for new plan adoptions and retroactive membership. Receivable amounts from the State for other amortizations total $33.58 million.

Chapter 260 of the Laws of 2004 authorized employers to amortize over ten years, at 5 percent interest, the portion of their annual bill for fiscal year ended 2005 that exceeded 7 percent of payroll. The amortized amount receivable from New York State as of March 31, 2008 is $333.6 million and from Participating Employers is $95.4 million.

RSSL Chapter 260 of the Laws of 2004 authorized employers to amortize over ten years, at 5 percent interest, the portion of their annual bill for fiscal year ended 2006 that exceeded 9.5 percent of payroll. The amortized amount receivable from the State as of March 31, 2008 is $118.7 million and from Participating Employers is $26.4 million.

Chapter 260 of the Laws of 2004 authorized local employers to amortize over ten years, at 5 percent interest, the portion of their annual bill for fiscal year ended 2007 that exceeded 10.5 percent of payroll. The amortized amount receivable from Participating Employers as of March 31, 2008 is $22.1 million.

The State's contribution to the System for years ended March 31, 2008, 2007, and 2006 were $1.2 billion, $1.1 billion, and $965 million, respectively, which equaled 100 percent, 102 percent, and 102 percent of the required contributions for each respective year.

The following presentation displays the Schedule of Plan Net Assets for the System as of March 31, 2008 (amounts in millions):

SCHEDULE OF PLAN NET ASSETS
March 31, 2008

	Employees' Retirement System	Police & Fire Retirement System	Total
Assets:			
Investments:			
Short-term investments	$ 5,476	$ 967	$ 6,443
Government bonds	22,180	3,917	26,097
Corporate bonds	8,903	1,572	10,475
Domestic equities	49,790	8,792	58,582
International equities	20,884	3,688	24,572
Private equities	10,793	1,906	12,699
Absolute return strategy investments	4,528	800	5,328
Real estate and mortgage loans	8,229	1,453	9,682
Total investments	**130,783**	**23,095**	**153,878**
Securities lending collateral, invested	23,657	4,178	27,835
Forward foreign exchange contracts	731	129	860
Receivables	2,475	413	2,888
Other assets	24	4	28
Total assets	**157,670**	**27,819**	**185,489**
Liabilities:			
Securities lending collateral, due to borrowers	23,753	4,194	27,947
Forward foreign exchange contracts	728	129	857
Investment purchases	415	73	488
Benefits payable	156	30	186
Other liabilities	144	21	165
Total liabilities	**25,196**	**4,447**	**29,643**
Net assets held in trust for pension benefits	**$ 132,474**	**$ 23,372**	**$ 155,846**

The System issues a publicly available financial report that includes financial statements, expanded disclosures, and required supplementary information for the System. The report may be obtained by writing to the New York State and Local Retirement System, Office of the State Comptroller, 110 State Street, Albany, New York, 12244-0001.

EMPLOYER ACCOUNTING

The pension contribution expenditure of $1.2 billion reported in the Governmental Funds includes pension costs related to employee services rendered during the year, retirement incentive programs and employer amortizations authorized by Chapter 260 of the Laws of 2004. Pension contributions payable reported in the General Fund of $9 million is for accrued retirement incentive programs and the employer amortization. In addition, $481 million of the retirement incentive programs and the employer amortization are reported on the Statement of Net Assets as pension contributions payable due in more than one year.

Note 13 Other Postemployment Benefits (OPEB)

Governmental Activities

The New York State Health Insurance Program (NYSHIP) was established by the State Legislature in 1957 to provide health insurance to New York State (NYS or State) employees, retirees and their eligible dependents. Public authorities, public benefit corporations, and other quasi-public entities that choose to participate in NYSHIP are Participating Employers (PEs). Local government units that choose to participate in NYSHIP are called Participating Agencies (PAs). At present, there are approximately 378 NYS agencies, 100 PEs, and 800 PAs in NYSHIP. NYSHIP currently covers over 568 thousand NYS, PA and PE employees and retirees. Eligible covered dependents bring the

total number of covered individuals to approximately 1.207 million. SUNY participates in NYSHIP, but CUNY does not. Of the State's 44 discretely presented component units, which are considered PEs, a majority participate in NYSHIP. NYSHIP does not issue a stand-alone financial report but NYSHIP's activities are included within the State's financial statements. NYSHIP is classified as an agent multiple-employer plan and financial information is reported in an agency fund and accounted for on the accrual basis of accounting. Information related to investment valuations is presented in Note 2.

Enrollment	NYS*	PEs	PAs	Total
Current Active Participants	193,996	39,775	110,872	344,643
Vestee Participants	963	174	335	1,472
COBRA Participants	936	304	1,102	2,342
Other Inactive Participants**	125,402	12,785	82,127	220,314
Total Participants	**321,297**	**53,038**	**194,436**	**568,771**

*Includes State and SUNY participants.
**Includes retiree, dependent survivor, long-term disability and preferred list enrollees.

During the fiscal year ended March 31, 2008, NYSHIP provided health insurance coverage through: the Empire Plan, an indemnity health insurance plan with managed care components; 12 Health Maintenance Organizations (HMOs); and the Student Employee Health Plan (SEHP). Generally, these include hospital, medical, mental health and substance abuse benefits, and prescription drug benefits.

The benefit design of the Empire Plan is the result of collective bargaining between the State and the various unions representing its employees. Therefore, the benefit design is subject to periodic change. Benefits are administratively extended to non-represented State employees, employees of PAs and PEs, and retirees. Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan and actuarial methods and assumptions used.

Substantially all of the State's employees may become eligible for post retirement benefits if they reach normal retirement age while working for the State. The costs of providing post retirement benefits are shared between the State and the retired employee.

Contributions

The authority under which the obligations of the plan members, employers and other contributing entities to contribute to the plan are established or may be amended can be found in *Article XI, Section 167* of *Civil Service Law.* Contributions are determined in accordance with *Civil Service Law—Article XI, Sections 165, 165-a and 167* which assigns the authority to NYSHIP to establish and amend the benefit provisions of the plans and to establish maximum obligations of the plan members to contribute. The costs of administering the plan are charged as part of the health insurance premium to all payors under the authority of *Section 163.2 of Civil Service Law.* A retiree is generally required to pay on a monthly basis, either 10 percent or 25 percent of the health insurance premium for enrollee or dependent coverage, respectively, which is reduced by the amount of sick leave credits available at the time of retirement factored by the employee's retirement age. Required employer contribution rates, depending upon enrollee or dependent coverage, are presented in the following table.

EMPLOYER CONTRIBUTIONS

Enrollee Group	Enrollee Coverage	Dependent Coverage
Active/Preferred List	90%	75%
Retired Before 1/1/83	100%	75%
Retired on or after 1/1/83	90%	75%
Amended Dependent Survivors[1]	75%	75%
Full Share Dependent Survivors/Long-Term Disability	0%	0%
Dependent Survivors	90%	75%
Attica Dependent Survivors	100%	100%
Vestees	0%	0%
COBRA	0%	0%
Participating Employers and Participating Agencies	50%	35%

[1]State contribution for enrollee and dependent coverage is 75% of dependent coverage.

The State reimburses Medicare eligible enrollees 100 percent of the cost of the monthly Medicare Part B premium. In addition, the State reduces the retiree health insurance contributions for the value of a retiree's unused sick leave credit at retirement (converted to a monthly fixed value). The cost is paid by the State.

Effective April 1, 2007, the State implemented GASB Statement 45 prospectively which requires reporting on an accrual basis the liability associated with other postemployment benefits and the OPEB liability at transition was zero.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State Legislature. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to retirees. For the fiscal year ended March 31, 2008, the State paid $998 million on behalf of the plan.

Annual OPEB Cost and Net OPEB Obligation

The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. Amounts "required" but not actually set aside to pay for these benefits are accumulated as part of the Net OPEB obligation. The State's annual OPEB cost for the year, the amount actually paid on behalf of the plan, and changes in the State's net OPEB obligation to the plan for the year ended March 31, 2008 are as follows (amounts in millions):

Governmental Activities:		
Annual required contribution and annual OPEB cost	$	3,097
Benefits paid during the year		(998)
Increase in OPEB obligation		2,099
Net obligation at beginning of year		—
Net obligation at end of year	**$**	**2,099**
Actuarial accrued liability (AAL) April 1, 2007	$	41,402
Funded OPEB plan assets		—
Unfunded actuarial accrued liability (UAAL) March 31, 2008	**$**	**41,402**
Funded ratio		— %
Covered payroll		6,989
UAAL as percentage of covered payroll		592.3%

In accordance with GASB Statement 45, the actuarial valuation of OPEB also includes, as part of the OPEB valuation, the value of sick leave that will be converted to reduce the retiree's share of health insurance premiums. Under GASB Statement 16, *Accounting for Compensated Absences*, the State historically reported the sick leave credits accrued by active employees to reduce post-retirement heath insurance premium costs, as a liability of the State ($1.4 billion for fiscal year ended March 31, 2007). With the adoption of GASB Statement 45, the State will no longer report the liability for sick leave under GASB Statement 16, but will include it in the actuarial valuation.

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended March 31, 2008 were as follows (amounts in millions):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
3/31/08	$ 3,097	32.23%	$ 2,099

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuation was performed as of April 1, 2006 with results projected to April 1, 2007 for the fiscal year ended March 31, 2008. The State's $3.1 billion annual required contribution was determined using the frozen entry age actuarial cost method allocating costs on a level basis over earnings. The State's $41.4 billion unfunded actuarial accrued liability, as of the April 1, 2007 transition date, is amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The frozen entry age actuarial cost method is used to determine the annual required contribution amounts and the annual net OPEB obligation. The actuarial assumptions utilized a 4.155 percent discount rate which was the average short-term investment pool rate for the past 15 years, developed by the State; an annual healthcare cost trend rate of 10 percent for medical and 12 percent for drug (net of administrative expenses) including inflation declining each year to an ultimate trend rate of 5 percent for both medical and drug; a salary growth rate of 3.5 percent; and an inflation rate of 3 percent.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trend. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Business-type Activities

The State, on behalf of SUNY, provides health insurance coverage for eligible retired SUNY employees and their spouses as part of the New York State Health Insurance Plan (NYSHIP). Employee contribution rates for NYSHIP are established by the State and are generally 10 percent for enrollee coverage and 25 percent for dependent coverage. The frozen entry age actuarial cost method is used to determine the annual required contribution amounts and the annual net OPEB obligation. The actuarial assumptions include a 4.155 percent discount rate, salary growth rate of 3.5 percent, an inflation rate of 3 percent, and an annual healthcare cost trend rate for medical coverage of 10 percent initially, reduced by decrements to a rate of 5 percent after 6 years.

CUNY retirees receive retiree healthcare benefits through the New York City Health Benefits Program which is a single-employer defined benefit healthcare plan. The program covers individuals who receive pensions from one of the following three pension plans within the New York City Retirement System (NYCRS): New York City Employees' Retirement System, New York City Teachers' Retirement System and New York Board of Education Retirement System. New York City pays for the coverage (Basic Coverage and Welfare Fund contributions) for retirees in NYCRS who retired from community colleges. The frozen entry age actuarial cost method is used to determine the annual required contribution amounts and the annual net OPEB obligation. The actuarial assumptions include a 4 percent discount rate, payroll growth rate of 3 percent, and an annual healthcare cost trend rate for medical coverage of 9.5 percent initially, reduced by decrements to a rate of 5 percent after 10 years.

SUNY and CUNY's annual OPEB costs and changes in net OPEB obligations for the year ended June 30, 2007 are as follows (amounts in millions):

	SUNY	CUNY
Business-type Activities:		
Annual required contribution and annual OPEB cost	$ 747	$ 92
Benefits paid during the year	(146)	(26)
Increase in OPEB obligation	601	66
Net obligation at beginning of year	—	—
Net obligation at end of year	**$ 601**	**$ 66**
Actuarial accrued liability (AAL) July 1, 2006	$ 8,481	$ 936
Funded OPEB plan assets	—	—
Unfunded actuarial accrued liability (UAAL) June 30, 2007	**$ 8,481**	**$ 936**
Funded ratio	— %	— %
Covered payroll	2,224	696
UAAL as percentage of covered payroll	381.3%	134.5%

Note 14 Component Units—Public Benefit Corporations

Component Units—Public benefit corporations (Corporations) (as defined in Note 1) are legally separate entities that are not operating departments of the State. The Corporations are managed independently, outside the appropriated budget process, and their powers generally are vested in a governing board. Corporations are established for a variety of purposes for the benefit of the State's citizenry such as economic development, financing and public transportation. They are not subject to State constitutional restrictions on the incurrence of debt, which apply to the State itself, and may issue bonds and notes within legislatively authorized amounts.

Corporations are generally supported by revenues derived from their activities, although the State has provided financial assistance, in some cases of a recurring nature, to certain Corporations for operating and other expenses. Financial assistance in the form of appropriated loans, contributed capital or operating subsidies for certain Corporations, principally the Metropolitan Transportation Authority, the Roswell Park Cancer Institute, and the Urban Development Corporation was provided in the fiscal year ended March 31, 2008 and such assistance is expected to be required in future years. Accordingly, the fiscal condition of the State is related to the fiscal stability of the Corporations.

The amounts presented in the accompanying basic financial statements for the Corporations include the following entities for the fiscal year indicated:

Entities Audited by KPMG LLP:	Fiscal Year-End
Battery Park City Authority	October 31, 2007*
Dormitory Authority of the State of New York	March 31, 2008*
Health Research, Inc.	March 31, 2008*
Long Island Power Authority	December 31, 2007*
New York State Foundation for Science, Technology, and Innovation	March 31, 2008*
New York State Higher Education Services Corporation	March 31, 2008*

Entities Audited by Other Auditors:	Fiscal Year-End
Aggregate Trust Fund	December 31, 2007
Agriculture and New York State Horse Breeding Development Fund Corporation	December 31, 2007*
Albany Convention Center Authority	December 31, 2007*
Capital District Transportation Authority	March 31, 2008*
Central New York Regional Transportation Authority	March 31, 2008*
City University of New York—Senior College Foundations	June 30, 2007
Homeless Housing and Assistance Corporation	March 31, 2008*
Housing Trust Fund Corporation	March 31, 2008*
Hudson River-Black River Regulating District	June 30, 2007*
Industrial Exhibit Authority	March 31, 2008
Metropolitan Transportation Authority	December 31, 2007*
Metro-North Commuter Railroad Company	December 31, 2007
The Long Island Rail Road Company	December 31, 2007
Triborough Bridge and Tunnel Authority	December 31, 2007
Metropolitan Suburban Bus Authority	December 31, 2007*
New York City Transit Authority	December 31, 2007*
Staten Island Rapid Transit Operating Authority	December 31, 2007*
MTA Capital Construction Company	December 31, 2007
MTA Bus Company	December 31, 2007*
First Mutual Transportation Assurance Company	December 31, 2007
Municipal Bond Bank Agency	October 31, 2007
Natural Heritage Trust.	March 31, 2008*
Nelson A. Rockefeller Empire State Plaza Performing Arts	March 31, 2008*
New York Convention Center Operating Corporation	March 31, 2008*
New York State Affordable Housing Corporation	March 31, 2008
New York State Bridge Authority	December 31, 2007*
New York State Energy Research and Development Authority	March 31, 2008*
New York State Environmental Facilities Corporation	March 31, 2008*
New York State Health Foundation	December 31, 2007
New York State Housing Finance Agency	October 31, 2007

Entities Audited by Other Auditors:	Fiscal Year-End
New York State Job Development Authority	March 31, 2008*
New York State Olympic Regional Development Authority	March 31, 2008*
New York State Theatre Institute	March 31, 2008*
New York State Thoroughbred Breeding and Development Fund Corporation	December 31, 2007*
New York State Thruway Authority	December 31, 2007*
Niagara Frontier Transportation Authority	March 31, 2008*
Ogdensburg Bridge and Port Authority	March 31, 2008*
Port of Oswego Authority.	March 31, 2008*
Power Authority of the State of New York	December 31, 2007*
Research Foundation for Mental Hygiene, Inc	March 31, 2008*
Rochester-Genesee Regional Transportation Authority	March 31, 2008*
Roosevelt Island Operating Corporation	March 31, 2008*
Roswell Park Cancer Institute	March 31, 2008*
State Insurance Fund	December 31, 2007
State of New York Mortgage Agency	October 31, 2007
State University of New York Foundations	June 30, 2007
Urban Development Corporation	March 31, 2008*

**Audit conducted in accordance with* Government Auditing Standards *as promulgated by the Comptroller General of the United States.*

Financial Information

Substantially all of the financial data was derived from audited annual financial statements and summarized into the combining statement format in the basic financial statements. The Corporations follow the accrual basis of accounting. A few of the individual component units, primarily, the State Insurance Fund, do not fully conform to the accrual basis; however, the impact of these variances is not material to the Corporations in total. Ten of the forty-four discrete entities presented comprise 95 percent of the combined assets and 84 percent of the combined program revenues (before eliminations). The remaining portion of this note contains a brief description of the operations of the ten largest entities. A presentation of their accounts is included in the Combining Statement of Net Assets and Combining Statement of Activities. Beginning net assets (before eliminations) were increased by $31 million on the Combining Statement of Activities for Discretely Presented Component Units to reflect the restatement of beginning net assets for certain Component Units as reported in their respective audited financial statements. Additional information about each of the Corporations can be obtained by contacting the Corporations directly and requesting a copy of their annual financial reports, or by visiting their websites.

Certain Corporations issue revenue bonds for independent third-party entities to provide funding for the projects of those third parties. These bonds are considered conduit debt and are secured by payments made by third party entities and in some cases certain other pledged funds. These bonds do not constitute a debt or pledge of the faith and credit of the Corporations or the State. DASNY, the Environmental Facilities Corporation (EFC) and the Energy Research and Development Authority (ERDA) have issued conduit debt and have elected different, but permissible, methods of accounting for it under GAAP. DASNY has elected to report conduit debt and related assets on its balance sheet. At March 31, 2008, the liability reported for such debt was approximately $19.5 billion. At March 31, 2008, EFC's balance sheet did not include $267 million in bonds it issued for certain private companies and $858 million it issued for the State. ERDA has issued conduit debt for participating gas and electric companies and other third party entities, the principal of which totaled approximately $3.6 billion at March 31, 2008, which is not included on ERDA's balance sheet.

Power Authority

The Power Authority of the State of New York (Authority) was created in 1931 to help provide a continuous adequate supply of dependable electric power and energy to the people of the State. The Authority generates, transmits, and sells electric power and energy principally at wholesale to various customers including private and municipal utilities.

Three of the Authority's largest facilities are the Niagara Power Project at Lewiston, the Blenheim-Gilboa Pumped Storage Power Project at Blenheim and Gilboa and the St. Lawrence-Franklin D. Roosevelt Power Project at Massena. These hydroelectric facilities have the capability of producing 2,441,000, 1,040,000 and 800,000 kilowatts, respectively. The individual financial statements of the Authority are available on the web at *www.nypa.gov*.

Housing Finance Agency

The Housing Finance Agency (Agency) was created as a public benefit corporation in 1960 under Article III of the Private Housing Finance Law. The Agency is empowered to finance or contract for the financing of the construction, acquisition, or refinancing of loans for: low to moderate income housing, municipal health facilities, non-profit health care facilities, community related facilities, and to provide funds to repay the State for amounts advanced to finance the cost of various housing assistance programs. The Agency, through its Capital Grant Low Rent Assistance Program, rents housing to low and middle income persons and families. The Agency also participates in Federal housing assistance programs which provide interest reduction and rental assistance subsidies to eligible projects and tenants. The Agency administers the State's Housing Project Repair and Infrastructure Trust Fund Programs.

To finance low income housing, the Agency raises funds through the issuance of municipal securities and the making of mortgage loans to eligible borrowers. The Agency is authorized to issue bonds in the amount of approximately $12.8 billion to finance housing projects, and approximately $2.4 billion in Service Contract Obligation Revenue Bonds, Service Contract Revenue Bonds and Personal Income Tax Revenue Bonds. Total bond indebtedness reported as of October 31, 2007 is approximately $8 billion. The individual financial statements of the agency can be obtained by contacting them at *www.nyhomes.org*.

Thruway Authority

The New York State Thruway Authority (Authority) was created as a public benefit corporation by the Legislature in 1950 with powers to construct, operate and maintain a Thruway system. In 1991, the Legislature empowered the Authority to issue Local Highway and Bridge Service Contract (LHB) Bonds to provide funds to municipalities throughout the State for qualifying capital expenditures under State programs. In August 1992, the State Legislature created the New York State Canal Corporation (NYSCC) as a subsidiary corporation of the Authority to accept jurisdiction and control over the State Canal System from the State. In 1993, the Legislature authorized the Authority to issue Highway and Bridge Trust Fund (HBTF) Bonds to reimburse the State for expenditures made by the State's Department of Transportation in connection with the State's multi-year Highway and Bridge Capital Program.

The financial position of and activities relating to the special bond programs (LHB and HBTF) are reported within the funds of the State rather than under the public benefit corporations because these special bond programs are not separate legal entities but are considered funds of the State. Columns headed "Thruway Authority" reflect the operations of the Thruway system and the NYSCC. The individual financial statements of the Authority can be obtained by contacting them at *www.thruway.state.ny.us*.

Metropolitan Transportation Authority

The Metropolitan Transportation Authority (MTA) was created to continue, develop and improve public transportation and to develop and implement a unified public transportation policy in the New York metropolitan area. The accounts presented as the MTA are the combined accounts of the ten affiliates and subsidiaries. The MTA operates the largest transit and commuter rail transportation system in North America and one of the largest in the world. The MTA is dependent upon the State for a portion of its revenues. During the MTA fiscal year ended December 31, 2007, the MTA reported $2.5 billion in payments from the

State. A significant portion of that aid was in payments from the State's Mass Transportation Operating Assistance Fund, a Special Revenue Fund, which derives a major portion of its receipts from taxes imposed in the Metropolitan Transportation District for this purpose. The State also provides funding to pay the debt service on approximately $2.2 billion in bonds issued by MTA for its capital projects. The State has limited issuance of this debt to $165 million in annual debt service with a final maturity not to exceed July 1, 2031. Debt service on MTA State Service Contract debt has been fully utilized. Capital assets acquired prior to April 1982 for the New York City Transit Authority (NYCTA) were funded primarily by New York City through capital grants. New York City has title to a substantial portion of such assets and they are not included among the assets reported under MTA. In certain instances, title to real property used by the Triborough Bridge and Tunnel Authority (TBTA) may revert to New York City in the event TBTA determines it is not needed for corporate purposes. The Federal government has a contingent equity interest in assets acquired by the MTA with Federal funds, and upon disposal of such assets, the Federal government may have a right to its share of the proceeds from the sale. The individual financial statements of the MTA can be obtained by contacting them at *www.mta.info*.

Dormitory Authority

DASNY is a public benefit corporation established in 1944. DASNY's purpose is to finance, design, construct, purchase, reconstruct and/or rehabilitate buildings (projects) for use by public and private educational and other not-for-profit institutions (institutions) located within the State, certain State agencies, local school districts, and cities and counties with respect to court facilities.

DASNY's outstanding bonds and notes of $36 billion consist mainly of debt issued for health care facilities ($9.2 billion), independent institutions ($7.2 billion), SUNY projects ($6.5 billion), CUNY projects ($3.5 billion) and New York State Agency projects ($6.4 billion). The remaining debt was issued for projects for municipal facilities and other non-profit organizations. The individual financial statements of DASNY can be obtained by contacting them at *www.dasny.org*.

Long Island Power Authority

The Long Island Power Authority (Authority) was established as a corporate municipal instrumentality of the State. On May 28, 1998, the LIPA Acquisition Corporation, a wholly-owned subsidiary of the Authority, was merged with and into the Long Island Lighting Company (LILCO) pursuant to an Agreement and Plan of Merger dated as of June 26, 1997. The Authority, as owner of the transmission and distribution system located in Nassau, Suffolk and a small portion of Queens counties, is responsible for supplying electricity to customers in the service area.

The Authority financed the cost of the merger and the refinancing of certain of LILCO's outstanding debt by the issuance of $6.7 billion aggregate principal amount of Electric System General Revenue Bonds and Electric System Subordinated Revenue Bonds. In addition, the Authority assumed $1.2 billion of LILCO's General and Refunding Bonds which were defeased immediately upon the closing of the merger. The excess of the acquisition costs over the fair value of net assets acquired ($3.5 billion) has been reported as an "intangible asset," which is being amortized over a 35-year period which began May 28, 1998. The individual financial statements of the Authority can be obtained by contacting them at *www.lipower.org*.

Urban Development Corporation

The New York State Urban Development Corporation (UDC) was established by legislative act in 1968 as a corporate governmental agency of the State. UDC conducts business as the Empire State Development Corporation. UDC is engaged in three principal activities: special projects financed by revenue bonds, economic development projects, and real estate projects financed by general and corporate purpose bonds. A brief description of these activities follows:

UDC issues revenue bonds, the proceeds of which are primarily used to construct correctional facilities for the State, to refinance State office facilities or to construct technology facilities for universities located within the State, to finance construction and rehabilitation of youth facilities, and to construct or improve various sports facilities. Under the related agreements, UDC is reimbursed by the State in amounts sufficient to amortize the debt service on the bonds.

UDC's efforts in economic development projects are funded by State appropriations and are primarily directed at several activities involving civic, commercial, high technology, and industrial development within the State. UDC also provides financial assistance through grants, low cost project financing, including loans and interest subsidy grants and technical assistance in management, financing and project design.

The Corporation was originally created to facilitate the development of affordable housing for low, moderate and middle-income persons and families. Since the mid-1970s UDC activity in this area has been limited to the monitoring and loan servicing of existing projects. The Corporation has redirected its efforts to promote economic development on the local and Statewide levels with the goal of creating and retaining jobs, particularly in economically distressed areas throughout the State from the largest urban centers to the smallest rural communities. The financial statements of the UDC can be obtained by contacting them at *www.nylovesbiz.com*.

State Insurance Fund

The State Insurance Fund (Fund) is comprised of the Workers' Compensation Fund and the Disability Benefits Fund and is primarily engaged in providing workers' compensation and disability benefit insurance for employers in the State of New York.

During previous fiscal years, the Fund transferred approximately $1.3 billion to the State's General Fund and Other Governmental Funds. The statutes authorizing these transfers required that the State appropriate amounts annually for the potential repayment of the transfers. Such repayment is required only to maintain the solvency, as defined, of the Workers' Compensation Fund. The entire receivable and equity related to these transfers were eliminated from the presentation of the Fund, resulting in a fund balance of approximately $1.5 billion.

The Fund's financial statements are prepared in conformity with the accounting practices prescribed or permitted by the Insurance Department of the State of New York, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Major departures from GAAP include: the contingent receivable from the State of $1.3 billion would be discounted for collectibility and imputed interest; the Fund established a reserve for security fluctuations to provide for the difference between amortized cost and fair value where under GAAP no such reserve would be allowed. Bonds are generally carried at amortized cost. Under GAAP, bonds are classified into "held to maturity" and reported at amortized cost, "trading" and reported at fair value with unrealized gains and losses included in earnings, or "available for sale" and reported at fair value with unrealized gains and losses reported as a separate component of surplus. The net unrealized gains and losses from investments in common stock are reported in unassigned surplus and dividend income generally is reported when received. Under GAAP, common stocks are classified as either "trading" and reported at fair value with unrealized gains and losses included in earnings, or "available for sale" and reported at fair value with unrealized gains and losses reported as a separate component of surplus. Policy acquisition costs are expensed as incurred, whereas under GAAP they would be deferred and amortized to income on the same basis as premium income is recognized; certain assets designated as non-admitted assets (principally premiums in the course of collection over 90 days and office furniture and equipment) are charged directly against the surplus, where under GAAP they would be included in total assets less valuation allowances; and comprehensive income and its components are not presented in the Fund's financial statements. A more complete list of departures from GAAP is disclosed in the Fund's financial statements which may be obtained from *www.nysif.com*.

State of New York Mortgage Agency

The State of New York Mortgage Agency (Agency) makes mortgages available to first-time and other qualifying home buyers through its Low Interest Rate Program and other specialized home ownership programs. The Agency also provides mortgage insurance for qualifying real property loans through its Mortgage Insurance Program. To accomplish this purpose the Agency issues tax-exempt mortgage revenue bonds for direct issuance of forward commitments for new mortgage loans through participating financial institutions.

By statute all costs of providing mortgage insurance are recovered from a State mortgage recording tax surcharge, which is a dedicated tax revenue stream received directly by the Agency. The Agency provides certain financial guarantees that are not fully recognized in its financial statements. As of October 31, 2007, the Agency had issued guarantees of approximately $1.7 billion, of which a minimum of 20 percent has been provided as part of the fund balance, for potential claims. When an insured mortgage is in default, the insured amount is established as a liability reserve. The financial statements of the Agency can be obtained by contacting them at *www.nyhomes.org*.

Environmental Facilities Corporation

The New York State Environmental Facilities Corporation (EFC) is a public benefit corporation, formed pursuant to the New York Environmental Facilities Corporation Act. The mission of EFC is to promote environmental quality by providing low-cost capital and expert technical assistance to municipalities, businesses and State agencies for environmental projects in New York State. Its purpose is to help public and private entities comply with Federal and State environmental requirements. EFC is governed by a board of directors which consists of seven members.

The services offered by EFC include providing low-cost capital for both water quality protection and water supply projects through the Clean Water and Drinking Water State Revolving Funds; assisting municipalities, businesses, and State agencies to understand and comply with environmental laws and regulations through the Technical Advisory Services Program including protecting the New York City Watershed and helping small businesses comply with air pollution standards; and providing low-cost capital and other financial assistance to New York businesses for environmental protection projects through the Industrial Finance and Financial Assistance to Business programs. The complete audited financial statements and related footnotes as well as additional information regarding EFC can be obtained by visiting EFC at *www.nysefc.org*.

Eliminations

Eliminations are made primarily to avoid duplicate reporting. As explained in Note 7, the State services a significant portion of the bonds and notes payable of certain Corporations.

Note 15 Joint Ventures

A joint venture is an entity that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility. The only material joint venture in which the State has a financial interest is the Port Authority of New York and New Jersey (Port Authority).

The Port Authority is a municipal corporate instrumentality of the States of New York and New Jersey created by compact between the two states in 1921 with the consent of the Congress of the United States. The Authority is authorized and directed to plan, develop, and operate terminals and other facilities of transportation and commerce, and to advance projects in the general fields of transportation, economic development, and world trade that contribute to promoting and protecting the commerce and economy of the port district, defined in the compact, which comprises an area of about 1,500 square miles in both states, centering about New York Harbor.

The Governor of each state appoints six of the twelve members of the governing Board of Commissioners, subject to confirmation by the respective state senate. Each Governor has from time to time exercised the statutory power to veto the actions of the commissioners from their state.

The commissioners serve six-year overlapping terms as public officials without compensation. They establish Port Authority policy, appoint an Executive Director to implement it, and appoint a General Counsel to act as legal advisor to the Board and to the Executive Director.

The compact envisions the Port Authority as being financially self-sustaining and, as such, it must obtain the funds necessary for the construction or acquisition of facilities upon the basis of its own credit. The Port Authority has neither the power to pledge the credit of either state or any municipality nor to levy taxes or assessments.

The liabilities of the Port Authority include $9.5 billion of consolidated bonds and notes. Consolidated bonds and notes are equally and ratably secured by a pledge of the net revenues of all existing facilities and any additional facilities which may be financed in whole or in part through the medium of consolidated bonds and notes.

The Port Authority's Comprehensive Annual Financial Report is available from the Public Affairs and Comptroller's Departments of the Port Authority of New York and New Jersey, 225 Park Avenue South, New York, NY 10003-1604, or the Port Authority website at *www.panynj.gov*.

Consolidated financial statements of the Port Authority for the fiscal year ended December 31, 2007 disclosed the following (amounts in millions):

Financial Position		
Total assets	$	23,712
Total liabilities		(14,775)
Net assets	**$**	**8,937**

Operating Results		
Operating revenues	$	3,192
Operating expenses		(2,247)
Depreciation and amortization		(692)
Expenses related to September 11, 2001		(5)
Income from operations		**248**
Passenger facility charges		221
Financial income (expense), net		(247)
Contribution in aid of construction and grants		321
World Trade Center retail insurance proceeds		760
Net income	**$**	**1,303**

Changes in Net Assets		
Balance at January 1, 2007	$	7,634
Net income		1,303
Balance at December 31, 2007	**$**	**8,937**

Note 16 Subsequent Events

The Statement of Net Assets presents bonds and other financing arrangements outstanding as of the statement date, which is March 31, 2008 except for business-type activities related to SUNY and CUNY Enterprise Funds reported as of June 30, 2007. Subsequent to those dates, the following bonds and other financing arrangements were issued (amounts in millions):

BONDS AND OTHER FINANCING ARRANGEMENTS ISSUED SUBSEQUENT TO DATE OF THE STATEMENT OF NET ASSETS

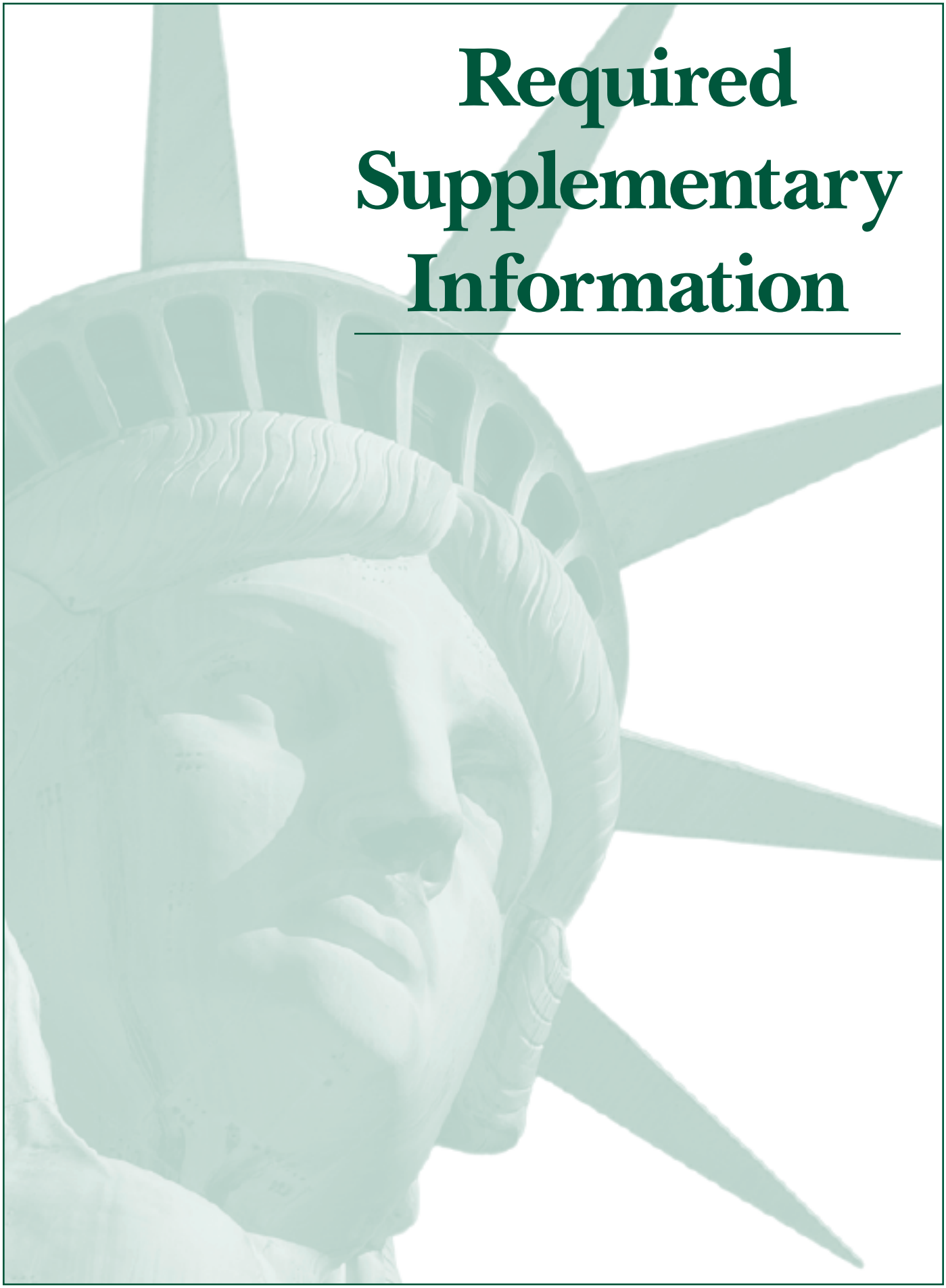
Issuer	Purpose	Date	Series	Par Amount
Dormitory Authority	SUNY Educational Facilities	7/11/2007	Personal Income Tax, Series 2007A	$387
Dormitory Authority	SUNY Educational Facilities	7/11/2007	Personal Income Tax, Series 2007B	$ 20
Dormitory Authority	SUNY Dormitory Facilities	8/1/2007	Lease Revenue Bonds, Series 2007	$145
Housing Finance Agency	Economic Development and Housing	6/19/2008	Personal Income Tax, Series 2008A	$110
Housing Finance Agency	Economic Development and Housing	6/19/2008	Personal Income Tax, Series 2008B	$ 40
Urban Development Corporation	Service Contract Refunding Bonds	6/24/2008	Service Contract Revenue Refunding Bonds, Series 2008A	$420
Urban Development Corporation	Service Contract Refunding Bonds	6/24/2008	Service Contract Revenue Refunding Bonds, Series 2008B	$450
New York Local Government Assistance Corporation	Various Refundings	6/26/2008	Variable Interest Rate Refunding Bonds, Series 2008B	$588

As part of the debt reform effort to defease outstanding high cost debt, the State defeased $88 million of debt related to CUNY Senior Colleges in May 2008 which will be reported by CUNY in fiscal year ended June 30, 2008. An additional $6.6 million of debt related to the State portion of CUNY Community College obligations was defeased at the same time.

New York City Off-Track Betting

On June 17th the State passed Chapter 115 of the Laws of 2008 permitting the State to immediately takeover the Board of Directors and operations of the New York City Off-Track Betting Corporation (NYC OTB). Employees will remain and operations will continue on as a public benefit corporation of the State. Employees will also continue as members of the New York City Retirement System. The State has appointed three of the five board members at this time.

Required Supplementary Information



Budgetary Basis—Financial Plan and Actual—Combined Schedule of Cash Receipts and Disbursements

MAJOR FUNDS—GENERAL FUND AND FEDERAL SPECIAL REVENUE FUND

For the Year Ended March 31, 2008
(Amounts in millions) (Unaudited)

	General			
	Financial Plan Amounts		Actual (Budgetary Basis)	Favorable (Unfavorable) Variance with Final Budget
	Original	Final		
RECEIPTS:				
Taxes	$ 39,264	$ 38,508	$ 38,395	$ (113)
Miscellaneous	2,485	2,490	2,460	(30)
Federal grants	59	71	69	(2)
Total receipts	**41,808**	**41,069**	**40,924**	**(145)**
DISBURSEMENTS:				
Local assistance grants	37,158	36,574	36,414	160
State operations	9,620	9,673	9,579	94
General state charges	4,530	4,563	4,620	(57)
Capital projects	—	—	—	—
Total disbursements	**51,308**	**50,810**	**50,613**	**197**
Excess (deficiency) of receipts over disbursements	**(9,500)**	**(9,741)**	**(9,689)**	**52**
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	11,864	12,098	12,172	74
Transfers to other funds	(2,376)	(2,776)	(2,774)	2
Net other financing sources (uses)	**9,488**	**9,322**	**9,398**	**76**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ (12)**	**$ (419)**	**$ (291)**	**$ 128**

See notes to required supplementary information.

Federal Special Revenue

Financial Plan Amounts		Actual (Budgetary Basis)	Favorable (Unfavorable) Variance with Final Budget
Original	Final		
$ —	$ —	$ —	$ —
139	137	181	44
35,047	33,910	33,095	(815)
35,186	**34,047**	**33,276**	**(771)**
29,900	28,729	28,384	345
1,433	1,409	1,307	102
233	233	216	17
1	1	—	1
31,567	**30,372**	**29,907**	**465**
3,619	**3,675**	**3,369**	**(306)**
—	—	—	—
(3,620)	(3,622)	(3,290)	332
(3,620)	**(3,622)**	**(3,290)**	**332**
$ (1)	**$ 53**	**$ 79**	**$ 26**

NOTES TO BUDGETARY BASIS REPORTING
(unaudited)

Budgetary Basis Reporting

The State Constitution requires the Governor to submit annually an Executive Budget, which contains plans for all funds of expenditures and disbursements for the ensuing fiscal year as well as all monies and revenues estimated to be available. Bills containing all recommended appropriations or reappropriations and any proposed legislation necessary to provide monies and revenues sufficient to meet such proposed expenditures and disbursements accompany the Executive Budget. Reappropriations are commonly used for federally funded programs and capital projects, where the funding amount is intended to support activities that may span several fiscal years. Budgets are prepared and enacted for all funds. Included in the proposed appropriation bills is a provision for spending authority for unanticipated revenues or unforeseen emergencies in accordance with statutory requirements. The Executive Budget also includes a cash basis financial plan that must be in balance, i.e., disbursements must not exceed available receipts.

The Legislature enacts appropriation bills and revenue measures containing those parts of the Executive Budget it has approved or modified. The Legislature may also enact supplemental appropriation or special appropriation bills after it completes action on the Executive Budget. Further, when the Legislature convenes in January, it may enact deficiency appropriations to meet actual or anticipated obligations not foreseen when the annual budget and any supplemental budgets were enacted and for which the costs would exceed available spending authorizations. It might add to a previously authorized appropriation anticipated to be inadequate, or provide a new appropriation to finance an existing or anticipated liability for which no appropriation exists. A deficiency appropriation usually applies to the fiscal year during which it is made. Pursuant to State law, once the Legislature has completed action on the appropriation and revenue bills and they are approved by the Governor, the cash basis and the GAAP basis financial plans must be revised by the Governor to reflect the impact resulting from changes in appropriations and revenue bills. The cash basis financial plan, which serves as the basis for the administration of the State's finances during the fiscal year, provides a summary of projected receipts, disbursements and fiscal year-end balances. Such plans are updated quarterly throughout the fiscal year by the Governor and include a comparison of the actual year-to-date results with the latest revised plans providing an explanation of any major deviations and any significant changes to the financial plans. Projected disbursements are based on agency staffing levels, program caseloads, levels of service needs, formulas contained in State and Federal law, inflation and other factors. All projections account for the timing of payments, since not all the amounts appropriated in the Budget are disbursed in the same fiscal year.

The State's central accounting system includes controls over expenditures to ensure that the maximum spending authority is not exceeded during the life of the appropriation. Expenditures are controlled at the major object level within each program/project of each State agency in accordance with the underlying appropriation purpose. Compliance with the level of legal control is reported in a separate document entitled, *"Appropriation/Segregation Accounts."* This document reports both expenditures and encumbrances, which reserve a portion of the applicable appropriation, thereby ensuring that the appropriations are not exceeded. Encumbrances are not considered a disbursement in the financial plan or an expenditure and expense in the basic financial statements. Generally, appropriations are available for liabilities incurred during the fiscal year. Following the end of the fiscal year, a 'lapse period' is provided to liquidate prior year liabilities. Unless reappropriated, most State operations appropriations cease on June 30th and local assistance, debt service, capital projects and federal fund appropriations cease on September 15th—following the end of the fiscal year. Disbursements made during the lapse period from prior year appropriations are included, together with disbursements from new year appropriations, in the subsequent fiscal year financial plan. Many appropriations enacted are not intended to be used, although required by law. These types of appropriations will generally cause total appropriation authorizations to exceed cash basis financial plan disbursement amounts. Actual disbursements for certain spending categories exceeded financial plan estimates (as reported in the Budgetary Basis—Financial Plan and Actual) but did not exceed total enacted appropriations authority. Most Capital Projects and Federal fund appropriations and many State operations appropriations are reappropriated each year by the Legislature and therefore the life of such appropriations may be many years. If the budget is not enacted by April 1, the legislature enacts special emergency appropriations to continue government functions, as was done from April to August 2004.

The following presents a reconciliation of the budgetary cash basis operating results as shown in the preceding Budgetary Basis—Financial Plan and Actual Combining Schedule of Cash Receipts and Disbursements (Schedule) with the GAAP-basis operating results reported in the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)—Governmental Funds (Statement) (amounts in millions):

	General	Federal Special Revenue
Receipts and other financing sources over disbursements and other financing uses per Schedule	$ (291)	$ 79
Entity differences:		
Receipts and other financing sources over disbursements and other financing uses for funds and accounts not included in the cash basis financial plan	(50)	(2)
Perspective differences:		
Receipts and other financing sources over disbursements and other financing uses for funds treated as Special Revenue Funds in the financial plan and part of the General Fund for GAAP reporting	(91)	—
Temporary interfund cash loans	5	(25)
Basis of accounting differences:		
Revenue accrual adjustments	2,415	658
Expenditure accrual adjustments	(421)	(710)
Net Change in Fund Balances	**$ 1,567**	**$ —**

The entity differences relate to the inclusion of certain funds considered to be Proprietary Funds for purposes of the cash basis financial plan. Perspective differences relate to variations in the presentation of the cash basis financial plan fund structure versus GAAP fund structure. A perspective difference for temporary interfund loans occurs when a fund temporarily overdraws its share of the pooled investment funds. These temporary loans are covered by the General Fund's share of the pool. A perspective difference relating to the Infrastructure Trust Fund and Earmarked Revenue Accounts occurs because these funds are included in the Special Revenue Funds cash basis financial plan while the GAAP-basis presentation includes them in the General Fund.

INFRASTRUCTURE ASSETS USING THE MODIFIED APPROACH

In accordance with GAAP, the State has adopted an alternative method for recording depreciation expense for the State's network of roads and bridges maintained by the Department of Transportation. Under this method, referred to as the modified approach, the State will not report depreciation expense for roads and bridges but will capitalize all costs that add to the capacity and efficiency of State owned roads and bridges. Generally all maintenance and preservation costs will be expensed and not capitalized.

In order to adopt the modified approach, the State is required to meet the following criteria:

1. Maintain an asset management system that includes a current inventory of eligible infrastructure assets.
2. Conduct condition assessments of eligible assets and summarize the results using a measurement scale.
3. Estimate each year the annual amount necessary to maintain and preserve the eligible assets at the condition level established and disclosed by the State.
4. Document that the assets are being preserved approximately at, or above, the established condition level.

Roads

The Department of Transportation maintains the Pavement Management System (PMS) which supports a construction program that preserves the State's investment in its roads. The PMS contains locational, operational and historical condition data. The PMS is used to determine the appropriate program for improving the asset condition and to determine future funding levels necessary to meet condition goals. The overall goal is for the State to provide a management system for the State's infrastructure assets in order to provide long-term benefits to the State's citizens.

The State annually conducts an assessment of the pavement condition of the State's road network. Trained technicians rate the condition of the pavement based on surface condition and dominant distress (e.g. cracking, faulting) using a scale of A1 (very poor) to A10 (excellent) based on the prevalence of a surface-related pavement distress. A pavement condition rating (PCR) is assigned to each surface section. The State currently has 42,504 lane miles of roads.

It is the State's intention to maintain the roads at an average PCR between 6.7 and 7.2.

Bridges

The State Department of Transportation maintains the Bridge Management System (BMS) which supports a construction program that preserves the State's investment in its bridges. The BMS is used in planning construction programs and estimating construction costs. The overall goal is for the State to provide a management system for the State's infrastructure assets in order to provide long-term benefits to the State's citizens.

The State conducts biennial inspections of all bridges in the state. The State uses a numerical inspection condition rating scale ranging from 1 (minimum) to 7 (maximum). During each general inspection, various components or elements of each bridge span are rated by the inspector as to extent of deterioration as well as the component's ability to function structurally relative to when it was newly designed and constructed. The element rating values are combined using a weighted average formula to compute an overall bridge condition rating value for each bridge. A rating of 6 to 7 is excellent, which indicates that no repairs are necessary. A rating of 3 to 5 is fair to good, which indicates that minor repairs are required. A rating of 1 to 2 is deficient, which indicates major repairs or replacement are necessary. The State has approximately 7,846 bridges.

It is the State's intention to maintain the bridges at an average condition rating level between 5.3 and 5.6.

Comparison of Estimated-to-Actual Maintenance/Preservation Costs

Preservation of the roads and bridges is accomplished through construction programs managed by the PMS and BMS. The following presents the State's estimate of costs necessary to preserve and maintain the network of roads and bridges at, or above, the established condition level, compared to the actual costs incurred during the fiscal year 2007-08 (amounts in millions):

Pavement and Bridge Condition Summary as of December 31:

Year	Pavement Average Surface Rating	Bridges Average Condition Rating
2007	6.86	5.41
2006	6.90	5.42
2005	6.81	5.43
2004	6.82	5.44
2003	6.86	5.45

Actual Preservation/Maintenance Costs as of March 31:

(Amounts in millions)

	2008	2007	2006	2005	2004
Total Roads	$ 981	$ 967	$ 931	$ 936	$ 807
Total Bridges	329	222	178	243	289
Total	**$ 1,310**	**$ 1,189**	**$ 1,109**	**$ 1,179**	**$ 1,096**

Estimated Preservation/Maintenance Costs as of March 31:

(Amounts in millions)

	2008	2007	2006	2005	2004
Total Roads	$ 914	$ 878	$ 793	$ 788	$ 805
Total Bridges	200	195	209	137	196
Total	**$ 1,114**	**$ 1,073**	**$ 1,002**	**$ 925**	**$ 1,001**

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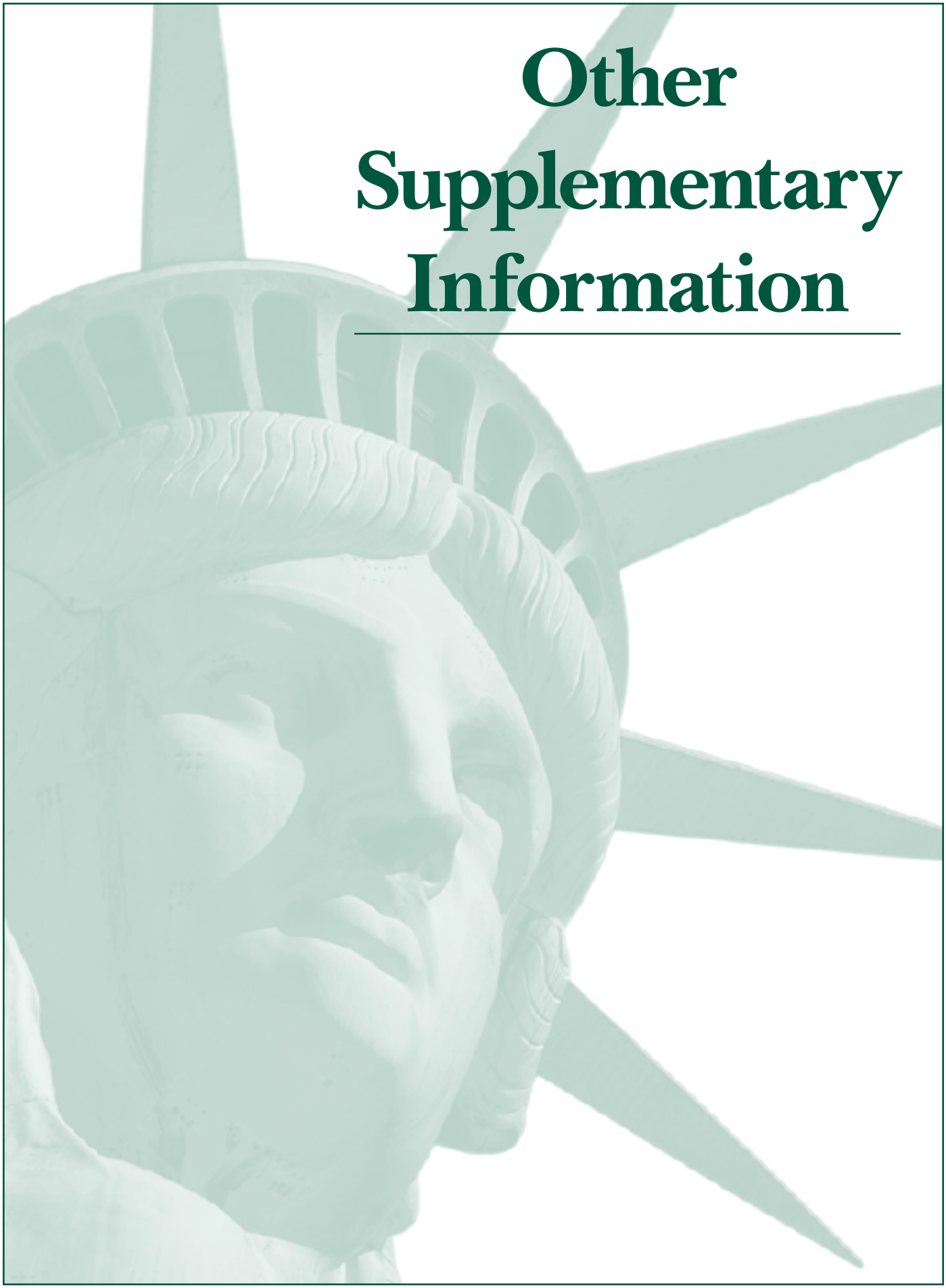
Other Supplementary Information



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General Fund

The General Fund is the most significant of the State's funds. Most tax revenues and certain miscellaneous revenues are recorded in the General Fund.

The General Fund is divided into several accounts. Expenditures in the form of aid to local governments for their general purposes (e.g., State-local revenue sharing) and to school districts and municipalities for certain specific purposes (e.g., education and social services) are made from the Local Assistance account. These payments, often based on specific legislated formulas, are nevertheless limited under the State Constitution to appropriations in force. Expenditures from the Local Assistance account normally comprise approximately 60 percent of General Fund expenditures.

The expenditures of operating the departments of the Executive Branch, the Legislature and the Judiciary, as well as expenditures for general state charges such as contributions to employee retirement systems, are paid primarily from the State Purposes account and normally comprise approximately 40 percent of the General Fund expenditures.

Combining Schedule of Balance Sheet Accounts

GENERAL FUND

March 31, 2008
(Amounts in millions)

	Local Assistance	State Purposes	Tax Stabilization Reserve	Community Projects	Rainy Day
ASSETS:					
Cash and investments	$ 86	$ —	$ 1,031	$ 340	$ 175
Receivables, net of allowance for uncollectibles:					
Taxes	—	9,830	—	—	—
Other	15	212	—	—	—
Due from other funds	410	1,588	—	—	—
Other assets	213	208	—	—	—
Total assets	**$ 724**	**$ 11,838**	**$ 1,031**	**$ 340**	**$ 175**
LIABILITIES:					
Tax refunds payable	$ —	$ 6,163	$ —	$ —	$ —
Accounts payable	—	481	—	—	—
Accrued liabilities	1,538	796	—	—	—
Payable to local governments	2,010	—	—	19	—
Due to other funds	597	636	—	—	—
Pension contributions payable	—	9	—	—	—
Deferred revenues	1	267	—	—	—
Total liabilities	**4,146**	**8,352**	**—**	**19**	**—**
FUND BALANCES (DEFICITS):					
Reserved for:					
Encumbrances	340	120	—	76	—
Tax stabilization	—	—	1,031	—	—
Other specified purposes	86	2	—	245	175
Unreserved	(3,848)	3,364	—	—	—
Total fund balances (deficits)	**(3,422)**	**3,486**	**1,031**	**321**	**175**
Total liabilities and fund balances (deficits)	**$ 724**	**$ 11,838**	**$ 1,031**	**$ 340**	**$ 175**

See independent auditors' report.

Refund Reserve	Fringe Benefit Escrow	Earmarked Revenue	Miscellaneous	Eliminations	Totals 2008	Totals 2007
$ 794	$ —	$ 1,284	$ 54	$ —	**$ 3,764**	$ 4,192
—	—	—	—	—	**9,830**	7,711
—	3	133	7	—	**370**	330
393	745	64	32	(578)	**2,654**	1,887
—	—	7	—	—	**428**	412
$ 1,187	**$ 748**	**$ 1,488**	**$ 93**	**$ (578)**	**$ 17,046**	**$ 14,532**
$ —	$ —	$ —	$ —	$ —	**$ 6,163**	$ 5,690
—	—	78	46	—	**605**	361
—	—	120	15	—	**2,469**	2,396
—	—	32	—	—	**2,061**	2,305
—	1	605	47	(578)	**1,308**	868
—	—	—	—	—	**9**	86
—	—	212	—	—	**480**	442
—	**1**	**1,047**	**108**	**(578)**	**13,095**	**12,148**
—	—	233	30	—	**799**	668
—	—	—	—	—	**1,031**	1,031
1,187	—	—	21	—	**1,716**	312
—	747	208	(66)	—	**405**	373
1,187	**747**	**441**	**(15)**	**—**	**3,951**	**2,384**
$ 1,187	**$ 748**	**$ 1,488**	**$ 93**	**$ (578)**	**$ 17,046**	**$ 14,532**

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficits) Accounts

GENERAL FUND

Year Ended March 31, 2008

(Amounts in millions)

	Local Assistance	State Purposes	Tax Stabilization Reserve	Community Projects	Rainy Day
REVENUES:					
Taxes:					
Personal income	$ —	$ 23,948	$ —	$ —	$ —
Consumption and use	—	8,245	—	—	—
Business	—	5,950	—	—	—
Other	—	1,271	—	—	—
Federal grants	—	52	—	—	—
Miscellaneous	5	2,428	—	—	—
Total revenues	**5**	**41,894**	**—**	**—**	**—**
EXPENDITURES:					
Local assistance grants:					
Social services	11,690	—	—	30	—
Education	19,482	—	—	18	—
Mental hygiene	1,378	—	—	8	—
General purpose	928	—	—	—	—
Health and environment	1,169	—	—	17	—
Transportation	444	—	—	2	—
Criminal justice	188	—	—	16	—
Miscellaneous	580	—	—	70	—
State operations:					
Personal service	—	5,901	—	—	—
Non-personal service	—	2,600	—	—	—
Pension contribution	—	1,052	—	—	—
Other fringe benefits	—	2,332	—	—	—
Total expenditures	**35,859**	**11,885**	**—**	**161**	**—**
Excess (deficiency) of revenues over expenditures	**(35,854)**	**30,009**	**—**	**(161)**	**—**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	36,729	14,951	—	225	175
Transfers to other funds	(1,261)	(42,912)	—	—	—
Financing arrangements/advance refundings issued	325	—	—	—	—
Premiums on financing arrangements/ advance refundings	9	—	—	—	—
Net other financing sources (uses)	**35,802**	**(27,961)**	**—**	**225**	**175**
Net change in fund balances	**(52)**	**2,048**	**—**	**64**	**175**
Fund balances (deficits) at April 1, 2007	**(3,370)**	**1,438**	**1,031**	**257**	**—**
Fund balances (deficits) at March 31, 2008	**$ (3,422)**	**$ 3,486**	**$ 1,031**	**$ 321**	**$ 175**

See independent auditors' report.

Refund Reserve	Fringe Benefit Escrow	Earmarked Revenue	Miscellaneous	Eliminations	Totals 2008	Totals 2007
$ —	$ —	$ —	$ —	$ —	**$ 23,948**	$ 22,496
—	—	7	—	—	**8,252**	8,131
—	—	—	—	—	**5,950**	6,330
—	—	—	—	—	**1,271**	1,011
—	—	—	—	—	**52**	67
—	1,426	2,777	638	(1,324)	**5,950**	5,995
—	**1,426**	**2,784**	**638**	**(1,324)**	**45,423**	**44,030**
—	—	1,725	—	—	**13,445**	13,318
—	—	11	—	—	**19,511**	17,885
—	—	146	—	—	**1,532**	1,213
—	—	—	—	—	**928**	1,192
—	—	240	—	—	**1,426**	1,419
—	—	—	—	—	**446**	408
—	—	38	—	—	**242**	244
—	—	62	—	—	**712**	587
—	—	2,381	125	—	**8,407**	7,966
—	71	936	470	(555)	**3,522**	3,337
—	—	—	—	—	**1,052**	1,008
—	961	734	59	(769)	**3,317**	3,130
—	**1,032**	**6,273**	**654**	**(1,324)**	**54,540**	**51,707**
—	**394**	**(3,489)**	**(16)**	**—**	**(9,117)**	**(7,677)**
1,187	—	3,477	88	(40,598)	**16,234**	13,914
(1,715)	—	(537)	(57)	40,598	**(5,884)**	(6,386)
—	—	—	—	—	**325**	351
—	—	—	—	—	**9**	—
(528)	**—**	**2,940**	**31**	**—**	**10,684**	**7,879**
(528)	**394**	**(549)**	**15**	**—**	**1,567**	**202**
1,715	**353**	**990**	**(30)**	**—**	**2,384**	**2,182**
$ 1,187	**$ 747**	**$ 441**	**$ (15)**	**$ —**	**$ 3,951**	**$ 2,384**

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Federal Special Revenue Fund

The Federal Special Revenue Fund is a major fund that accounts for most federal revenues and expenditures.

The Federal Special Revenue Fund is divided into several accounts. The Fund accounts for federal grants received by the State that are earmarked for specific programs. The need to satisfy federal accounting and reporting requirements dictates that federal grants be accounted for in a number of separate accounts. These accounts include the Federal USDA—Food and Nutrition Services Account, the Federal Health and Human Services Account, the Federal Education Account, the Federal DHHS Block Grant Account, the Federal Operating Grants Account, the Unemployment Insurance Administration Account, the Federal Unemployment Insurance Occupational Training Account, and the Federal Employment and Training Grants Account.

Combining Schedule of Balance Sheet Accounts

FEDERAL SPECIAL REVENUE FUND

March 31, 2008
(Amounts in millions)

	Federal USDA-FNS	Federal DHHS	Federal Education	Federal DHHS Block Grant	Federal Operating Grants
ASSETS:					
Cash and investments	$ —	$ —	$ —	$ —	$ 256
Receivables, net of allowance for uncollectibles:					
Due from Federal government	29	4,175	79	83	258
Other	19	1	—	—	—
Due from other funds	—	226	2	—	2
Other assets	9	1	3	8	3
Total assets	**$ 57**	**$ 4,403**	**$ 84**	**$ 91**	**$ 519**
LIABILITIES:					
Accounts payable	$ 2	$ 27	$ 4	$ 2	$ 14
Accrued liabilities	2	2,592	11	4	9
Payable to local governments	39	1,132	27	69	184
Due to other funds	5	235	42	16	26
Deferred revenues	9	417	—	—	286
Total liabilities	**57**	**4,403**	**84**	**91**	**519**
FUND BALANCES:					
Reserved for encumbrances	8	203	110	8	600
Unreserved	(8)	(203)	(110)	(8)	(600)
Total fund balances	—	—	—	—	—
Total liabilities and fund balance	**$ 57**	**$ 4,403**	**$ 84**	**$ 91**	**$ 519**

See independent auditors' report.

Unemployment Insurance Administration	Unemployment Insurance Occupational Training	Federal Employment and Training Grants	Totals 2008	Totals 2007
$ 64	$ 1	$ 2	**$ 323**	$ 272
21	—	1	**4,646**	4,019
—	—	—	**20**	—
—	—	—	**230**	193
1	—	—	**25**	31
$ 86	**$ 1**	**$ 3**	**$ 5,244**	**$ 4,515**
$ 4	$ —	$ 2	**$ 55**	$ 45
26	—	—	**2,644**	2,459
—	—	—	**1,451**	834
19	—	1	**344**	452
37	1	—	**750**	724
86	**1**	**3**	**5,244**	**4,514**
19	—	16	**964**	901
(19)	—	(16)	**(964)**	(900)
—	—	—	**—**	**1**
$ 86	**$ 1**	**$ 3**	**$ 5,244**	**$ 4,515**

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance Accounts

FEDERAL SPECIAL REVENUE FUND

Year Ended March 31, 2008
(Amounts in millions)

	Federal USDA-FNS	Federal DHHS	Federal Education	Federal DHHS Block Grant	Federal Operating Grants
REVENUES:					
Federal grants	$ 4,008	$ 27,295	$ 2,774	$ 680	$ 808
Miscellaneous	—	—	—	—	12
Total revenues	**4,008**	**27,295**	**2,774**	**680**	**820**
EXPENDITURES:					
Local assistance grants:					
Social services	2,783	23,195	—	353	5
Education	652	—	2,533	1	4
Mental hygiene	—	18	6	134	10
Health and environment	484	372	14	24	—
Transportation	—	—	—	—	24
Criminal justice	—	3	—	—	167
Miscellaneous	—	119	—	94	313
State operations:					
Personal service	20	150	81	33	123
Non-personal service	31	208	87	19	133
Pension contribution	2	11	8	2	7
Other fringe benefits	7	42	28	8	27
Total expenditures	**3,979**	**24,118**	**2,757**	**668**	**813**
Excess of revenues over expenditures	**29**	**3,177**	**17**	**12**	**7**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	—	—	—	—	—
Transfers to other funds	(29)	(3,177)	(17)	(12)	(8)
Other financing sources (uses)	**(29)**	**(3,177)**	**(17)**	**(12)**	**(8)**
Net change in fund balances	**—**	**—**	**—**	**—**	**(1)**
Fund balances at April 1, 2007	**—**	**—**	**—**	**—**	**1**
Fund balances at March 31, 2008	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

See independent auditors' report.

Unemployment Insurance Administration	Unemployment Insurance Occupational Training	Federal Employment and Training Grants	Totals 2008	Totals 2007
$ 249	$ 14	$ 177	**$ 36,005**	$ 36,276
57	—	—	**69**	90
306	**14**	**177**	**36,074**	**36,366**
—	—	1	**26,337**	26,558
—	—	—	**3,190**	3,456
—	—	—	**168**	267
—	—	—	**894**	955
—	—	—	**24**	23
—	—	1	**171**	143
2	2	159	**689**	711
149	—	10	**566**	540
71	12	6	**567**	571
18	—	—	**48**	50
66	—	—	**178**	169
306	**14**	**177**	**32,832**	**33,443**
—	**—**	**—**	**3,242**	**3,125**
—	—	—	—	1
—	—	—	**(3,243)**	(3,126)
—	**—**	**—**	**(3,243)**	**(3,125)**
—	**—**	**—**	**(1)**	**—**
—	—	—	**1**	**1**
$ —	**$ —**	**$ —**	**$ —**	**$ 1**

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General Obligation Debt Service Fund

The General Obligation Debt Service Fund is a major fund that is used to account for the payment of principal and interest on the State's general obligation debt and the payments on certain lease/purchase or other contractual obligations.

The General Obligation Debt Service Fund is divided into two accounts. The principal and interest payments for the State's general obligation debt and for certain lease/purchase or other contractual obligations are made from the General Obligation Debt Service Account. The principal and interest payments for the Tobacco Settlement Financing Corporation (TSFC) are made from the Tobacco Settlement Financing Corporation Account.

Combining Schedule of Balance Sheet Accounts

GENERAL OBLIGATION DEBT SERVICE FUND

March 31, 2008
(Amounts in millions)

	General Obligation Debt Service Account	Tobacco Settlement Financing Corporation	Totals 2008	Totals 2007
ASSETS:				
Cash and investments	$ 765	$ 471	**$ 1,236**	$ 1,244
Receivables, net of allowance for uncollectibles:				
Taxes	2,743	—	**2,743**	2,090
Other	—	455	**455**	400
Due from other funds	—	—	**—**	166
Total assets	**$ 3,508**	**$ 926**	**$ 4,434**	**$ 3,900**
LIABILITIES:				
Tax refunds payable	$ 1,558	$ —	**$ 1,558**	**$ 1,412**
Accounts payable	175	—	**175**	—
Accrued liabilities	5	—	**5**	5
Payable to local governments	81	—	**81**	127
Due to other funds	1,091	—	**1,091**	534
Deferred revenues	63	—	**63**	60
Total liabilities	**2,973**	**—**	**2,973**	**2,138**
FUND BALANCES:				
Reserved for debt service	706	926	**1,632**	1,590
Unreserved	(171)	—	**(171)**	172
Total fund balances	**535**	**926**	**1,461**	**1,762**
Total liabilities and fund balances	**$ 3,508**	**$ 926**	**$ 4,434**	**$ 3,900**

See independent auditors' report.

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance Accounts

GENERAL OBLIGATION DEBT SERVICE FUND

Year Ended March 31, 2008
(Amounts in millions)

	General Obligation Debt Service Account	Tobacco Settlement Financing Corporation	Totals 2008	Totals 2007
REVENUES:				
Taxes:				
Personal income tax	$ 10,180	$ —	**$ 10,180**	$ 8,125
Tobacco settlement	—	475	**475**	407
Miscellaneous	66	—	**66**	53
Total revenues	**10,246**	**475**	**10,721**	**8,585**
EXPENDITURES:				
Non-personal service	35	3	**38**	33
Debt service, including payments on financing arrangements	2,933	419	**3,352**	2,876
Total expenditures	**2,968**	**422**	**3,390**	**2,909**
Excess of revenues over expenditures	**7,278**	**53**	**7,331**	**5,676**
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	2,651	—	**2,651**	2,879
Transfers to other funds	(10,294)	—	**(10,294)**	(8,531)
Financing arrangements/advance refundings issued	1,057	443	**1,500**	319
Payments to escrow agents for advance refundings	(1,104)	(455)	**(1,559)**	(316)
Premiums on financing arrangements/advance refundings	55	15	**70**	1
Net other financing sources (uses)	**(7,635)**	**3**	**(7,632)**	**(5,648)**
Net change in fund balances	**(357)**	**56**	**(301)**	**28**
Fund balances at April 1, 2007	**892**	**870**	**1,762**	**1,734**
Fund balances at March 31, 2008	**$ 535**	**$ 926**	**$ 1,461**	**$ 1,762**

See independent auditors' report.

Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual

GENERAL OBLIGATION DEBT SERVICE FUND

Year Ended March 31, 2008
(Amounts in millions)

	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:			
Taxes	$ 9,100	$ 9,141	$ 41
Total receipts	**9,100**	**9,141**	**41**
DISBURSEMENTS:			
State operations	38	14	24
Debt service	3,343	3,298	45
Total disbursements	**3,381**	**3,312**	**69**
Excess of receipts over disbursements	**5,719**	**5,829**	**110**
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	2,684	2,644	(40)
Transfers to other funds	(8,403)	(8,473)	(70)
Net other financing sources (uses)	**(5,719)**	**(5,829)**	**(110)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ —**

See independent auditors' report.

Other Governmental Funds

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS

March 31, 2008
(Amounts in millions)

	Special Revenue	Debt Service	Capital Projects	Totals 2008	Totals 2007
ASSETS:					
Cash and investments	$ 3,692	$ 743	$ 2,204	**$ 6,639**	$ 7,848
Receivables, net of allowance for uncollectibles:					
Taxes	120	216	76	**412**	419
Due from Federal government	—	—	437	**437**	437
Other	581	84	212	**877**	728
Due from other funds	211	103	108	**422**	516
Other assets	42	—	8	**50**	39
Total assets	**$ 4,646**	**$ 1,146**	**$ 3,045**	**$ 8,837**	**$ 9,987**
LIABILITIES:					
Tax refunds payable	$ 156	$ 20	$ 21	**$ 197**	$ 195
Accounts payable	23	2	422	**447**	493
Accrued liabilities	27	—	92	**119**	98
Payable to local governments	152	—	613	**765**	247
Due to other funds	66	153	617	**836**	846
Deferred revenues	67	35	32	**134**	144
Total liabilities	**491**	**210**	**1,797**	**2,498**	**2,023**
FUND BALANCES:					
Reserved for:					
Encumbrances	247	—	5,941	**6,188**	5,347
Debt service	—	672	—	**672**	620
Other specified purposes	350	—	451	**801**	2,194
Unreserved	3,558	264	(5,144)	**(1,322)**	(197)
Total fund balances	**4,155**	**936**	**1,248**	**6,339**	**7,964**
Total liabilities and fund balance	**$ 4,646**	**$ 1,146**	**$ 3,045**	**$ 8,837**	**$ 9,987**

See independent auditors' report.

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

OTHER GOVERNMENTAL FUNDS

Year Ended March 31, 2008

(Amounts in millions)

	Special Revenue	Debt Service	Capital Projects	Totals 2008	Totals 2007
REVENUES:					
Taxes:					
Personal income	$ 4,664	$ —	$ —	**$ 4,664**	$ 3,994
Consumption and use	1,626	2,779	1,213	**5,618**	5,437
Business	1,564	—	649	**2,213**	2,158
Other	—	809	212	**1,021**	1,013
Federal grants	—	—	1,745	**1,745**	1,820
Public health/patient fees	3,274	626	—	**3,900**	3,810
Tobacco settlement	105	—	—	**105**	107
Miscellaneous	2,348	64	382	**2,794**	3,235
Total revenues	**13,581**	**4,278**	**4,201**	**22,060**	**21,574**
EXPENDITURES:					
Local assistance grants:					
Social services	2,907	—	—	**2,907**	2,918
Education	6,248	—	1,259	**7,507**	6,370
Mental hygiene	40	—	119	**159**	158
Health and environment	1,829	—	274	**2,103**	2,254
Transportation	2,727	—	437	**3,164**	2,553
Criminal justice	80	—	—	**80**	74
Miscellaneous	1,239	—	502	**1,741**	1,257
State operations:					
Personal service	257	—	—	**257**	274
Non-personal service	2,224	19	—	**2,243**	2,402
Pension contribution	17	—	—	**17**	20
Other fringe benefits	51	—	—	**51**	58
Capital construction	—	—	4,467	**4,467**	4,404
Debt service, including payments on financing arrangements	—	726	—	**726**	716
Total expenditures	**17,619**	**745**	**7,058**	**25,422**	**23,458**
Excess (deficiency) of revenues over expenditures	**(4,038)**	**3,533**	**(2,857)**	**(3,362)**	**(1,884)**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	2,836	2,864	219	**5,919**	5,839
Transfers to other funds	(125)	(6,391)	(968)	**(7,484)**	(7,085)
General obligation bonds issued	—	—	268	**268**	180
Premiums on general obligation bonds issued	—	—	2	**2**	2
Financing arrangements/advance refundings issued	—	780	2,912	**3,692**	2,892
Payments to escrow agents for advance refundings	—	(824)	—	**(824)**	(219)
Premiums on financing arrangements/ advance refundings	—	46	118	**164**	—
Net other financing sources (uses)	**2,711**	**(3,525)**	**2,551**	**1,737**	**1,609**
Net change in fund balances	**(1,327)**	**8**	**(306)**	**(1,625)**	**(275)**
Fund balances at April 1, 2007	**5,482**	**928**	**1,554**	**7,964**	**8,239**
Fund balances at March 31, 2008	**$ 4,155**	**$ 936**	**$ 1,248**	**$ 6,339**	**$ 7,964**

See independent auditors' report.

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual

OTHER GOVERNMENTAL FUNDS

Year Ended March 31, 2008
(Amounts in millions)

	Special Revenue			Debt Service		
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:						
Taxes	$ 7,775	$ 7,834	$ 59	$ 3,459	$ 3,455	$ (4)
Miscellaneous	13,590	13,424	(166)	672	841	169
Federal grants	—	—	—	—	—	—
Total receipts	**21,365**	**21,258**	**(107)**	**4,131**	**4,296**	**165**
DISBURSEMENTS:						
Local assistance grants	17,928	17,320	608	—	—	—
State operations	7,481	7,304	177	20	18	2
General state charges	649	640	9	—	—	—
Debt service	—	—	—	950	806	144
Capital projects	14	7	7	—	—	—
Total disbursements	**26,072**	**25,271**	**801**	**970**	**824**	**146**
Excess (deficiency) of receipts over disbursements	**(4,707)**	**(4,013)**	**694**	**3,161**	**3,472**	**311**
OTHER FINANCING SOURCES (USES):						
Bond and note proceeds, net	—	—	—	—	—	—
Transfers from other funds	7,445	4,520	(2,925)	3,123	2,791	(332)
Transfers to other funds	(3,613)	(713)	2,900	(6,239)	(6,210)	29
Net other financing sources (uses)	**3,832**	**3,807**	**(25)**	**(3,116)**	**(3,419)**	**(303)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ (875)**	**$ (206)**	**$ 669**	**$ 45**	**$ 53**	**$ 8**

See independent auditors' report.

Capital Projects

Financial Plan	Actual	Favorable (Unfavorable) Variance
$ 2,009	$ 2,047	$ 38
3,306	2,736	(570)
1,859	1,745	(114)
7,174	**6,528**	**(646)**
603	1,078	(475)
—	—	—
—	—	—
—	—	—
6,097	5,053	1,044
6,700	**6,131**	**569**
474	**397**	**(77)**
298	269	(29)
212	272	60
(943)	(939)	4
(433)	**(398)**	**35**
$ 41	**$ (1)**	**$ (42)**

STATE OF NEW YORK
EXCELSIOR
COMPTROLLER

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

School Tax Relief Fund (STAR)—to reimburse school districts for the property tax exemptions for homeowners.

Health Care Reform Act Resources—to account for health care initiatives financed with hospital assessments, surcharges, proceeds from the sale of public assets and cigarette tax receipts.

Dedicated Mass Transportation Trust Fund—to account for monies that are earmarked for mass transportation purposes.

ENCON Special Revenue—to account for various fees, fines and penalties earmarked for environmental monitoring activities, conservation and efficiency projects and other environmental maintenance and regulation purposes.

Conservation Fund—to account for hunting and fishing license fees and related fines and penalties that are dedicated to fish and wildlife programs.

Environmental Protection and Oil Spill Compensation Fund—to account for license fees and penalties that are earmarked for oil spill clean-up costs and claims for damages.

Mass Transportation Operating Assistance—to account for various taxes earmarked for public mass transportation operating assistance programs.

Public Asset—to account for the assets or monies resulting from the conversion of Empire Blue Cross Blue Shield from a not-for-profit to a pecuniary (financial) profit organization.

Miscellaneous—to account for various fees, fines, user charges and other miscellaneous revenues that are earmarked for specific State programs.

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

March 31, 2008
(Amounts in millions)

	School Tax Relief (STAR)	Health Care Reform Act Resources	Dedicated Mass Transportation Trust	ENCON Special Revenue	Conservation
ASSETS:					
Cash and investments	$ 6	$ 931	$ 110	$ 19	$ 40
Receivables, net of allowance for uncollectibles:					
Taxes	—	40	20	—	—
Other	2	453	—	—	—
Due from other funds	—	8	11	—	—
Other assets	—	35	—	—	—
Total assets	**$ 8**	**$ 1,467**	**$ 141**	**$ 19**	**$ 40**
LIABILITIES:					
Tax refunds payable	$ —	$ —	$ 8	$ —	$ —
Accounts payable	—	8	2	3	1
Accrued liabilities	—	2	—	6	3
Payable to local governments	—	62	9	—	—
Due to other funds	—	2	—	2	18
Deferred revenues	—	23	—	—	—
Total liabilities	**—**	**97**	**19**	**11**	**22**
FUND BALANCES:					
Reserved for:					
Encumbrances	—	74	73	13	1
Other specified purposes	—	—	—	—	—
Unreserved	8	1,296	49	(5)	17
Total fund balances (deficits)	**8**	**1,370**	**122**	**8**	**18**
Total liabilities and fund balance (deficits)	**$ 8**	**$ 1,467**	**$ 141**	**$ 19**	**$ 40**

See independent auditors' report.

Environmental Protection and Oil Spill Compensation	Mass Transportation Operating Assistance	Public Asset	Miscellaneous	Totals 2008	Totals 2007
$ 2	$ 546	$ 350	$ 1,688	**$ 3,692**	**$ 5,047**
—	59	—	1	**120**	125
—	—	—	126	**581**	482
—	—	—	192	**211**	312
1	—	—	6	**42**	8
$ 3	**$ 605**	**$ 350**	**$ 2,013**	**$ 4,646**	**$ 5,974**
$ —	$ 147	$ —	$ 1	**$ 156**	$ 165
4	—	—	5	**23**	29
1	—	—	15	**27**	32
—	—	—	81	**152**	127
1	4	—	39	**66**	69
—	—	—	44	**67**	70
6	**151**	**—**	**185**	**491**	**492**
—	1	—	85	**247**	288
—	—	350	—	**350**	1,610
(3)	453	—	1,743	**3,558**	3,584
(3)	**454**	**350**	**1,828**	**4,155**	**5,482**
$ 3	**$ 605**	**$ 350**	**$ 2,013**	**$ 4,646**	**$ 5,974**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

Year Ended March 31, 2008
(Amounts in millions)

	School Tax Relief (STAR)	Health Care Reform Act Resources	Dedicated Mass Transportation Trust	ENCON Special Revenue	Conservation
REVENUES:					
Taxes:					
Personal income	$ 4,664	$ —	$ —	$ —	$ —
Consumption and use	—	566	309	—	—
Business	—	—	372	—	—
Public health/patient fees	—	3,274	—	—	—
Tobacco settlement	—	105	—	—	—
Miscellaneous	—	62	12	91	48
Total revenues	**4,664**	**4,007**	**693**	**91**	**48**
EXPENDITURES:					
Local assistance grants:					
Social services	—	2,907	—	—	—
Education	3,557	—	—	—	—
Mental hygiene	—	38	—	—	—
Health and environment	—	1,829	—	—	—
Transportation	—	—	670	—	—
Criminal justice	—	—	—	—	—
Miscellaneous	1,099	3	—	1	—
State operations:					
Personal service	—	29	—	37	19
Non-personal service	—	69	—	49	13
Pension contribution	—	1	—	3	2
Other fringe benefits	—	4	—	10	7
Total expenditures	**4,656**	**4,880**	**670**	**100**	**41**
Excess (deficiency) of revenues over expenditures	**8**	**(873)**	**23**	**(9)**	**7**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	—	1,004	—	7	—
Transfers to other funds	—	(81)	—	(1)	(2)
Net other financing sources (uses)	**—**	**923**	**—**	**6**	**(2)**
Net change in fund balances	**8**	**50**	**23**	**(3)**	**5**
Fund balances at April 1, 2007	**—**	**1,320**	**99**	**11**	**13**
Fund balances (deficits) at March 31, 2008	**$ 8**	**$ 1,370**	**$ 122**	**$ 8**	**$ 18**

See independent auditors' report.

Environmental Protection and Oil Spill Compensation	Mass Transportation Operating Assistance	Public Asset	Miscellaneous	Eliminations	Totals 2008	Totals 2007
$ —	$ —	$ —	$ —	$ —	**$ 4,664**	$ 3,994
—	719	—	32	—	**1,626**	1,600
—	1,192	—	—	—	**1,564**	1,523
—	—	—	—	—	**3,274**	3,174
—	—	—	—	—	**105**	107
58	34	—	2,043	—	**2,348**	2,940
58	**1,945**	**—**	**2,075**	**—**	**13,581**	**13,338**
—	—	—	—	—	**2,907**	2,918
—	—	—	2,691	—	**6,248**	5,782
—	—	—	2	—	**40**	55
—	—	—	—	—	**1,829**	2,136
—	2,057	—	—	—	**2,727**	2,167
—	—	—	80	—	**80**	74
—	—	—	136	—	**1,239**	852
10	3	—	159	—	**257**	274
36	1	257	1,799	—	**2,224**	2,382
—	1	—	10	—	**17**	20
3	1	—	26	—	**51**	58
49	**2,063**	**257**	**4,903**	**—**	**17,619**	**16,718**
9	**(118)**	**(257)**	**(2,828)**	**—**	**(4,038)**	**(3,380)**
—	63	—	2,771	(1,009)	**2,836**	2,598
(17)	—	(1,003)	(30)	1,009	**(125)**	(58)
(17)	**63**	**(1,003)**	**2,741**	**—**	**2,711**	**2,540**
(8)	**(55)**	**(1,260)**	**(87)**	**—**	**(1,327)**	**(840)**
5	**509**	**1,610**	**1,915**	**—**	**5,482**	**6,322**
$ (3)	**$ 454**	**$ 350**	**$ 1,828**	**$ —**	**$ 4,155**	**$ 5,482**

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

Year Ended March 31, 2008
(Amounts in millions)

	School Tax Relief			Mass Transportation Operating Assistance		
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:						
Taxes	$ 4,664	$ 4,664	$ —	$ 1,847	$ 1,887	$ 40
Miscellaneous	—	—	—	20	34	14
Total receipts	**4,664**	**4,664**	**—**	**1,867**	**1,921**	**54**
DISBURSEMENTS:						
Local assistance grants	4,664	4,658	6	2,062	2,057	5
State operations	—	—	—	5	4	1
General state charges	—	—	—	2	1	1
Capital projects	—	—	—	—	—	—
Total disbursements	**4,664**	**4,658**	**6**	**2,069**	**2,062**	**7**
Excess (deficiency) of receipts over disbursements	**—**	**6**	**6**	**(202)**	**(141)**	**61**
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	—	—	—	79	63	(16)
Transfers to other funds	—	—	—	(23)	—	23
Net other financing sources (uses)	**—**	**—**	**—**	**56**	**63**	**7**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ 6**	**$ 6**	**$ (146)**	**$ (78)**	**$ 68**

See independent auditors' report.

State Special Revenue Account			Other		
Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
$ 4	$ 8	$ 4	$ 1,260	$ 1,275	$ 15
3,031	3,010	(21)	10,539	10,380	(159)
3,035	**3,018**	**(17)**	**11,799**	**11,655**	**(144)**
2,575	2,260	315	8,627	8,345	282
3,688	3,509	179	3,788	3,791	(3)
321	306	15	326	333	(7)
10	—	10	4	7	(3)
6,594	**6,075**	**519**	**12,745**	**12,476**	**269**
(3,559)	**(3,057)**	**502**	**(946)**	**(821)**	**125**
3,973	3,504	(469)	3,087	15,975	12,888
(687)	(538)	149	(2,597)	(15,197)	(12,600)
3,286	**2,966**	**(320)**	**490**	**778**	**288**
$ (273)	**$ (91)**	**$ 182**	**$ (456)**	**$ (43)**	**$ 413**

(Continued)

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual (cont'd)

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

Year Ended March 31, 2008
(Amounts in millions)

	Eliminations		Total		
	Financial Plan	Actual	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:					
Taxes	$ —	$ —	$ 7,775	$ 7,834	$ 59
Miscellaneous	—	—	13,590	13,424	(166)
Total receipts	**—**	**—**	**21,365**	**21,258**	**(107)**
DISBURSEMENTS:					
Local assistance grants	—	—	17,928	17,320	608
State operations	—	—	7,481	7,304	177
General state charges	—	—	649	640	9
Capital projects	—	—	14	7	7
Total disbursements	**—**	**—**	**26,072**	**25,271**	**801**
Excess (deficiency) of receipts over disbursements	**—**	**—**	**(4,707)**	**(4,013)**	**694**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	306	(15,022)	7,445	4,520	(2,925)
Transfers to other funds	(306)	15,022	(3,613)	(713)	2,900
Net other financing sources (uses)	**—**	**—**	**3,832**	**3,807**	**(25)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ (875)**	**$ (206)**	**$ 669**

See independent auditors' report.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term obligations and payments on certain lease/purchase or other contractual obligations.

Mental Health Services Fund—to account for the payment of debt service in conjunction with agreements for financing mental hygiene facilities.

State Housing Debt Fund—to account for the repayment of State advances made to local governments and certain public authorities that are earmarked for paying the principal and interest on State housing bonds.

Department of Health Income Fund—to account for the payment of debt service in conjunction with agreements with the Dormitory Authority for financing health facilities.

Clean Water/Clean Air—to account for taxes earmarked for reimbursing the General Debt Service Fund for the payment of debt service on the Clean Water/ Clean Air bonds.

Local Government Assistance Tax Fund—to account for revenues that are earmarked for payment to the New York Local Government Assistance Corporation for debt service.

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

March 31, 2008
(Amounts in millions)

	Debt Reduction Reserve	Mental Health Services	State Housing Debt	Department of Health Income	Clean Water/ Clean Air
ASSETS:					
Cash and investments	$ 101	$ 68	$ —	$ 51	$ 1
Receivables, net of allowance for uncollectibles:					
Taxes	—	—	—	—	34
Other	—	40	26	17	—
Due from other funds	—	91	—	5	—
Total assets	**$ 101**	**$ 199**	**$ 26**	**$ 73**	**$ 35**
LIABILITIES:					
Tax refunds payable	$ —	$ —	$ —	$ —	$ —
Accounts payable	—	—	—	—	—
Due to other funds	—	—	—	—	1
Deferred revenues	—	4	18	1	—
Total liabilities	**—**	**4**	**18**	**1**	**1**
FUND BALANCES:					
Reserved for debt service	101	29	—	19	—
Unreserved	—	166	8	53	34
Total fund balances	**101**	**195**	**8**	**72**	**34**
Total liabilities and fund balances	**$ 101**	**$ 199**	**$ 26**	**$ 73**	**$ 35**

See independent auditors' report.

Local Government Assistance Tax	Totals 2008	Totals 2007
$ 522	**$ 743**	$ 711
182	**216**	217
1	**84**	80
7	**103**	148
$ 712	**$ 1,146**	**$ 1,156**
$ 20	**$ 20**	$ 19
2	**2**	5
152	**153**	167
12	**35**	37
186	**210**	**228**
523	**672**	620
3	**264**	308
526	**936**	**928**
$ 712	**$ 1,146**	**$ 1,156**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

Year Ended March 31, 2008
(Amounts in millions)

	Debt Reduction Reserve	Mental Health Services	State Housing Debt	Department of Health Income	Clean Water/ Clean Air
REVENUES:					
Taxes:					
Consumption and use	$ —	$ —	$ —	$ —	$ —
Other	—	—	—	—	809
Patient fees	—	293	—	333	—
Miscellaneous	—	17	18	4	—
Total revenues	**—**	**310**	**18**	**337**	**809**
EXPENDITURES:					
Non-personal service	—	7	—	3	—
Debt service, including payments on financing arrangements	22	296	20	28	—
Total expenditures	**22**	**303**	**20**	**31**	**—**
Excess (deficiency) of revenues over expenditures	**(22)**	**7**	**(2)**	**306**	**809**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	127	2,690	3	44	—
Transfers to other funds	(4)	(2,725)	—	(359)	(808)
Financing arrangements/advance refundings issued	—	—	—	—	—
Payments to escrow agents for advance refundings	—	—	—	—	—
Premiums on financing arrangements/ advance refundings	—	—	—	—	—
Net other financing sources (uses)	**123**	**(35)**	**3**	**(315)**	**(808)**
Net change in fund balances	**101**	**(28)**	**1**	**(9)**	**1**
Fund balances at April 1, 2007	**—**	**223**	**7**	**81**	**33**
Fund balances at March 31, 2008	**$ 101**	**$ 195**	**$ 8**	**$ 72**	**$ 34**

See independent auditors' report.

Local Government Assistance Tax	Totals 2008	Totals 2007
$ 2,779	**$ 2,779**	$ 2,667
—	**809**	866
—	**626**	636
25	**64**	44
2,804	**4,278**	**4,213**
9	**19**	20
360	**726**	716
369	**745**	**736**
2,435	**3,533**	**3,477**
—	**2,864**	2,809
(2,495)	**(6,391)**	(6,227)
780	**780**	224
(824)	**(824)**	(219)
46	**46**	—
(2,493)	**(3,525)**	**(3,413)**
(58)	**8**	**64**
584	**928**	**864**
$ 526	**$ 936**	**$ 928**

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

Year Ended March 31, 2008
(Amounts in millions)

	Mental Health Services			Clean Water/Clean Air		
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:						
Taxes	$ —	$ —	$ —	$ 844	$ 809	$ (35)
Miscellaneous	228	296	68	—	—	—
Total receipts	**228**	**296**	**68**	**844**	**809**	**(35)**
DISBURSEMENTS:						
State operations	8	6	2	—	—	—
Debt service	293	297	(4)	—	—	—
Total disbursements	**301**	**303**	**(2)**	**—**	**—**	**—**
Excess (deficiency) of receipts over disbursements	**(73)**	**(7)**	**66**	**844**	**809**	**(35)**
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	2,831	2,741	(90)	—	—	—
Transfers to other funds	(2,711)	(2,726)	(15)	(844)	(809)	35
Net other financing sources (uses)	**120**	**15**	**(105)**	**(844)**	**(809)**	**35**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ 47**	**$ 8**	**$ (39)**	**$ —**	**$ —**	**$ —**

See independent auditors' report.

Local Government Assistance Tax			Other		
Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
$ 2,615	$ 2,646	$ 31	$ —	$ —	$ —
—	1	1	444	544	100
2,615	**2,647**	**32**	**444**	**544**	**100**
7	6	1	5	6	(1)
303	279	24	354	230	124
310	**285**	**25**	**359**	**236**	**123**
2,305	**2,362**	**57**	**85**	**308**	**223**
—	—	—	165	50	(115)
(2,305)	(2,358)	(53)	(252)	(317)	(65)
(2,305)	**(2,358)**	**(53)**	**(87)**	**(267)**	**(180)**
$ —	**$ 4**	**$ 4**	**$ (2)**	**$ 41**	**$ 43**

(Continued)

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual (cont'd)

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

Year Ended March 31, 2008
(Amounts in millions)

	Eliminations		Total		
	Financial Plan	Actual	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:					
Taxes	$ —	$ —	$ 3,459	$ 3,455	$ (4)
Miscellaneous	—	—	672	841	169
Total receipts	**—**	**—**	**4,131**	**4,296**	**165**
DISBURSEMENTS:					
State operations	—	—	20	18	2
Debt service	—	—	950	806	144
Total disbursements	**—**	**—**	**970**	**824**	**146**
Excess (deficiency) of receipts over disbursements	**—**	**—**	**3,161**	**3,472**	**311**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	127	—	3,123	2,791	(332)
Transfers to other funds	(127)	—	(6,239)	(6,210)	29
Net other financing sources (uses)	**—**	**—**	**(3,116)**	**(3,419)**	**(303)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ 45**	**$ 53**	**$ 8**

See independent auditors' report.

Capital Projects Funds

Capital Projects Funds are used to account for the financial resources used for the acquisition or construction of major State-owned capital facilities and for capital assistance grants to local governments and public authorities.

State Capital Projects Fund—to account for the construction or acquisition of State capital assets and the payments to local governments and public authorities for capital assistance financed primarily by transfers from the General Fund, bond funds and proceeds from various financial arrangements.

Dedicated Highway and Bridge Trust Fund—to account for taxes and fees that are earmarked for financing State, county, town, and village highway, parkway, bridge, aviation or port facility capital projects.

Environmental Protection Fund—to account for dedicated revenues that will be used to assist local government, not-for-profit corporations, and fund State initiatives to protect the environment and protect open space.

Bond Funds—to account for the proceeds of bonds issued for capital purposes. A separate bond fund is established to account for the bond proceeds of each bond issue authorized by public referendum, including the Energy Conservation Through Improved Transportation Bond Fund, the Pure Waters Bond Fund, the Transportation Capital Facilities Bond Fund, the Environmental Quality Protection Bond Fund, the Rail Preservation and Development Bond Fund, the Rebuild and Renew New York Transportation Bond Fund, the Environmental Quality Bond Act Fund and the Clean Water/Clean Air Bond Fund.

Hazardous Waste Remedial Fund—to account for revenues earmarked for the clean-up of hazardous waste disposal sites.

Federal Capital Projects Fund—to account for capital projects financed from federal grants.

Housing Program Fund—to account for the Low Income Housing Trust Fund Program and the Affordable Home Ownership Development program that are financed by the New York State Housing Finance Agency.

Department of Transportation (DOT) Engineering Services Fund—to account for costs of providing engineering services for capital projects administered by the Department of Transportation.

Mental Hygiene Facilities Capital Improvement Fund—to account for mental hygiene capital projects.

Correctional Facilities Capital Improvement Fund—to account for correctional facility capital projects financed by the Urban Development Corporation.

Miscellaneous—to account for various capital projects financed from the sale of land or other resources, gifts, grants or other miscellaneous revenue sources earmarked for capital purposes or from transfers from the New York State Infrastructure Trust Account.

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

March 31, 2008
(Amounts in millions)

	State Capital Projects	Dedicated Highway & Bridge Trust	Environmental Protection	Transportation Capital Facilities Bond	Environmental Quality Protection Bond	Rebuild & Renew New York Transportation Bond	Environmental Quality Bond
ASSETS:							
Cash and investments	$ 1,563	$ 76	$ 160	$ 3	$ 5	$ 82	$ 21
Receivables, net of allowance for uncollectibles:							
Taxes	—	76	—	—	—	—	—
Due from Federal government	—	—	—	—	—	—	—
Other	182	22	1	—	—	—	—
Due from other funds	51	106	—	—	—	—	—
Other assets	—	1	—	—	—	—	—
Total assets	**$ 1,796**	**$ 281**	**$ 161**	**$ 3**	**$ 5**	**$ 82**	**$ 21**
LIABILITIES:							
Tax refunds payable	$ —	$ 21	$ —	$ —	$ —	$ —	$ —
Accounts payable	158	100	11	—	—	—	—
Accrued liabilities	5	80	—	—	—	—	—
Payable to local governments	541	5	10	—	—	—	—
Due to other funds	50	313	—	—	—	—	—
Deferred revenues	23	3	1	—	—	—	—
Total liabilities	**777**	**522**	**22**	**—**	**—**	**—**	**—**
FUND BALANCES (DEFICITS):							
Reserved for:							
Encumbrances	807	1,315	184	—	—	—	—
Other specified purposes	427	24	—	—	—	—	—
Unreserved	(215)	(1,580)	(45)	3	5	82	21
Total fund balances (deficits)	**1,019**	**(241)**	**139**	**3**	**5**	**82**	**21**
Total liabilities and fund balances (deficits)	**$ 1,796**	**$ 281**	**$ 161**	**$ 3**	**$ 5**	**$ 82**	**$ 21**

See independent auditors' report.

Hazardous Waste Remedial	Federal Capital Projects	Clean Water/ Clean Air Bond	Housing Program	DOT Engineering Services	Mental Hygiene Facilities Capital Improvement	Correctional Facilities Capital Improvement	Miscellaneous	Eliminations	Totals 2008	Totals 2007
$ 89	$ —	$ 17	$ —	$ —	$ —	$ 122	$ 66	$ —	**$ 2,204**	$ 2,090
—	—	—	—	—	—	—	—	—	**76**	77
—	437	—	—	—	—	—	—	—	**437**	437
7	—	—	—	—	—	—	—	—	**212**	166
—	237	—	1	—	—	—	—	(287)	**108**	56
—	—	—	—	7	—	—	—	—	**8**	31
$ 96	**$ 674**	**$ 17**	**$ 1**	**$ 7**	**$ —**	**$ 122**	**$ 66**	**$ (287)**	**$ 3,045**	**$ 2,857**
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	**$ 21**	$ 11
6	88	—	—	2	14	36	7	—	**422**	459
4	1	—	—	—	—	—	2	—	**92**	66
—	53	—	—	—	3	—	1	—	**613**	120
4	345	—	130	29	33	—	—	(287)	**617**	610
5	—	—	—	—	—	—	—	—	**32**	37
19	**487**	**—**	**130**	**31**	**50**	**36**	**10**	**(287)**	**1,797**	**1,303**
72	2,978	—	3	37	277	215	53	—	**5,941**	5,059
—	—	—	—	—	—	—	—	—	**451**	584
5	(2,791)	17	(132)	(61)	(327)	(129)	3	—	**(5,144)**	(4,089)
77	**187**	**17**	**(129)**	**(24)**	**(50)**	**86**	**56**	**—**	**1,248**	**1,554**
$ 96	**$ 674**	**$ 17**	**$ 1**	**$ 7**	**$ —**	**$ 122**	**$ 66**	**$ (287)**	**$ 3,045**	**$ 2,857**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

Year Ended March 31, 2008
(Amounts in millions)

	State Capital Projects	Dedicated Highway & Bridge Trust	Environmental Protection	Transportation Capital Facilities Bond	Environmental Quality Protection Bond	Rebuild & Renew New York Transportation Bond	Environmental Quality Bond
REVENUES:							
Taxes:							
Consumption and use	$ —	$ 1,213	$ —	$ —	$ —	$ —	$ —
Business	—	649	—	—	—	—	—
Other	—	—	212	—	—	—	—
Federal grants	—	—	—	—	—	—	—
Miscellaneous	—	148	6	—	—	—	—
Total revenues	**—**	**2,010**	**218**	**—**	**—**	**—**	**—**
EXPENDITURES:							
Local assistance grants:							
Education	1,259	—	—	—	—	—	—
Mental hygiene	27	—	—	—	—	—	—
Health and environment	130	—	—	—	—	—	—
Transportation	96	43	—	—	—	—	—
Miscellaneous	244	—	30	—	—	—	—
Capital construction	653	2,271	130	—	—	1	—
Total expenditures	**2,409**	**2,314**	**160**	**—**	**—**	**1**	**—**
Excess (deficiency) of revenues over expenditures	**(2,409)**	**(304)**	**58**	**—**	**—**	**(1)**	**—**
OTHER FINANCING SOURCES (USES):							
Transfers from other funds	477	289	—	—	—	—	—
Transfers to other funds	(53)	(787)	(39)	—	(2)	(190)	(5)
General obligation bonds issued	—	—	—	—	—	199	2
Premiums on general obligation bonds issued	—	—	—	—	—	2	—
Financing arrangements issued	1,652	762	21	—	—	—	—
Premiums on financing arrangements/ advance refundings	85	18	1	—	—	—	—
Net other financing sources (uses)	**2,161**	**282**	**(17)**	**—**	**(2)**	**11**	**(3)**
Net change in fund balances	**(248)**	**(22)**	**41**	**—**	**(2)**	**10**	**(3)**
Fund balances (deficits) at April 1, 2007	**1,267**	**(219)**	**98**	**3**	**7**	**72**	**24**
Fund balances (deficits) at March 31, 2008	**$ 1,019**	**$ (241)**	**$ 139**	**$ 3**	**$ 5**	**$ 82**	**$ 21**

See independent auditors' report.

Hazardous Waste Remedial	Federal Capital Projects	Clean Water/ Clean Air Bond	Housing Program	DOT Engineering Services	Mental Hygiene Facilities Capital Improvement	Correctional Facilities Capital Improvement	Miscellaneous	Eliminations	Totals 2008	Totals 2007
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	**$ 1,213**	$ 1,170
—	—	—	—	—	—	—	—	—	**649**	635
—	—	—	—	—	—	—	—	—	**212**	147
—	1,745	—	—	—	—	—	—	—	**1,745**	1,820
24	6	—	127	—	1	6	64	—	**382**	251
24	**1,751**	**—**	**127**	**—**	**1**	**6**	**64**	**—**	**4,201**	**4,023**
—	—	—	—	—	—	—	—	—	**1,259**	588
—	—	—	—	—	92	—	—	—	**119**	103
2	142	—	—	—	—	—	—	—	**274**	118
—	298	—	—	—	—	—	—	—	**437**	386
—	—	—	96	—	—	—	132	—	**502**	405
108	776	—	32	8	163	260	65	—	**4,467**	4,404
110	**1,216**	**—**	**128**	**8**	**255**	**260**	**197**	**—**	**7,058**	**6,004**
(86)	**535**	**—**	**(1)**	**(8)**	**(254)**	**(254)**	**(133)**	**—**	**(2,857)**	**(1,981)**
29	—	—	1	17	5	—	6	(605)	**219**	432
(43)	(348)	(78)	—	—	—	—	(28)	605	**(968)**	(800)
—	—	60	—	—	—	—	7	—	**268**	180
—	—	—	—	—	—	—	—	—	**2**	2
100	—	—	—	—	—	248	129	—	**2,912**	2,668
7	—	—	—	—	—	1	6	—	**118**	—
93	**(348)**	**(18)**	**1**	**17**	**5**	**249**	**120**	**—**	**2,551**	**2,482**
7	**187**	**(18)**	**—**	**9**	**(249)**	**(5)**	**(13)**	**—**	**(306)**	**501**
70	**—**	**35**	**(129)**	**(33)**	**199**	**91**	**69**	**—**	**1,554**	**1,053**
$ 77	**$ 187**	**$ 17**	**$ (129)**	**$ (24)**	**$ (50)**	**$ 86**	**$ 56**	**$ —**	**$ 1,248**	**$ 1,554**

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

Year Ended March 31, 2008
(Amounts in millions)

	State Capital Projects			Dedicated Highway and Bridge Trust		
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:						
Taxes	$ —	$ —	$ —	$ 1,798	$ 1,834	$ 36
Miscellaneous	1,544	1,193	(351)	894	856	(38)
Federal grants	—	—	—	—	—	—
Total receipts	**1,544**	**1,193**	**(351)**	**2,692**	**2,690**	**(2)**
DISBURSEMENTS:						
Local assistance grants	245	359	(114)	—	33	(33)
Capital projects	1,702	1,271	431	2,127	1,979	148
Total disbursements	**1,947**	**1,630**	**317**	**2,127**	**2,012**	**115**
Excess (deficiency) of receipts over disbursements	**(403)**	**(437)**	**(34)**	**565**	**678**	**113**
OTHER FINANCING SOURCES (USES):						
Bond and note proceeds, net	—	—	—	—	—	—
Transfers from other funds	453	460	7	341	289	(52)
Transfers to other funds	(50)	(23)	27	(872)	(862)	10
Net other financing sources (uses)	**403**	**437**	**34**	**(531)**	**(573)**	**(42)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ —**	**$ 34**	**$ 105**	**$ 71**

See independent auditors' report.

Federal Capital Projects			Department of Transportation Engineering Services		
Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
$ —	$ —	$ —	$ —	$ —	$ —
—	6	6	—	—	—
1,859	1,745	(114)	—	—	—
1,859	**1,751**	**(108)**	**—**	**—**	**—**
142	489	(347)	—	—	—
1,447	1,073	374	9	9	—
1,589	**1,562**	**27**	**9**	**9**	**—**
270	**189**	**(81)**	**(9)**	**(9)**	**—**
—	—	—	—	—	—
—	—	—	15	17	2
(309)	(273)	36	—	—	—
(309)	**(273)**	**36**	**15**	**17**	**2**
$ (39)	**$ (84)**	**$ (45)**	**$ 6**	**$ 8**	**$ 2**

(Continued)

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual (cont'd)

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

Year Ended March 31, 2008
(Amounts in millions)

	Other			Eliminations	
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual
RECEIPTS:					
Taxes	$ 211	$ 213	$ 2	$ —	$ —
Miscellaneous	868	681	(187)	—	—
Federal grants	—	—	—	—	—
Total receipts	**1,079**	**894**	**(185)**	**—**	**—**
DISBURSEMENTS:					
Local assistance grants	216	197	19	—	—
Capital projects	812	721	91	—	—
Total disbursements	**1,028**	**918**	**110**	**—**	**—**
Excess (deficiency) of receipts over disbursements	**51**	**(24)**	**(75)**	**—**	**—**
OTHER FINANCING SOURCES (USES):					
Bond and note proceeds, net	298	269	(29)	—	—
Transfers from other funds	70	(494)	(564)	(667)	—
Transfers to other funds	(379)	219	598	667	—
Net other financing sources (uses)	**(11)**	**(6)**	**5**	**—**	**—**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ 40**	**$ (30)**	**$ (70)**	**$ —**	**$ —**

See independent auditors' report.

Total		
Financial Plan	Actual	Favorable (Unfavorable) Variance
$ 2,009	$ 2,047	$ 38
3,306	2,736	(570)
1,859	1,745	(114)
7,174	**6,528**	**(646)**
603	1,078	(475)
6,097	5,053	1,044
6,700	**6,131**	**569**
474	**397**	**(77)**
298	269	(29)
212	272	60
(943)	(939)	4
(433)	**(398)**	**35**
$ 41	**$ (1)**	**$ (42)**

STATE OF NEW YORK
EXCELSIOR
COMPTROLLER

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the State in a fiduciary capacity or as agent for individuals, private organizations or other governments and include Private Purpose Trust Funds, the State and Local Retirement system Fund and Agency Funds.

Private Purpose Trust Funds:

Agriculture and Milk Producer's Security Funds—to provide security to agriculture and milk producers against loss of revenues.

Abandoned Property Fund—accounts for assets from banks, utilities, investment companies, and insurance companies representing inactive accounts that are required by law to be turned over to the State. The Comptroller is custodian of this account. Assets are returned to the proper owner upon approval of a claim and excess funds are transferred to the General Fund.

Tuition Savings Program Fund—accounts for contributions made by individuals and families for college savings. The withdrawals from the Fund are used to pay college costs at any eligible public and private college and university in New York State.

Agency Funds:

Employee Benefit and Payroll Related Funds—accounts for various employee benefit programs, such as the New York State employee health insurance programs, for the disposition of various payroll related deductions, such as for social security contributions.

MMIS Statewide Escrow Fund—accounts for the transfer from other funds of the Federal, State, and local shares of Medicaid program expenditures to a paying agent for ultimate payment to health care providers.

Other Agency Funds—account for various escrow, revenue collection and agency accounts for which the State acts in an agent's capacity until proper disposition of the assets can be made. This includes accounting for advances from the State for paying CUNY operating costs.

Combining Statement of Fiduciary Net Assets

PRIVATE PURPOSE TRUSTS

March 31, 2008
(Amounts in millions)

	Agriculture Producer's Security	Milk Producer's Security	Abandoned Property	Tuition Savings Program	Totals 2008	Totals 2007
ASSETS:						
Cash and investments	$ 3	$ 7	$ 661	$ 7,895	**$ 8,566**	$ 6,900
Receivables, net of allowance for uncollectibles	—	—	98	60	**158**	141
Due from other funds	—	—	305	—	**305**	245
Total assets	**3**	**7**	**1,064**	**7,955**	**9,029**	**7,286**
LIABILITIES:						
Accrued liabilities	—	—	1,037	43	**1,080**	1,020
Total liabilities	**—**	**—**	**1,037**	**43**	**1,080**	**1,020**
NET ASSETS:						
Reserved for other specified purposes	3	7	27	7,912	**7,949**	6,266
Total net assets	**$ 3**	**$ 7**	**$ 27**	**$ 7,912**	**$ 7,949**	**$ 6,266**

See independent auditors' report.

Combining Statement of Changes in Fiduciary Net Assets

PRIVATE PURPOSE TRUSTS

March 31, 2008
(Amounts in millions)

	Agriculture Producer's Security	Milk Producer's Security	Abandoned Property	Tuition Savings Program	Totals 2008	Totals 2007
Additions:						
Dividend income	$ —	$ —	$ —	$ 224	**$ 224**	$ 163
Other income	—	1	—	—	**1**	1
Net change in the fair value of investments	—	—	—	197	**197**	378
Total investment and other income	**—**	**1**	**—**	**421**	**422**	**542**
Less:						
Investment expenses	—	—	—	(38)	**(38)**	(28)
Net investment and other income	**—**	**1**	**—**	**383**	**384**	**514**
Contributions:						
College savings	—	—	—	2,788	**2,788**	2,322
Total contributions	**—**	**—**	**—**	**2,788**	**2,788**	**2,322**
Net transfers from General Fund	—	—	186	—	**186**	162
Total additions	**—**	**1**	**186**	**3,171**	**3,358**	**2,998**
Deductions:						
College aid redemptions	—	—	—	1,516	**1,516**	1,181
Claims paid	—	—	159	—	**159**	162
Miscellaneous	—	—	—	—	**—**	2
Total deductions	**—**	**—**	**159**	**1,516**	**1,675**	**1,345**
Net increase	**—**	**1**	**27**	**1,655**	**1,683**	**1,653**
Net assets held in trust at April 1, 2007	**3**	**6**	**—**	**6,257**	**6,266**	**4,613**
Net assets held in trust at March 31, 2008	**$ 3**	**$ 7**	**$ 27**	**$ 7,912**	**$ 7,949**	**$ 6,266**

See independent auditors' report.

Combining Statement of Fiduciary Net Assets

AGENCY FUNDS

March 31, 2008
(Amounts in millions)

	School Capital Facilities Financing Reserve	Employees Health Insurance	Social Security Contribution	NYS Employee Payroll Withholding	Employees Dental Insurance
ASSETS:					
Cash and investments	$ 40	$ 286	$ 50	$ 103	$ 5
Receivables, net of allowance for uncollectibles	—	34	—	—	4
Due from other funds	—	12	—	—	1
Other assets	—	532	—	—	—
Total assets	**$ 40**	**$ 864**	**$ 50**	**$ 103**	**$ 10**
LIABILITIES:					
Accounts payable	$ —	$ 31	$ —	$ —	$ —
Accrued liabilities	40	300	38	103	—
Payable to local governments	—	532	—	—	6
Due to other funds	—	1	12	—	4
Total liabilities	**$ 40**	**$ 864**	**$ 50**	**$ 103**	**$ 10**

See independent auditors' report.

Management Confidential Group Insurance	CUNY Senior College Operating	MMIS Statewide Escrow	Sole Custody	Miscellaneous	Totals 2008	Totals 2007
$ 1	$ 42	$ 187	$ 1,628	$ 798	**$ 3,140**	$ 2,882
—	—	—	3	427	**468**	509
—	3	236	8	36	**296**	63
—	—	—	—	—	**532**	431
$ 1	**$ 45**	**$ 423**	**$ 1,639**	**$ 1,261**	**$ 4,436**	**$ 3,885**
$ —	$ 44	$ —	$ —	$ 5	**$ 80**	$ 33
1	1	338	925	528	**2,274**	2,259
—	—	63	714	24	**1,339**	1,089
—	—	22	—	704	**743**	504
$ 1	**$ 45**	**$ 423**	**$ 1,639**	**$ 1,261**	**$ 4,436**	**$ 3,885**

Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS

March 31, 2008
(Amounts in millions)

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
School Capital Facilities Financing Reserve				
ASSETS:				
Cash and investments	$ 38	$ 27	$ 25	**$ 40**
Due from other funds	3	12	15	**—**
Total assets	**$ 41**	**$ 39**	**$ 40**	**$ 40**
LIABILITIES:				
Accounts payable	$ —	$ 24	$ 24	**$ —**
Accrued liabilities	41	26	27	**40**
Total liabilities	**$ 41**	**$ 50**	**$ 51**	**$ 40**
Employees Health Insurance				
ASSETS:				
Cash and investments	$ 188	$ 6,326	$ 6,228	**$ 286**
Receivables, net of allowance for uncollectibles	47	34	47	**34**
Due from other funds	11	101	100	**12**
Other assets	431	532	431	**532**
Total assets	**$ 677**	**$ 6,993**	**$ 6,806**	**$ 864**
LIABILITIES:				
Accounts payable	$ —	$ 5,963	$ 5,932	**$ 31**
Accrued liabilities	246	7,067	7,013	**300**
Payable to local governments	430	532	430	**532**
Due to other funds	1	31	31	**1**
Total liabilities	**$ 677**	**$ 13,593**	**$ 13,406**	**$ 864**
Social Security Contribution				
ASSETS:				
Cash and investments	$ 12	$ 1,035	$ 997	**$ 50**
Due from other funds	—	2	2	**—**
Total assets	**$ 12**	**$ 1,037**	**$ 999**	**$ 50**
LIABILITIES:				
Accounts payable	$ —	$ 997	$ 997	**$ —**
Accrued liabilities	12	1,055	1,029	**38**
Due to other funds	—	12	—	**12**
Total liabilities	**$ 12**	**$ 2,064**	**$ 2,026**	**$ 50**

(Continued)

See independent auditors' report.

Combining Statement of Changes in Assets and Liabilities (cont'd)

AGENCY FUNDS

March 31, 2008
(Amounts in millions)

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
NYS Employee Payroll Withholding				
ASSETS:				
Cash and investments	$ 10	$ 4,002	$ 3,909	**$ 103**
Due from other funds	—	2	2	—
Total assets	**$ 10**	**$ 4,004**	**$ 3,911**	**$ 103**
LIABILITIES:				
Accounts payable	$ 10	$ 3,156	$ 3,166	**$ —**
Accrued liabilities	—	4,248	4,145	**103**
Due to other funds	—	39	39	—
Total liabilities	**$ 10**	**$ 7,443**	**$ 7,350**	**$ 103**
Employees Dental Insurance				
ASSETS:				
Cash and investments	$ 2	$ 92	$ 89	**$ 5**
Receivables, net of allowance for uncollectibles	3	5	4	**4**
Due from other funds	1	17	17	**1**
Total assets	**$ 6**	**$ 114**	**$ 110**	**$ 10**
LIABILITIES:				
Accounts payable	$ 1	$ 83	$ 84	**$ —**
Accrued liabilities	1	99	100	—
Payable to local governments	4	6	4	**6**
Due to other funds	—	11	7	**4**
Total liabilities	**$ 6**	**$ 199**	**$ 195**	**$ 10**
Management Confidential Group Insurance				
ASSETS:				
Cash and investments	$ 1	$ 10	$ 10	**$ 1**
Total assets	**$ 1**	**$ 10**	**$ 10**	**$ 1**
LIABILITIES:				
Accounts payable	$ —	$ 9	$ 9	**$ —**
Accrued liabilities	1	10	10	**1**
Total liabilities	**$ 1**	**$ 19**	**$ 19**	**$ 1**

(Continued)

See independent auditors' report.

Combining Statement of Changes in Assets and Liabilities (cont'd)

AGENCY FUNDS

March 31, 2008
(Amounts in millions)

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
CUNY Senior College Operating				
ASSETS:				
Cash and investments	$ 35	$ 1,409	$ 1,402	**$ 42**
Due from other funds	1	56	54	**3**
Total assets	**$ 36**	**$ 1,465**	**$ 1,456**	**$ 45**
LIABILITIES:				
Accounts payable	$ 15	$ 1,383	$ 1,354	**$ 44**
Accrued liabilities	9	1,543	1,551	**1**
Due to other funds	12	37	49	**—**
Total liabilities	**$ 36**	**$ 2,963**	**$ 2,954**	**$ 45**
MMIS Statewide Escrow				
ASSETS:				
Cash and investments	$ 330	$ 38,553	$ 38,696	**$ 187**
Due from other funds	—	1,356	1,120	**236**
Total assets	**$ 330**	**$ 39,909**	**$ 39,816**	**$ 423**
LIABILITIES:				
Accounts payable	$ —	$ 37,263	$ 37,263	**$ —**
Accrued liabilities	310	38,338	38,310	**338**
Payable to local governments	—	1,721	1,658	**63**
Due to other funds	20	112	110	**22**
Total liabilities	**$ 330**	**$ 77,434**	**$ 77,341**	**$ 423**
Sole Custody				
ASSETS:				
Cash and investments	$ 1,478	$ 1,628	$ 1,478	**$ 1,628**
Receivables, net of allowance for uncollectibles	6	4	7	**3**
Due from other funds	10	8	10	**8**
Total assets	**$ 1,494**	**$ 1,640**	**$ 1,495**	**$ 1,639**
LIABILITIES:				
Accrued liabilities	$ 872	$ 925	$ 872	**$ 925**
Payable to local governments	622	714	622	**714**
Due to other funds	—	—	—	**—**
Total liabilities	**$ 1,494**	**$ 1,639**	**$ 1,494**	**$ 1,639**

(Continued)

See independent auditors' report.

Combining Statement of Changes in Assets and Liabilities (cont'd)

AGENCY FUNDS

March 31, 2008
(Amounts in millions)

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
Miscellaneous				
ASSETS:				
Cash and investments	$ 788	$ 2,787	$ 2,777	**$ 798**
Receivables, net of allowance for uncollectibles	453	507	533	**427**
Due from other funds	37	733	734	**36**
Total assets	**$ 1,278**	**$ 4,027**	**$ 4,044**	**$ 1,261**
LIABILITIES:				
Accounts payable	$ 7	$ 787	$ 789	**$ 5**
Accrued liabilities	767	2,666	2,905	**528**
Payable to local governments	33	435	444	**24**
Due to other funds	471	1,060	827	**704**
Total liabilities	**$ 1,278**	**$ 4,948**	**$ 4,965**	**$ 1,261**
Total Assets and Liabilities—All Agency Funds				
ASSETS:				
Cash and investments	$ 2,882	$ 55,869	$ 55,611	**$ 3,140**
Receivables, net of allowance for uncollectibles	509	550	591	**468**
Due from other funds	63	2,285	2,052	**296**
Other assets	431	532	431	**532**
Total assets	**$ 3,885**	**$ 59,236**	**$ 58,685**	**$ 4,436**
LIABILITIES:				
Accounts payable	$ 33	$ 49,665	$ 49,618	**$ 80**
Accrued liabilities	2,259	55,977	55,962	**2,274**
Payable to local governments	1,089	3,408	3,158	**1,339**
Due to other funds	504	1,302	1,063	**743**
Total liabilities	**$ 3,885**	**$ 110,352**	**$ 109,801**	**$ 4,436**

See independent auditors' report.

STATE OF NEW YORK
EXCELSIOR
COMPTROLLER

Statistical Section

This part of the State's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the State's most significant revenue source, the personal income tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The State implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.*

Changes in Fund Balances

GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS

(Modified accrual basis of accounting)
(Amounts in millions)

	Fiscal Year				
	2003	2004	2005	2006	2007
REVENUES:					
Taxes:					
Personal income	$ 21,967	$ 25,150	$ 28,382	$ 31,695	$ 34,615
Consumption and use	11,408	12,552	13,710	13,859	13,568
Business	5,049	4,879	5,699	6,929	8,488
Other	1,212	1,210	1,821	1,898	2,024
Federal grants	35,312	38,241	37,480	36,625	38,163
Public health/patient fees	3,325	3,439	3,449	3,149	3,810
Tobacco settlement	745	317	113	110	107
Miscellaneous	5,681	6,285	7,937	13,228	9,145
Total revenues	**84,699**	**92,073**	**98,591**	**107,493**	**109,920**
EXPENDITURES:					
Local assistance grants:					
Social services	36,220	38,616	38,711	40,062	42,794
Education	21,282	23,323	24,205	25,459	27,711
Mental hygiene	1,331	1,384	1,336	1,422	1,207
General purpose	847	869	1,016	1,047	1,192
Health and environment	3,052	3,395	3,490	4,221	4,857
Transportation	3,370	2,437	2,510	3,097	2,984
Criminal justice	300	519	370	337	461
Miscellaneous	2,488	2,708	2,459	1,471	2,555
State operations:					
Personal service	8,036	7,785	8,050	8,405	8,780
Non-personal service	5,404	5,340	5,189	6,208	5,751
Pension contribution	177	475	691	964	1,078
Other fringe benefits	2,308	2,792	3,147	3,257	3,314
Capital construction	3,362	3,608	3,599	4,048	4,404
Debt service, including payments on financing arrangements:					
Principal—(General Obligation)	390	349	331	341	352
Interest—(General Obligation)	182	160	153	146	146
Other	2,398	2,931	2,996	3,528	3,094
Total expenditures	**91,147**	**96,691**	**98,253**	**104,013**	**110,680**
Excess (deficiency) of revenues over expenditures	**(6,448)**	**(4,618)**	**338**	**3,480**	**(760)**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	2,238	2,628	2,947	2,295	2,707
Transfers to other funds	(3,637)	(3,182)	(3,560)	(3,914)	(5,202)
General obligation bonds issued	246	147	178	159	180
Premiums on general obligation bonds issued	—	—	—	1	2
Financing arrangements/ advance refundings issued	9,778	12,705	4,344	5,029	3,562
Payments on advance refundings	(6,481)	(4,443)	(2,137)	(3,201)	(534)
Net other financing sources (uses)	**2,144**	**7,855**	**1,772**	**369**	**715**
Net change in fund balances	**$ (4,304)**	**$ 3,237**	**$ 2,110**	**$ 3,849**	**$ (45)**
Debt Service (principal and interest) as a percentage of non capital expenditures	**0.66%**	**0.55%**	**0.52%**	**0.49%**	**0.47%**

Source: Office of the State Comptroller

Fiscal Year 2008
$ 38,792
13,870
8,163
2,292
37,802
3,900
580
8,641
114,040
42,689
30,208
1,859
928
4,423
3,634
493
3,142
9,230
6,178
1,117
3,500
4,467
350
139
3,589
115,946
(1,906)
2,709
(4,810)
268
2
5,517
(2,140)
1,546
$ (360)
0.44%

Net Assets by Component

LAST SIX FISCAL YEARS

(Accrual basis of accounting)
(Amounts in millions)

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities:					
Invested in capital assets, net of related debt	$ 60,823	$ 60,441	$ 61,375	$ 62,071	$ 62,500
Restricted for:					
Debt service	2,278	2,454	2,821	2,270	2,210
Other specified purposes	141	240	374	2,566	2,313
Unrestricted (deficit)	(20,846)	(24,049)	(23,380)	(20,910)	(21,696)
Total governmental activities net assets	**$ 42,396**	**$ 39,086**	**$ 41,190**	**$ 45,997**	**$ 45,327**
Business-type activities:					
Invested in capital assets, net of related debt	$ (520)	$ 23	$ 63	$ 9	$ 207
Restricted for:					
Unemployment benefits	659	372	596	1,130	1,308
Other specified purposes	1,492	1,224	1,255	1,387	1,448
Unrestricted	869	469	731	610	636
Total business-type activities net assets	**$ 2,500**	**$ 2,088**	**$ 2,645**	**$ 3,136**	**$ 3,599**
Primary government:					
Invested in capital assets, net of related debt	$ 60,303	$ 60,464	$ 61,438	$ 62,080	$ 62,707
Restricted for:					
Unemployment benefits	659	372	596	1,130	1,308
Debt service	2,278	2,454	2,821	2,270	2,210
Other specified purposes	1,633	1,464	1,629	3,953	3,761
Unrestricted (deficit)	(19,977)	(23,580)	(22,649)	(20,300)	(21,060)
Total primary government net assets	**$ 44,896**	**$ 41,174**	**$ 43,835**	**$ 49,133**	**$ 48,926**

Source: Office of the State Comptroller

Fiscal Year
2008
$ 62,800
2,304
1,231
(22,825)
$ 43,510
$ 353
1,313
1,744
807
$ 4,217
$ 63,153
1,313
2,304
2,975
(22,018)
$ 47,727

Changes in Net Assets

LAST SIX FISCAL YEARS

(Accrual basis of accounting)
(Amounts in millions)

	Fiscal Year				
	2003	2004	2005	2006	2007
EXPENSES:					
Governmental activities:					
Education	$ 21,215	$ 22,845	$ 24,023	$ 25,303	$ 28,222
Public health	35,427	38,013	39,540	41,631	44,869
Public welfare	11,230	11,642	10,697	10,669	11,291
Public safety	4,948	5,961	5,597	5,001	5,521
Transportation	6,043	4,740	4,614	5,836	5,893
Environment and recreation	1,163	1,259	1,324	1,193	1,226
Support and regulate business	873	1,250	927	1,507	1,062
General government	6,467	7,041	6,937	8,280	8,684
Interest on long-term debt	1,206	1,851	1,684	1,712	1,478
Total governmental activities expenses	**88,572**	**94,602**	**95,343**	**101,132**	**108,246**
Business-type activities:					
Lottery	3,717	3,993	4,298	4,721	4,945
Unemployment insurance	4,590	3,877	2,638	2,507	2,344
State University of New York	5,484	5,732	6,138	6,396	7,003
City University of New York	1,852	1,953	1,903	2,056	2,246
Total business-type activities expenses	**15,643**	**15,555**	**14,977**	**15,680**	**16,538**
Total primary government expenses	**$ 104,215**	**$ 110,157**	**$ 110,320**	**$ 116,812**	**$ 124,784**
PROGRAM REVENUES:					
Governmental activities:					
Charges for services:					
Education	$ 144	$ 158	$ 125	$ 123	$ 95
Public health	3,350	3,305	3,437	8,273	5,141
Public welfare	561	708	313	702	385
Public safety	222	158	193	198	185
Transportation	203	318	209	216	235
Environment and recreation	286	321	246	227	258
Support and regulate business	443	398	247	276	487
General government	670	1,627	2,122	1,724	1,050
Operating grants and contributions	34,383	36,526	36,020	35,333	36,752
Capital grants and contributions	1,158	1,047	1,423	1,277	1,392
Total governmental activities program revenues	**41,420**	**44,566**	**44,335**	**48,349**	**45,980**
Business-type activities:					
Charges for services:					
Lottery	5,396	5,848	6,271	6,803	7,175
State University of New York	2,243	2,152	2,726	2,700	2,948
City University of New York	330	373	437	463	484
Operating grants and contributions	5,551	5,389	4,762	4,736	4,504
Capital grants and contributions	342	242	256	388	369
Total business-type activities program revenues	**13,862**	**14,004**	**14,452**	**15,090**	**15,480**
Total primary government program revenues	**$ 55,282**	**$ 58,570**	**$ 58,787**	**$ 63,439**	**$ 61,460**
NET (EXPENSE)/REVENUE:					
Governmental activities	$ (47,152)	$ (50,036)	$ (51,008)	$ (52,783)	$ (62,266)
Business-type activities	(1,781)	(1,551)	(525)	(590)	(1,058)
Total primary government net expense	**$ (48,933)**	**$ (51,587)**	**$ (51,533)**	**$ (53,373)**	**$ (63,324)**

Fiscal Year 2008
$ 31,215
44,777
12,491
6,011
6,595
1,275
1,288
7,841
1,862
113,355
5,044
2,412
7,965
2,443
17,864
$ 131,219
$ 88
4,676
597
208
264
291
539
1,050
36,509
1,305
45,527
7,548
3,219
504
4,518
415
16,204
$ 61,731
$ (67,828)
(1,660)
$ (69,488)

(Continued)

Changes in Net Assets (cont'd)

LAST SIX FISCAL YEARS

(Accrual basis of accounting)
(Amounts in millions)

	Fiscal Year				
	2003	2004	2005	2006	2007
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:					
Governmental activities:					
Taxes:					
Personal income	$ 21,945	$ 25,129	$ 28,344	$ 31,694	$ 34,745
Consumption and use	11,404	12,528	13,703	13,837	13,561
Business	5,049	4,832	5,676	6,901	8,527
Other	1,214	1,217	1,817	1,897	2,022
Grants and contributions not restricted to specific programs	—	645	—	—	—
Investment earnings	282	444	683	685	833
Miscellaneous	3,736	3,171	4,107	4,055	4,240
Transfers	(1,761)	(1,240)	(1,218)	(1,479)	(2,332)
Total governmental activities	**41,869**	**46,726**	**53,112**	**57,590**	**61,596**
Business-type activities:					
Investment earnings	391	169	81	127	366
Miscellaneous	188	173	453	505	292
Transfers	1,015	797	548	449	863
Total business-type activities	**1,594**	**1,139**	**1,082**	**1,081**	**1,521**
Total primary government	**$ 43,463**	**$ 47,865**	**$ 54,194**	**$ 58,671**	**$ 63,117**
CHANGE IN NET ASSETS:					
Governmental activities	$ (5,283)	$ (3,310)	$ 2,104	$ 4,807	$ (670)
Business-type activities	(187)	(412)	557	491	463
Total primary government	**$ (5,470)**	**$ (3,722)**	**$ 2,661**	**$ 5,298**	**$ (207)**

Source: Office of the State Comptroller

Fiscal Year 2008
$ 38,756
13,856
8,157
2,291
—
997
3,876
(1,922)
66,011
639
119
1,189
1,947
$ 67,958
$ (1,817)
287
$ (1,530)

Fund Balances

GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS

(Modified accrual basis of accounting)
(Amounts in millions)

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund:					
Reserved	$ 1,216	$ 1,782	$ 1,773	$ 1,798	$ 2,011
Unreserved	(4,536)	(2,063)	(1,227)	384	373
Total general fund	**$ (3,320)**	**$ (281)**	**$ 546**	**$ 2,182**	**$ 2,384**
All Other Governmental Funds:					
Reserved	$ 7,611	$ 9,051	$ 9,099	$ 11,277	$ 10,652
Unreserved, reported in:					
Federal special revenue funds	(496)	(700)	(768)	(1,026)	(900)
Special revenue funds	2,917	2,260	3,110	3,938	3,584
Capital projects funds	(4,202)	(4,580)	(4,121)	(4,544)	(4,089)
Debt service funds	450	447	441	329	480
Total all other governmental funds	**$ 6,280**	**$ 6,478**	**$ 7,761**	**$ 9,974**	**$ 9,727**

Source: Office of the State Comptroller

Tax Receipts by Source

GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(Modified accrual basis of accounting)
(Amounts in millions)

Fiscal Year	Personal Income	Sales and Use	Motor Fuel	Corporate Franchise	Cigarette	Corporate & Utility	Other Miscellaneous	Total Taxes Collected By Year
1998-1999	$ 21,011	$ 7,983	$ 506	$ 2,250	$ 672	$ 1,728	$ 4,835	$ 38,985
1999-2000	23,599	8,615	515	2,160	655	1,705	4,639	41,888
2000-2001	27,371	9,147	535	2,508	553	962	4,178	45,254
2001-2002	24,004	8,836	513	1,559	558	1,156	4,666	41,292
2002-2003	21,967	9,309	552	1,655	514	1,083	4,537	39,617
2003-2004	25,150	10,433	543	1,657	442	860	4,706	43,791
2004-2005	28,382	11,587	557	2,070	427	812	5,777	49,612
2005-2006	31,695	11,199	530	2,985	974	813	6,185	54,381
2006-2007	34,615	10,828	517	4,170	993	809	6,763	58,695
2007-2008	38,792	11,197	520	3,964	967	795	6,882	63,117

Source: Office of the State Comptroller
New York State Division of the Budget

Note: Figures restated for prior period adjustments.

Fiscal Year	
	2008
$	3,546
	405
$	**3,951**
$	10,257
	(964)
	3,558
	(5,144)
	93
$	**7,800**

Program Revenues by Function/Program

LAST SIX FISCAL YEARS
(Accrual basis of accounting)
(Amounts in millions)

	Program Revenues				
	2003	2004	2005	2006	2007
FUNCTION/PROGRAM:					
Governmental activities:					
Education	$ 2,628	$ 3,259	$ 3,480	$ 3,833	$ 3,766
Public health	24,636	26,505	26,878	31,526	29,514
Public welfare	9,046	8,321	7,678	8,204	7,882
Public safety	1,727	2,170	1,452	480	697
Transportation	1,554	1,620	1,873	1,782	1,924
Environment and recreation	552	538	496	428	451
Support and regulate business	475	406	266	299	503
General government	802	1,747	2,212	1,797	1,243
Total governmental activities	**41,420**	**44,566**	**44,335**	**48,349**	**45,980**
Business-type activities:					
Lottery	5,396	5,848	6,271	6,803	7,175
Unemployment insurance	3,911	3,590	2,727	2,754	2,490
State University of New York	3,428	3,532	4,160	4,141	4,388
City University of New York	1,127	1,034	1,294	1,392	1,427
Total business-type activities	**13,862**	**14,004**	**14,452**	**15,090**	**15,480**
Total primary government	**$ 55,282**	**$ 58,570**	**$ 58,787**	**$ 63,439**	**$ 61,460**

Source: Office of the State Comptroller

New York State and Local Retirement Systems—Changes in Net Assets

LAST NINE FISCAL YEARS
(Amounts in thousands)

	Fiscal Year				
	2000	2001	2002	2003	2004
Additions:					
Member contributions	$ 422,743	$ 319,063	$ 210,202	$ 219,192	$ 221,871
Employer contributions	164,547	214,766	263,846	651,931	1,286,455
Investment income (loss), net of expenses	19,276,908	(11,170,822)	2,730,952	(11,235,815)	27,334,752
Other	139,758	116,361	119,366	109,730	77,148
Total additions to plan net assets	**20,003,956**	**(10,520,632)**	**3,324,366**	**(10,254,962)**	**28,920,226**
Deductions:					
Retirement allowances	3,577,390	4,028,018	4,336,455	4,836,206	5,190,147
Death benefits	142,780	152,941	151,796	148,372	157,314
Administrative expenses	50,653	57,806	66,612	67,496	69,612
Other	66,918	86,449	88,121	45,188	76,816
Total deductions from plan assets	**3,837,741**	**4,325,214**	**4,642,984**	**5,097,262**	**5,493,889**
Change in net assets	**$ 16,166,215**	**$ (14,845,846)**	**$ (1,318,618)**	**$ (15,352,224)**	**$ 23,426,337**

Source: New York State and Local Retirement System

Notes: For additional information, please see www.osc.state.ny.us/retire/publications/index.htm.

Program Revenues	
	2008
$	3,315
	28,900
	8,315
	916
	1,844
	493
	552
	1,192
	45,527
	7,548
	2,389
	4,722
	1,545
	16,204
$	**61,731**

Fiscal Year			
2005	2006	2007	2008
$ 227,308	$ 241,173	$ 250,158	$ 265,676
2,964,843	2,782,147	2,718,551	2,648,448
9,679,979	17,615,876	17,416,082	3,163,728
122,767	94,556	131,863	116,112
12,994,897	**20,733,752**	**20,516,654**	**6,193,964**
5,512,849	5,867,718	6,218,783	6,653,820
161,857	161,249	164,632	181,693
65,324	78,506	79,772	90,304
16,159	43,901	48,316	47,521
5,756,189	**6,151,374**	**6,511,503**	**6,973,338**
$ 7,238,708	**$ 14,582,378**	**$ 14,005,151**	**$ (779,374)**

Personal Income Tax Filers and Liability by Income Level

FOR SEVEN YEARS STATED

(Amounts in thousands)

1998
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 1998

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,062,737	14%	$ (27,534)	0%
$ 5,000–9,999	892,294	12%	(99,779)	–1%
10,000–19,999	1,355,408	18%	5,950	0%
20,000–29,999	1,048,161	14%	561,772	3%
30,000–39,999	799,521	10%	889,023	6%
40,000–49,999	576,698	7%	939,646	6%
50,000–59,999	442,064	6%	953,279	6%
60,000–74,999	466,658	6%	1,327,195	8%
75,000–99,999	437,393	6%	1,732,740	11%
100,000–199,999	405,488	5%	2,884,389	18%
200,000 and over	163,656	2%	7,035,085	43%
Total	**7,650,078**	**100%**	**$16,201,766**	**100%**

1999
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 1999

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,067,000	14%	$ (27,952)	0%
$ 5,000–9,999	873,229	11%	(93,715)	0%
10,000–19,999	1,338,164	17%	(3,093)	0%
20,000–29,999	1,042,293	13%	536,980	3%
30,000–39,999	814,459	11%	891,926	5%
40,000–49,999	588,527	8%	961,664	5%
50,000–59,999	450,140	6%	978,580	6%
60,000–74,999	485,419	6%	1,388,686	8%
75,000–99,999	466,673	6%	1,858,354	10%
100,000–199,999	459,964	6%	3,299,057	18%
200,000 and over	188,129	2%	8,153,678	45%
Total	**7,773,997**	**100%**	**$17,944,165**	**100%**

2002
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2002

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,147,330	14%	$ (46,412)	0%
$ 5,000–9,999	851,799	11%	(144,238)	–1%
10,000–19,999	1,314,760	16%	(188,667)	–1%
20,000–29,999	1,033,443	13%	416,859	2%
30,000–39,999	825,347	10%	858,914	5%
40,000–49,999	621,435	8%	980,604	6%
50,000–59,999	459,327	6%	968,129	6%
60,000–74,999	519,994	6%	1,457,215	8%
75,000–99,999	525,565	7%	2,041,915	12%
100,000–199,999	533,802	7%	3,746,124	21%
200,000 and over	196,969	2%	7,379,544	42%
Total	**8,029,771**	**100%**	**$17,469,989**	**100%**

2003
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2003

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,174,853	15%	$ (53,777)	0%
$ 5,000–9,999	833,759	10%	(164,814)	–1%
10,000–19,999	1,285,687	16%	(279,415)	–1%
20,000–29,999	1,017,276	13%	336,793	2%
30,000–39,999	820,358	10%	816,554	4%
40,000–49,999	619,173	8%	959,105	5%
50,000–59,999	459,446	6%	956,322	5%
60,000–74,999	515,069	6%	1,428,386	7%
75,000–99,999	536,852	7%	2,068,743	11%
100,000–199,999	560,063	7%	3,954,366	21%
200,000 and over	203,810	2%	8,924,744	47%
Total	**8,026,346**	**100%**	**$18,947,007**	**100%**

Source: New York State Department of Taxation and Finance

Notes:

(1) Calendar Years after 2004 are not yet available, please see www.tax.state.ny.us for additional information.

2000
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2000

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,082,379	13%	$ (33,430)	0%
$ 5,000–9,999	912,361	11%	(134,835)	–1%
10,000–19,999	1,372,544	17%	(52,310)	0%
20,000–29,999	1,076,279	13%	531,738	2%
30,000–39,999	840,802	10%	916,843	4%
40,000–49,999	615,956	8%	1,002,229	5%
50,000–59,999	468,257	6%	1,014,292	5%
60,000–74,999	513,045	6%	1,472,446	7%
75,000–99,999	505,027	6%	2,015,234	10%
100,000–199,999	519,221	7%	3,735,901	18%
200,000 and over	217,173	3%	10,529,250	50%
Total	**8,123,044**	**100%**	**$20,997,359**	**100%**

2001
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2001

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,099,726	14%	$ (36,957)	0%
$ 5,000–9,999	865,739	11%	(138,532)	–1%
10,000–19,999	1,335,044	17%	(123,275)	–1%
20,000–29,999	1,052,949	13%	484,510	3%
30,000–39,999	837,757	10%	897,780	5%
40,000–49,999	619,279	8%	996,088	5%
50,000–59,999	464,371	6%	995,479	5%
60,000–74,999	515,464	6%	1,466,090	8%
75,000–99,999	515,543	6%	2,033,086	11%
100,000–199,999	528,198	6%	3,746,962	20%
200,000 and over	203,001	3%	8,507,936	45%
Total	**8,037,071**	**100%**	**$18,829,167**	**100%**

2004[1]
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2004

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,170,424	15%	$ (62,168)	0%
$ 5,000–9,999	823,368	10%	(145,378)	–1%
10,000–19,999	1,264,123	16%	(282,049)	–1%
20,000–29,999	990,224	12%	301,752	1%
30,000–39,999	815,073	10%	795,065	4%
40,000–49,999	628,266	8%	965,901	4%
50,000–59,999	466,514	6%	966,540	5%
60,000–74,999	524,742	6%	1,446,315	7%
75,000–99,999	554,372	7%	2,121,162	10%
100,000–199,999	596,606	7%	4,183,689	19%
200,000 and over	230,838	3%	11,299,366	52%
Total	**8,064,550**	**100%**	**$21,590,194**	**100%**

Personal Income by Industry

LAST SEVEN CALENDAR YEARS

(Amounts in millions)

	Calendar Year				
	2001	2002	2003	2004	2005
Total personal income	**$ 679,885**	**$ 677,604**	**$ 691,123**	**$ 737,755**	**$ 805,717**
Farm earnings	**851**	**596**	**781**	**805**	**1,029**
Nonfarm earnings	**550,299**	**548,911**	**557,906**	**595,910**	**640,427**
Private earnings	**474,031**	**468,952**	**474,881**	**508,731**	**547,340**
Agricultural services, forestry, fishing	1,279	1,226	1,214	1,245	1,300
Mining	1,212	942	829	934	1,044
Utilities	5,178	5,483	5,576	5,708	6,056
Construction	22,736	23,097	23,450	24,559	25,880
Manufacturing	42,787	42,360	43,133	43,719	44,750
Wholesale trade	25,344	25,391	26,278	27,831	29,324
Retail trade	27,203	28,185	29,067	30,537	32,704
Transportation and warehousing	11,778	11,648	11,941	12,559	13,368
Information	33,224	33,482	34,470	36,015	37,930
Finance and insurance	102,845	92,368	89,925	102,607	112,614
Real estate, rental and leasing	13,991	13,657	15,570	14,893	16,105
Professional and technical services	61,633	59,209	58,694	62,741	69,610
Management of companies and enterprises	14,707	16,101	15,591	16,591	17,411
Administrative and waste services	16,616	16,698	17,433	18,596	20,562
Educational services	10,553	11,298	12,100	12,880	14,195
Health care and social assistance	51,234	54,547	57,000	60,445	64,775
Arts, entertainment, and recreation	7,012	7,341	7,629	8,300	8,818
Accommodation and food services	11,439	11,832	12,346	13,112	14,150
Other services, except public administration	13,252	14,079	14,806	15,451	16,745
Government and government enterprises	**76,268**	**79,959**	**83,025**	**87,179**	**93,086**
Federal, civilian	9,522	10,080	10,189	10,813	11,330
Military	1,719	1,991	2,442	2,626	2,921
State and local	65,027	67,887	70,392	73,738	78,835

Source: Bureau of Economic Analysis

Notes:

Deviation between personal income and earnings by industry are due to dividends, interest, rent, personal current transfer receipts, contributions for government social insurance, employee and self-employed contributions for government social insurance, and adjustment for residence.

Calendar year 2007 data is estimated. For more information please see www.bea.gov.

Calendar Year	
2006	2007
$ 818,426	**$ 914,432**
592	**1,170**
667,882	**724,080**
574,142	**622,711**
1,255	1,216
2,175	1,739
5,762	6,855
27,266	28,776
45,552	46,153
30,446	31,959
33,112	34,444
13,636	14,657
38,277	41,203
120,710	144,606
17,321	17,938
76,751	80,728
18,708	21,174
20,661	22,334
14,588	15,381
67,272	69,867
8,790	9,532
14,757	16,010
17,100	18,136
93,740	**101,369**
10,939	11,813
3,340	3,555
79,460	86,002

Personal Income Tax Rates

LAST TEN CALENDAR YEARS

Year	Top Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of: Single	Married Filing Jointly	Head of Household	Average Effective Rate[1]
1998	6.85%	$ 20,000	$ 40,000	$ 30,000	3.19%
1999	6.85%	20,000	40,000	30,000	3.55%
2000	6.85%	20,000	40,000	30,000	3.81%
2001	6.85%	20,000	40,000	30,000	4.13%
2002	6.85%	20,000	40,000	30,000	3.53%
2003	7.70%	500,000	500,000	500,000	3.24%
2004	7.70%	500,000	500,000	500,000	3.64%
2005	7.70%	500,000	500,000	500,000	3.85%
2006	6.85%	20,000	40,000	30,000	3.93%
2007	6.85%	20,000	40,000	30,000	4.23%

Source: New York State Department of Taxation and Finance (www.tax.state.ny.us)

Notes:

(1) Fiscal year personal income tax collections divided by prior-year personal income.

See Exhibit Demographic and Economic Statistics for personal income and population data.

See Exhibit Tax Receipts by Source for personal income tax collections.

Ratios of Outstanding Debt by Type

LAST SEVEN FISCAL YEARS

(Amounts in millions except per capita)

	Governmental Activities		Business-type Activities			
Fiscal Year	General Obligation Bonds[1]	Other Financing Arrangements[2]	Other Financing Arrangements[3]	Total Primary Government	Percentage of Personal Income[4]	Debt Per Capita[4]
2001-2002	$ 4,142	$ 25,561	$ 7,339	$ 37,042	5%	$ 1,948
2002-2003	3,998	27,880	7,444	39,322	6%	2,053
2003-2004	3,825	35,084	8,025	46,934	7%	2,446
2004-2005	3,692	35,911	7,938	47,541	6%	2,473
2005-2006	3,511	35,763	7,825	47,099	6%	2,446
2006-2007	3,344	37,031	8,386	48,761	6%	2,526
2007-2008	3,264	38,511	8,787	50,562	6%	2,620

Source: Office of the State Comptroller

Notes:

(1) General Obligation Debt figures include par value, premiums and discounts.

(2) Other Financing Arrangements for Governmental Activities include, Capital Lease Obligations, Unamortized Bond Premiums and Discounts, and other State-Supported debt as defined by the State Finance Law.

(3) Other Financing Arrangements for Business-type Activities include Capital Lease Obligations, Mortgage Loan Commitments and Certificates of Participation.

(4) See Exhibit: Demographic and Economic Statistics for personal income and population data.

Legal Debt Margin Information

LAST SEVEN FISCAL YEARS

(Amounts in millions)

	Fiscal Year				
	2002	2003	2004	2005	2006
Authorized Debt Limit—General Obligation Debt:					
Transportation Bonds	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 10,400
Environmental Bonds	5,650	5,650	5,650	5,650	5,650
Housing Bonds	1,135	1,135	1,135	1,135	1,135
Education Bonds	250	250	250	250	250
Total General Obligation Debt	**14,535**	**14,535**	**14,535**	**14,535**	**17,435**
Local Government Assistance Corporation	4,700	4,700	4,700	4,700	4,700
Other Lease Purchase and Contractual Financing Arrangements	38,352	42,542	44,079	58,575[1]	64,315
Total Authorized Debt	**$ 57,587**	**$ 61,777**	**$ 63,314**	**$ 77,810**	**$ 86,450**
Total debt applicable to limit:[2]					
General Obligation[3]	$ 4,142	$ 3,996	$ 3,804	$ 3,652	$ 3,470
Local Government Assistance Corporation	4,621	4,575	4,569	4,449	4,317
Other Lease Purchase and Contractual Financing Arrangements	27,534	29,672	36,696	37,279	36,908
Direct Debt	**36,297**	**38,243**	**45,069**	**45,380**	**44,695**
Legal Debt Margin	**$ 21,290**	**$ 23,534**	**$ 18,245**	**$ 32,430**	**$ 41,755**
Total net debt applicable to the limit as a percentage of debt limit	**63.03%**	**61.90%**	**71.18%**	**58.32%**	**51.70%**

Sources:

Office of the State Comptroller

New York State Division of the Budget, Annual information Statement

Notes:

(1) The increase in 2005 Other Lease Purchase and Contractual Financing Arrangements relates to the increase in authorization of lease purchases for the Thruway Authority and SUNY, resulting in an increase of the Legal Debt margin for 2005.

(2) Amount of debt applicable to limitations is dependent upon authorization language.

(3) General Obligation Debt stated at par.

For additional information please see the notes to the financial statements and www.budget.state.ny.us.

Balances have been restated for prior period adjustments, corrections and reclassifications.

Fiscal Year	
2007	2008
$ 10,400	$ 10,400
5,650	5,650
1,135	1,135
250	—
17,435	**17,185**
4,700	4,700
69,889	76,538
$ 92,024	**$ 98,423**
$ 3,302	$ 3,221
4,204	4,021
38,750	40,823
46,256	**48,065**
$ 45,768	**$ 50,358**
50.27%	**48.84%**

Ratios of General Obligation Debt Outstanding and Legal Debt Margin

LAST SEVEN FISCAL YEARS
(Amounts in millions)

	Fiscal Year				
	2002	2003	2004	2005	2006
General Obligation Debt Outstanding:					
General obligation bonds[1]	**$ 4,142**	**$ 3,996**	**$ 3,804**	**$ 3,652**	**$ 3,470**
Per capita	**$ 218**	**$ 209**	**$ 198**	**$ 190**	**$ 180**
Legal debt limit	$ 14,535	$ 14,535	$ 14,535	$ 14,535	$ 17,435[2]
Total net debt applicable to debt limit	4,142	3,996	3,804	3,652	3,470
Legal debt margin	**$ 10,393**	**$ 10,539**	**$ 10,731**	**$ 10,883**	**$ 13,965**
Legal debt margin as a percentage of the debt limit	**71.50%**	**72.51%**	**73.83%**	**74.87%**	**80.10%**

Sources:

Office of the State Comptroller

New York State Division of the Budget, Annual information Statement

Notes:

(1) General Obligation Debt stated at par.

(2) The increase in the Legal Debt Limit in 2006 is related to the increase in authorization of Transportation bonds.

For additional information please see the notes to the financial statements and www.budget.state.ny.us.

Fiscal Year	
2007	2008
$ 3,302	**$ 3,221**
$ 171	**$ 167**
$ 17,435	$ 17,185
3,302	3,221
$ 14,133	**$ 13,964**
81.06%	**81.26%**

Pledged Revenue Coverage

TEN FISCAL YEARS STATED
(Cash basis of accounting)
(Amounts in thousands)

New York Local Government Assistance Corporation Bonds[a]

	Sales Tax Revenues				
Fiscal Year	Revenue Bond Tax Fund Receipts	Operating Expenses	Net Available Revenues	Annual Debt Service	Debt Service Coverage
1998-1999	$ 1,893,821	$ 3,375	$ 1,890,446	$ 335,744	5.63
1999-2000	2,045,844	13,000	2,032,844	315,313	6.45
2000-2001	2,091,901	10,676	2,081,225	323,631	6.43
2001-2002	2,043,674	4,000	2,039,674	290,125	7.03
2002-2003	2,106,477	4,000	2,102,477	183,498	11.46
2003-2004	2,266,814	4,000	2,262,814	291,618	7.76
2004-2005	2,492,739	6,000	2,486,739	306,023	8.13
2005-2006	2,614,565	8,000	2,606,565	313,265	8.32
2006-2007	2,511,476	6,000	2,505,476	418,770	5.98
2007-2008	2,645,580	6,000	2,639,580	278,891	9.46

New York State Personal Income Tax Revenue Bonds[b]

	Personal Income Tax Revenues				
Fiscal Year	Revenue Bond Tax Fund Receipts	Operating Expenses	Net Available Revenues	Annual Debt Service	Debt Service Coverage
2003-2004	$ 5,456,943	$ 884	$ 5,456,059	$ 257,967	21.15
2004-2005	6,260,277	1,069	6,259,208	346,895	18.04
2005-2006	6,899,930	2,058	6,897,872	515,627	13.38
2006-2007	7,646,505	4,010	7,642,495	670,600	11.40
2007-2008	9,140,962	7,292	9,133,670	873,653	10.45

Source: Office of the State Comptroller

Notes:

New York Local Government Assistance Corporation Bonds

(a) An amount equal to one-cent of the State's sales tax, less refunds to taxpayers, is to be deposited in the Local Government Assistance Tax Fund. The monies of such Fund are reserved for payment to the New York Local Assistance Corporation to enable it to meet principal and interest on its bonds. Monies in the Local Government Assistance Tax Fund in excess of debt service requirements and administrative expenses of the New York Local Government Assistance Corporation are required to be transferred to the General Fund.

New York State Personal Income Tax Revenue Bonds

(b) 25 percent of New York State Personal Income Tax Receipts less refunds to taxpayers, is to be deposited in the Revenue Bond Tax Fund. The monies of such fund are reserved for payment of debt service on Personal Income Tax Revenue Bonds, since the Enabling Act originally has been in effect, beginning the 2003-2004 fiscal year. Monies in the Revenue Bond Tax Fund in excess of debt service requirements are required to be transferred to the General Fund.

Ratios of General Bonded Debt Outstanding

LAST SEVEN FISCAL YEARS
(Amounts in millions)

Fiscal Year	General Bonded Debt Outstanding: General Obligation Bonds[1]	General Bonded Debt Outstanding: Per Capita[2]
2001-2002	$ 4,142	$ 218
2002-2003	3,998	209
2003-2004	3,825	199
2004-2005	3,692	192
2005-2006	3,511	182
2006-2007	3,344	173
2007-2008	3,264	169

Source: Office of the State Comptroller

Notes:

(1) General Obligation Debt figures include par value, premiums and discounts.

(2) See Exhibit: Demographic and Economic Statistics for population data.

Demographic and Economic Statistics I

LAST TEN CALENDAR YEARS

Year	Population (1000s)	Personal Income (1000s)	Per Capita Personal Income	Unemployment Rate
1998	18,175	$591,847,125	$ 32,564	5.6%
1999	18,197	619,658,834	34,053	5.1%
2000	18,976	663,005,163	34,939	4.6%
2001	19,011	679,885,648	35,763	4.9%
2002	19,158	677,604,314	35,369	5.8%
2003	19,190	691,123,302	36,015	6.0%
2004	19,227	737,755,932	38,371	5.5%
2005	19,255	805,717,000	41,845	4.8%
2006	19,306	818,426,220	42,392	4.4%
2007	19,298	914,431,670	47,385	4.2%

Sources:

Bureau of Economic Analysis

U.S. Department of Commerce

U.S. Census Bureau

New York State Department of Labor

Employment by Industry

SIX YEARS STATED

	2001	2002	2003	2004	2005
Total employment	**10,491,096**	**10,415,119**	**10,459,857**	**10,610,532**	**10,763,487**
Wage and salary employment	8,906,825	8,769,557	8,727,501	8,775,838	8,840,376
Proprietors employment	1,584,271	1,645,562	1,732,356	1,834,694	1,923,111
Farm proprietors employment	38,459	38,549	37,633	36,481	36,475
Nonfarm proprietors employment	1,545,812	1,607,013	1,694,723	1,798,213	1,886,636
Farm employment	**59,730**	**59,916**	**59,641**	**54,827**	**54,243**
Nonfarm employment	**10,431,366**	**10,355,203**	**10,400,216**	**10,555,705**	**10,709,244**
Private employment	**8,946,637**	**8,849,377**	**8,897,484**	**9,056,795**	**9,208,323**
Forestry, fishing, related activities, and other	23,689	24,455	22,684	23,280	23,271
Mining	9,876	8,733	10,022	9,516	9,866
Utilities	43,796	43,301	42,213	40,623	40,651
Construction	462,822	449,250	456,704	467,615	483,981
Manufacturing	734,909	680,268	642,125	626,157	612,145
Wholesale trade	399,253	387,074	384,490	389,951	391,525
Retail trade	1,026,415	1,022,037	1,025,356	1,039,785	1,058,146
Transportation and warehousing	324,632	311,291	309,902	317,870	327,069
Information	358,650	325,881	308,447	305,139	310,275
Finance and insurance	726,286	698,378	688,840	696,548	711,845
Real estate, rental and leasing	358,530	361,088	380,434	407,062	436,758
Professional and technical services	798,205	782,981	794,919	823,816	835,753
Management of companies and enterprises	122,454	127,630	126,239	125,968	130,060
Administrative and waste services	523,064	511,429	513,021	529,832	537,833
Educational services	339,070	350,635	363,734	376,935	388,285
Health care and social assistance	1,322,903	1,358,742	1,400,504	1,421,958	1,440,752
Arts, entertainment, and recreation	258,204	268,588	270,871	283,129	287,510
Accommodation and food services	554,968	558,728	572,337	583,087	591,426
Other services, except public administration	558,911	578,888	584,642	588,524	591,172
Government and government enterprises	**1,484,729**	**1,505,826**	**1,502,732**	**1,498,910**	**1,500,921**
Federal, civilian	134,377	133,580	135,408	130,490	128,925
Military	57,973	57,603	57,140	56,362	56,257
State government	251,702	253,528	250,308	249,034	247,293
Local government	1,040,677	1,061,115	1,059,876	1,063,024	1,068,446

Source: Regional Economic Information System, Bureau of Economic Analysis

Note: Full- and Part-time Employment data shown.

2006
10,952,095
8,925,539
2,026,556
35,724
1,990,832
52,102
10,899,993
9,399,820
23,707
9,959
40,506
508,530
598,993
394,772
1,065,731
337,573
312,293
733,599
466,261
866,101
135,334
539,449
401,273
1,466,699
295,198
598,360
605,482
1,500,173
127,015
57,590
246,101
1,069,467

Demographic and Economic Statistics II

LAST TEN CALENDAR YEARS

Year	Population			
	U.S. Population (1000s)	Change from Prior Period	State of New York (1000s)	Change from Prior Period
1998	270,248	0.92%	18,175	0.21%
1999	272,691	0.90%	18,197	0.12%
2000	282,193	3.48%	18,976	4.28%
2001	285,108	1.03%	19,011	0.18%
2002	287,985	1.01%	19,158	0.77%
2003	290,850	0.99%	19,190	0.17%
2004	293,657	0.97%	19,227	0.19%
2005	296,410	0.94%	19,255	0.15%
2006	299,398	1.01%	19,306	0.26%
2007	301,621	0.74%	19,298	–0.04%

Sources:

U.S. Census Bureau

Bureau of Economic Analysis

New York State Department of Labor

New York State Department of Motor Vehicles

New York State Education Department

Government Employees by Level of Government

NEW YORK STATE 1997–2006

(Annual averages in thousands)

Fiscal Years	Employees	
	State(1)	Local(2)
1997	257.4	1,007.6
1998	256.7	1,027.1
1999	258.8	1,045.5
2000	261.7	1,059.0
2001	263.3	1,064.2
2002	267.8	1,086.6
2003	263.7	1,088.9
2004	261.8	1,091.6
2005	261.4	1,098.3
2006	259.1	1,101.3

Source: 2007 New York State Statistical Yearbook, Rockefeller Institute of Government

Notes:

(1) For State employees annual average of the number of checks issued as of the pay period including the 12th of the month, regardless of funding source, to individuals in: State departments and agencies; Legislature; Judiciary; public authorities; and miscellaneous boards and commissions.

(2) Local government employees includes full- and part-time employees of counties, cities, villages and towns, engaged in educational or noneducational functions.

Per Capita Personal Income			Civilian Labor Force				
U.S.	State of New York	New York as a Percentage of U.S.	Employed (1000s)	Unemployed (1000s)	Unemployment Rate	Public School Enrollment	Motor Vehicles Registered
$ 26,883	$ 32,564	121.1%	8,518	461	5.6%	2,843,526	10,173,646
27,939	34,053	121.9%	8,626	431	5.1%	2,850,824	10,436,939
29,845	34,939	117.1%	8,729	397	4.6%	2,844,110	10,661,161
30,574	35,763	117.0%	8,711	370	4.9%	2,839,536	10,706,563
30,810	35,369	114.8%	8,712	542	5.8%	2,832,217	10,445,409
31,484	36,015	114.4%	8,675	556	6.0%	2,875,088	10,414,200
33,050	38,371	116.1%	8,741	506	5.5%	2,857,079	10,449,816
34,586	41,845	121.0%	8,902	444	4.8%	2,864,037	10,476,513
36,276	42,392	116.9%	9,033	412	4.4%	2,776,870	10,551,341
38,611	47,385	122.7%	9,046	395	4.2%	2,715,068	10,664,811

Select State Agency Employment

MARCH 2008

Agency	Actual March 2007	Estimated March 2008
Major Agencies:		
State University	39,969	40,627
Correctional Services	31,827	31,756
Mental Retardation	22,450	22,488
Mental Health	16,613	17,094
Transportation	10,179	10,271
Health	5,963	5,784
State Police	5,862	5,989
Taxation and Finance	4,808	4,966
Children and Family Services	3,899	4,105
Environmental Conservation	3,398	3,748
Education	3,102	3,174
Temporary and Disability Assistance	2,274	2,305
Subtotal	**150,344**	**152,307**
Other Major Agencies	17,756	18,664
Minor Agencies	11,661	13,021
Other	15,765	16,052
GRAND TOTAL	**195,526**	**200,044**

Source: New York State Division of Budget 2008-09 Executive Budget FiveYear Financial Plan (www.budget.state.ny.us)

Notes: Does not include: Legislature; Judiciary; public authorities; and miscellaneous boards and commissions.

Operating Indicators

LAST SEVEN YEARS

	2002	2003	2004	2005	2006
State Police Protection:					
Number of Troops	11	11	11	11	11
Number of Employees	5,257	5,453	5,608	5,608	5,977
State University of New York:					
Campuses	64	64	64	64	64
Students	382,000	402,000	410,700	410,700	412,000
Recreation:					
Parks & Historic Sites	199	202	203	203	207
Expected Visitors	60 million	60 million	60 million	60 million	60 million

Source: New York State Executive Budget Agency Presentations

2007	2008
11	11
5,927	5,989
64	64
417,000	427,000
211	213
60 million	55 million

Capital Asset Balances by Function

LAST SIX FISCAL YEARS

(Amounts in millions)

Function	Fiscal Year 2003	2004	2005	2006	2007
Buildings:					
General government	$ 1,931	$ 1,991	$ 2,109	$ 2,168	$ 1,939
Public safety	2,507	2,728	2,795	2,937	3,028
Public welfare	176	178	165	171	171
Support/regulate business	33	33	33	33	34
Environment/recreation	273	279	309	334	356
Education	77	81	89	90	97
Public health	2,964	2,957	2,600	2,682	2,792
Transportation	236	251	307	315	327
Total	**8,197**	**8,498**	**8,407**	**8,730**	**8,744**
Land:					
General government	91	92	92	89	60
Public safety	20	19	19	19	30
Public welfare	9	9	8	8	7
Support/regulate business	—	—	—	—	—
Environment/recreation	829	905	930	1,000	1,052
Education	1	1	1	1	1
Public health	144	143	141	142	142
Transportation	2,031	2,067	2,133	2,186	2,237
Total	**3,125**	**3,236**	**3,324**	**3,445**	**3,529**
Land Improvements:					
General government	35	36	37	38	36
Public safety	154	165	176	185	196
Public welfare	13	15	16	16	17
Support/regulate business	6	6	6	6	6
Environment/recreation	85	86	89	101	103
Education	—	—	—	—	—
Public health	19	27	42	45	51
Transportation	13	13	13	15	15
Total	**325**	**348**	**379**	**406**	**424**
Equipment:					
General government	194	175	157	139	117
Public safety	84	84	81	83	83
Public welfare	42	41	14	14	18
Support/regulate business	8	8	7	4	4
Environment/recreation	33	33	33	36	38
Education	11	10	9	5	5
Public health	62	63	58	61	64
Transportation	208	246	258	266	282
Total	**642**	**660**	**617**	**608**	**611**
Infrastructure(1):					
General government	—	—	—	—	5
Public safety	—	—	6	28	55
Environment/recreation	12	18	20	20	29
Public health	—	4	24	15	16
Total	**12**	**22**	**50**	**63**	**105**
Infrastructure(2):					
Transportation	62,749	62,934	63,056	63,303	63,803

Source: Office of the State Comptroller

Notes:

(1) Depreciable

(2) Roads and Bridges, non-depreciable

Figures restated for prior period adjustments.

Fiscal Year 2008
$ 1,954
3,146
174
34
371
106
2,910
289
8,984
59
30
7
—
1,134
1
143
2,249
3,623
36
217
17
6
107
1
53
13
450
125
90
19
4
41
5
64
280
628
11
62
29
25
127
64,200

Membership by Type of Benefit Plan

AS OF MARCH 31, 2008

Retirement System	Retirement Plan Membership		
	Tier 1	Tier 2	Tier 3 & 4
New York State and Local Employees Retirement System	20,513	20,315	600,291
New York State and Local Police and Fire Retirement System	745	35,457	—

Source: New York State and Local Retirement System

Notes: Please see www.osc.state.ny.us/retire/publications/index.htm for more information.

Principal Participating Employers

NINE MOST RECENT FISCAL YEARS

Participating Government	2000			2001			2002		
	Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System
State	221,626	1	36.66%	227,877	1	36.37%	222,186	1	34.83%
Counties	121,843	2	20.16%	125,814	2	20.08%	124,347	2	19.49%
Schools	103,695	3	17.15%	110,369	3	17.61%	115,757	3	18.15%
Miscellaneous	69,226	4	11.45%	72,098	4	11.51%	83,914	4	13.16%
Towns	40,045	5	6.63%	41,301	5	6.59%	42,254	5	6.62%
Cities	31,808	6	5.26%	32,332	6	5.16%	32,283	6	5.06%
Villages	16,236	7	2.69%	16,774	7	2.68%	17,155	7	2.69%
Total	**604,479**		**100.00%**	**626,565**		**100.00%**	**637,896**		**100.00%**

Participating Government	2007			2008		
	Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System
State	221,515	1	33.43%	226,439	1	33.43%
Counties	121,817	3	18.38%	122,982	3	18.16%
Schools	128,518	2	19.40%	132,132	2	19.51%
Miscellaneous	95,262	4	14.38%	98,283	4	14.51%
Towns	46,284	5	6.98%	47,567	5	7.02%
Cities	31,049	6	4.69%	31,406	6	4.64%
Villages	18,188	7	2.74%	18,512	7	2.73%
Total	**662,633**		**100.00%**	**677,321**		**100.00%**

Source: New York State and Local Retirement System

Notes:

Total includes inactive members identified with their last employer as active members.

Please see http://www.osc.state.ny.us/retire/publications/index.htm for more information.

2003			2004			2005			2006		
Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System
221,807	1	34.09%	213,539	1	33.28%	214,937	1	33.18%	216,996	1	33.17%
125,220	2	19.25%	123,328	3	19.22%	123,839	3	19.12%	121,322	3	18.54%
121,668	3	18.70%	123,616	2	19.26%	126,068	2	19.46%	126,925	2	19.40%
88,352	4	13.58%	88,249	4	13.75%	89,285	4	13.79%	93,327	4	14.26%
43,628	5	6.71%	44,072	5	6.87%	44,778	5	6.91%	45,654	5	7.13%
32,178	6	4.95%	31,307	6	4.88%	31,092	6	4.80%	31,038	6	4.74%
17,690	7	2.72%	17,610	7	2.74%	17,759	7	2.74%	18,029	7	2.76%
650,543		**100.00%**	**641,721**		**100.00%**	**647,758**		**100.00%**	**653,291**		**100.00%**

STATE OF NEW YORK
EXCELSIOR
COMPTROLLER

STATE OF NEW YORK
Office of the State Comptroller

Organization

THOMAS P. DINAPOLI
Comptroller

Mary Louise Mallick
First Deputy Comptroller

Diane Lombardi
Executive Director, Executive Operations

Margaret Becker
Deputy Comptroller
Budget and Policy Analysis

Kevin Belden
Deputy Comptroller
Chief Information Officer

Daniel Berry
Deputy Comptroller
Payroll, Accounting
and Revenue Services

Luke Bierman
General Counsel

Kenneth Bleiwas
Deputy Comptroller
Office of the State Deputy
Comptroller (NYC)

Lynn Canton
Deputy Comptroller
State Government Accountability

Angela Dixon
Deputy Comptroller
Human Resources
and Administration

Raudline Etienne
Deputy Comptroller
Pension Investment and
Cash Management

Celia Gonzalez
Deputy Comptroller
Diversity and Equity Management

Steven Hancox
Deputy Comptroller
Local Government and School
District Accountability

George King
Inspector General

Kevin Murray
Deputy Comptroller
Retirement Services

Mark Pattison
Executive Deputy Comptroller
State and Local Government
Accountability

Joan Sullivan
Executive Deputy Comptroller
Office of Operations

Dennis Tompkins
Director of Communications

Division of Payroll, Accounting and Revenue Services

Bureau of Financial Reporting

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Maureen Shaw

Associate Accountants:
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Donna Greenberg, CPA
Jennifer Hallanan

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Mary Helen Ryder

Senior Accountants:
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Sandra Trzcinski, CGAP, APM

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Patricia Goessler

Student Interns:
Daniel Armstrong
Jason Dessureault

Bureau of Accounting Operations

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Debbie Hilson
H. Michael Luft
William McCormick

STATE OF NEW YORK

Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance With
Government Auditing Standards

March 31, 2008

KPMG LLP
515 Broadway
Albany, NY 12207

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Audit Committee of the New York State Legislature:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New York (the State), as of and for the year ended March 31, 2008, which collectively comprise the State's basic financial statements and have issued our report thereon dated July 25, 2008. Our report was modified to include a reference to other auditors and included an explanatory paragraph which stated as discussed in note 1r and note 13, the State adopted the provisions of Governmental Accounting Standards Board Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* as of April 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements and related disclosures of certain discretely presented component units identified in note 14 of the State's basic financial statements, the State University of New York, the State and Local Retirement System, the Tuition Savings Program, and the Port Authority of New York and New Jersey as described in our report on the State's financial statements. The financial statements of the Lottery, a major enterprise fund, and certain discretely presented component units identified in note 14 of the basic financial statements, were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters did not include the City University of New York, a major enterprise fund, and the discretely presented component units audited by us that are identified in note 14 of the State's basic financial statements. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for these entities. The findings, if any, included in those reports are not included herein.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be

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significant deficiencies or material weaknesses. However, as discussed in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider all the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also noted certain additional matters that we reported to management of the State in a separate letter dated July 25, 2008.

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the State's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Audit Committee of the New York State Legislature, management of the State of New York, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

July 25, 2008

Legislature Audit Committee Role and Responsibilities

Background

The State Finance Law established the Legislature Audit Committee comprised of the chairman and ranking minority members of the Senate Finance Committee and Assembly Ways and Means Committee. In law they are responsible for receiving the results of the independent audit of the State's basic financial statements. Members of the Audit Committee can designate a representative to act upon their behalf.

The role of the audit committee has been increasingly recognized in both the public and private sectors as playing an important part in overseeing the financial reporting process and the independent audit of the financial statements. The impact of recent events has been a catalyst for government audit committees to challenge and redefine the relationship between management, the audit committee and the independent auditor.

Finding

During the period under audit, the State's Legislature Audit Committee did not have a process in place that supports their understanding and monitoring of: the specific roles of the Audit Committee, State management, and external auditor; critical financial reporting risks; effectiveness of financial reporting, budgetary, and compliance controls; independence, accountability, and effectiveness of the external auditor; and transparency of the State's financial reporting. While the Audit Committee members annually receive a copy of the audit plan for the State financial audit, copies of the reports issued as the result of the independent audit, and communication of information required under professional auditing standards related to the audit, they have not regularly met with State management or the external auditor to discuss the State's financial reporting process and independent audit for a number of years. As such the Legislature Audit Committee was not fulfilling its control function as oversight over the State's financial reporting process.

On July 16, 2008, we met with the Legislature Audit Committee to discuss our audit and the State's financial reporting process. We agreed to set up a regular schedule of meetings to discuss the audit and the State's financial reporting practices.

Recommendation

We recommend that the Legislature Audit Committee reevaluate its role and responsibilities under the law with those of the expectations now put forth by the public for audit committees. In October 2002, the Government Finance Officers Association (GFOA) made the following recommendations which are considered "best practices" in defining the role and responsibility of state and local audit committees.

- The members of the audit committee collectively should possess the expertise and experience in accounting, auditing, financial reporting, and finance needed to understand and resolve issues raised by the independent audit of the financial statements. When necessary or otherwise desirable, members of the audit committee should be selected from outside the government to provide the needed expertise and experience.
- The majority of the members of the audit committee should be selected from outside of management. At the same time, the audit committee should include at least one representative each from the executive and legislative branches of the government.
- The audit committee as a general rule should be composed of no less than five and no more than seven members.

- Members of the audit committee should be educated regarding the role of the audit committee and their personal responsibility as members, including their duty to exercise an appropriate degree of professional skepticism.
- The primary responsibility of the audit committee should be to oversee the independent audit of the government's financial statements, from selection of the independent auditor to the resolution of any audit findings.
- The audit committee should have access to the reports of any internal auditors, as well as access to any annual internal audit work plans.
- The audit committee should present annually to the governing board and management a written report made available to the public, of how it has discharged its duties and met its responsibilities.

We strongly encourage the Legislature Audit Committee to take the necessary action to reevaluate its composition, role and responsibilities, and financial reporting and audit oversight activities. We also recommend that the Legislature Audit Committee establish a charter and related policies that clearly define its role and responsibilities. This process should include careful consideration of the issues now being addressed by private sector audit committees and the degree to which they should be applied in the State environment.

Management's Response

The Legislature Audit Committee did not offer a response.

Capital Asset Accounting and Reporting

Background

Under generally accepted accounting principles in accordance with Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, capital assets of the State are to be recorded at historical cost in the Statement of Net Assets in the Government-wide Financial Statements. Capital assets under the standard include land, land improvements, easements, buildings, building improvements, equipment, works of art and historical treasures, infrastructure and intangible assets. The State maintains the Statewide Capital Asset Accounting System (SCAAS) managed by the Office of General Services (OGS) to account for the State's capital assets. OGS has an extensive on-line procedure manual (Capital Asset Accounting Manual) that is available to all state agencies. The Department of Transportation (DOT) separately accounts for the State's road and bridge infrastructure assets, while the Dormitory Authority of the State of New York (DASNY) accounts for completed and construction in progress for certain agency buildings. DOT and DASNY report this capital asset information to OGS for inclusion in the SCAAS. OGS is responsible for the reporting of buildings and construction in progress through its Design and Construction group for various state agencies. All agencies are responsible for accurate recording of their capital assets in SCAAS.

OGS reports the State's capital asset information to the Office of the State Comptroller (OSC) who is responsible for the accurate reporting of capital assets, as well as all amounts, in the State's basic financial statements. OSC, as statutorily required, operates and maintains the State's financial accounting and reporting systems, including the Central Accounting System (CAS), General Ledger System, and PayServ Payroll System.

Finding

The State has not implemented all the processes and controls that are necessary to ensure complete and accurate reporting of all capital assets. The following significant deficiencies in internal control, by capital asset category, were noted:

Infrastructure

DOT has implemented a manual process to capture its infrastructure assets that takes information from the Project Support System and Integrated Accounting System and aggregates the information by project in Microsoft Excel spreadsheets that is provided to OSC to include in the State's basic financial statements. DOT does not have adequate quality control procedures in place to ensure that the amounts recorded in the spreadsheets are complete and accurate such as reconciliations back to source information and supervisory review and verification. The spreadsheets reported $3.0 billion in construction in process, $1.59 billion in additions and $1.1 billion in deletions for the year ended March 31, 2008. Our audit procedures noted errors resulting in an audit adjustment of $66 million to properly state the road and bridge completed projects balance.

Our audit procedures also noted an overstatement of $392 million in the amounts presented in the Required Supplemental Information related to Actual Preservation and Maintenance Costs that is required to be reported when the Modified Approach is used to report infrastructure.

Land Improvements, Buildings, Building Improvements and Equipment

The State recorded $829 million in additions, $382 million in construction in progress, and $546 million in deletions for land improvements, buildings, building improvements and equipment during the fiscal year ended March 31, 2008. The State has established policies and procedures to ensure that these amounts are completely and accurately recorded in SCAAS.

In order to test the design and operating effectiveness of the State's established policies and procedures; we surveyed fifteen major State agencies to ascertain if they have properly designed and operating internal controls. We noted that the State's policies and procedures were not functioning as designed. Specifically we noted the following:

- Buildings, building improvements (constructed by State agencies other than OGS and DASNY such as salt sheds), land improvements and equipment are not recorded in SCAAS in a timely manner. We surveyed fifteen agencies about the design of their internal controls over capital assets. Four of the fifteen agencies did not respond to our survey. It was noted in four agencies of the eleven responding to the survey that there are no quality control procedures in place to ensure that capital assets are recorded in or removed from the SCAAS system in a complete and/or timely manner. Further, three agency responses indicated that they did not have proper segregation of duties between purchasing, receiving and recording of capital assets. Our selection of a sample of forty additions showed that two capital assets were purchased in prior years that were added to SCAAS during the current year and one Agency was unable to supply supporting documentation for an addition. Furthermore, our sample of twenty deletions showed that one item was disposed of in prior years and was removed from SCAAS in the current year. In addition, there were two deletions for which agencies were unable to provide documentation supporting the retirement of the asset.

  Our testwork in the current year as well as prior years has demonstrated that significant amounts of capital assets (other than Department of Transportation rolling stock) are recorded in SCAAS by State agencies during the bieannual inventory process and not when the items were purchased or put into service as generally accepted accounting practices require.

- State agencies do not have a process in place to reconcile separate agency capital asset systems to SCAAS or when SCAAS is the agency's primary system and do not have procedures in place to track purchases, transfers and deletions of capital assets to verify the accuracy of SCAAS.

- While State agencies are completing biennially inventories it was noted that the documentation of such inventories varied amongst agencies. For the eleven agencies responding to our survey none had documentation to support the procedures completed, who completed them, what items were added or deleted and the supervisory review performed, if any. In addition, there was no evidence that items were selected from the floor (i.e. items stored in facilities) and traced back to SCAAS to ensure that they were properly recorded in SCAAS.

All Classes of Capital Assets

An adequate system of internal control consists of an integrated framework that possesses five elements one of which is monitoring. We noted that the State's system of internal control over its capital assets does not provide for adequate monitoring. Specifically, we noted the following:

- Despite a significant deficiency in internal control over financial reporting related to capital assets, our review of the eleven responding agencies found that none had internal audit departments or another function that conducted audits of the agency's policies and procedures regarding capital assets.

- There was no formal audit plan by the State to ensure compliance with capital asset policies and procedures that supported financial reporting.

Recommendations

The State should dedicate the necessary resources and implement additional controls to ensure that the capital asset information maintained in the SCAAS is complete and accurate for financial reporting purposes. It is

critical the State implement the needed capital asset processes and controls to ensure accurate and timely accounting and reporting in accordance with generally accepted accounting principles. Specifically we recommend the following.

Infrastructure

We continue to recommend that the DOT implement procedures to ensure that data elements taken from various sources to determine the value of construction in progress and completed projects for qualifying infrastructure projects are complete and accurate.

Land Improvements, Buildings, Building Improvements and Equipment

We continue to recommend the following to ensure that amounts reported in SCAAS are complete and accurate:

- State agencies should establish formal policies and procedures to routinely reconcile their own capital asset systems to SCAAS and when SCAAS is the agency's primary capital asset system, establish procedures to reconcile all purchases, transfers, and deletions that were recorded in SCAAS to source documentation.
- The State should establish a common process for all agencies to follow when completing their bi-annual inventories. The methodology should include documented steps that must be followed, a listing of additions and deletions that were required, a process to select items from the floor to test to see that they were included in SCAAS, and documentation of supervisory approval.

All Classes of Capital Assets

The State should continue to develop more comprehensive monitoring control procedures of its agencies to ensure capital assets are recorded completely and accurately and reported in the State's Basic Financial Statements. Specifically, we recommend:

- The State, including Agency internal audit departments, should include capital asset accounting and reporting as part of their annual audit plans to conduct annual audits of; an agency's adherence to the State's Capital Asset Accounting Manual, internal controls to ensure the existence, value, completeness and accuracy of capital asset recording in SCAAS; and complete and accurate bi-annual inventories.

Management Responses

Infrastructure

The Department has developed and implemented a detailed checklist itemizing each step in the process to capture the infrastructure assets. As each step is completed, the individual completing the step will initial and date the related section of the checklist. A manager will then review and initial for each step to ensure they were performed accurately.

The Department expects this to be an interim solution while it awaits completion of [1] the Office of the State Comptroller's (OSC) initiative, the Future of the Central Accounting System (FOCAS), to replace the existing central accounting system and [2] the project to provide all State Agencies with a single statewide financial management system (the New York Financial Management System). Based on the Department's communication with OSC, implementation of these new accounting systems is estimated to be April 2011.

Land Improvements, Buildings, Building Improvements and Equipment

We concur with the statement that State agencies should establish formal policies and procedures regarding Capital Asset transactions and reconciliations. OGS continues to provide additional emphasis during training in policies and procedures as part of the onsite review process and provide guidance regarding policies and procedures in the Capital Asset Procedures Manual which is available on the OGS website.

OGS has documented a formal process for all agencies to follow when completing the biennial inventories. This process is also included in the Capital Asset Procedures Manual. As a result of this audit, OGS will be updating this manual to include additional procedures recommended by KPMG.

All Classes of Capital Assets

In addition to the continuation of OGS's onsite review process, OGS will continue to work with OSC to provide Capital Asset data to the OSC Management Audit Team and to request that OSC update their audit plan to include a review of agency policies and procedures regarding capital asset inventories. This would make more efficient use of those resources already committed to auditing functions.

OGS also requests and receives on an annual basis, signed certifications from all agencies attesting to the completeness and accuracy of their capital asset transactions. Agency compliance rates for this request have been exemplary, with response rates routinely exceeding ninety-five percent.

The OGS Bureau of Internal Audit Services will include an audit of OGS's capital asset process in its annual plan and will also communicate the importance of including capital asset accounting and reporting as part of a comprehensive audit plan to their counterparts in other agencies.

OGS will continue to encourage every agency which owns capital assets to develop a process at reasonable points in time to verify all assets which are contained in both the SCAAS and an agency's internal systems. Specific levels of agency activity will depend upon available resources.

Finally, an important component of each agency's annual capital projects budget request and the State's Capital Program and Financing Plan is an inventory and condition statement of all capital facilities assets. We will work closely with the OSC to determine if this information should be captured as part of the State efforts to upgrade its financial reporting and accounting systems as part of the Financial Management System initiative. Since this platform will integrate reporting systems across the entire spectrum of State agencies, it may provide a platform to generate or perhaps facilitate the reconciliation of the universe of capital assets across all classes.

STATE OF NEW YORK

Single Audit Report

March 31, 2008

STATE OF NEW YORK

Single Audit Report

March 31, 2008

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INDEPENDENT AUDITOR'S REPORT

The Governor
State of New York:

We have audited the accompanying Schedule of Expenditures of Federal Awards of the State of New York for the year ended March 31, 2008. This schedule is the responsibility of the State of New York's management. Our responsibility is to express an opinion on the Schedule of Expenditures of Federal Awards based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and the OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 2, except for those amounts reported for the Department of Labor, the schedule was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the Schedule of Expenditures of Federal Awards referred to above presents fairly, in all material respects, the expenditures of Federal awards of the State of New York for the year ended March 31, 2008, on the basis of accounting described in note 2.

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2008 on our consideration of the State of New York's internal control over financial reporting relative to the Schedule of Expenditures of Federal Awards and on our tests of its compliance with certain provisions of laws, regulations, grants, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting relative to the Schedule of Expenditures of Federal Awards and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting relative to the Schedule of Expenditures of Federal Awards or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

This schedule is required to comply with the regulations contained in OMB Circular A-133. This report is intended solely for the information and use of management and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Toski, Schaefer & Co. P.C.

Williamsville, New York
November 21, 2008

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Governor
State of New York:

We have audited the Schedule of Expenditures of Federal Awards of the State of New York for the year ended March 31, 2008 and have issued our report thereon dated November 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of New York's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Schedule of Expenditures of Federal Awards, but not for the purpose of expressing an opinion on the effectiveness of the State of New York's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of New York's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the State of New York's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the State of New York's Schedule of Expenditures of Federal Awards that is more than inconsequential will not be prevented or detected by the State of New York's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 08-15 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Schedule of Expenditures of Federal Awards will not be prevented or detected by the State of New York's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of New York's Schedule of Expenditures of Federal Awards is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the Schedule of Expenditures of Federal Awards amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The State of New York's response to the finding identified in our audit is described in the accompanying State Agency Corrective Action Plans. We did not audit the State of New York's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Toski, Schaefer & Co., P.C.

Williamsville, New York
November 21, 2008

STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
Year ended March 31, 2008
(Amounts in thousands)

Federal CFDA Number	Federal Agency/Program or Cluster Title	Amounts	
	U.S. Department of Agriculture		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	$ 4,270	
10.069	Conservation Reserve Program	3	
10.156	Federal-State Marketing Improvement Program	5	
10.163	Market Protection and Promotion	2,354	
10.164	Wholesale Farmers and Alternative Market Development	60	
10.207	Animal Health and Disease Research	4	
10.417	Very Low-Income Housing Repair Loans and Grants	35	
10.435	State Mediation Grants	224	
10.450	Crop Insurance	95	
10.458	Crop Insurance Education in Targeted States	31	
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	35	
10.477	Meat, Poultry, and Egg Products Inspection	19	
10.479	Food Safety Cooperative Agreements	75	
10.550	Food Donation	64,414	
	Food Stamp Cluster:		
10.551	Food Stamps	2,414,376	
10.561	State Administrative Matching Grants for Food Stamp Program	322,362	
	Total Food Stamp Cluster	2,736,738	*
	Child Nutrition Cluster:		
10.553	School Breakfast Program	(4,002)	
10.555	National School Lunch Program	615,380	
10.556	Special Milk Program for Children	247	
10.559	Summer Food Service Program for Children	42,092	
	Total Child Nutrition Cluster	653,717	*
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	369,647	*
10.558	Child and Adult Care Food Program	164,024	*
10.560	State Administrative Expenses for Child Nutrition	9,900	
10.565	Commodity Supplemental Food Program	9,263	
	Emergency Food Assistance Cluster:		
10.568	Emergency Food Assistance Program (Administrative Costs)	3,971	
10.569	Emergency Food Assistance Program (Food Commodities)	13,690	
	Total Emergency Food Assistance Cluster	17,661	
10.572	WIC Farmers' Market Nutrition Program (FMNP)	3,207	
10.574	Team Nutrition Grants	133	

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal Awards.

STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
Year ended March 31, 2008
(Amounts in thousands)

Federal CFDA Number	Federal Agency/Program or Cluster Title	Amounts
	U.S. Department of Agriculture, Cont.	
10.576	Senior Farmers Market Nutrition Program	$ 1,401
10.664	Cooperative Forestry Assistance	4,240
	Schools and Roads Cluster:	
10.665	Schools and Roads - Grants to States	17
	Total Schools and Roads Cluster	17
10.902	Soil and Water Conservation	453
10.913	Farm and Ranch Lands Protection Program	212
	U.S. Department of Commerce	
11.405	Anadromous Fish Conservation Act Program	70
11.407	Interjurisdictional Fisheries Act of 1986	275
11.419	Coastal Zone Management Administration Awards	2,005
11.420	Coastal Zone Management Estuarine Research Reserves	654
11.441	Regional Fishery Management Councils	270
11.472	Unallied Science Program	44
11.474	Atlantic Coastal Fisheries Cooperative Management Act	952
	U.S. Department of Defense	
12.104	Flood Plain Management Services	4
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	177
12.400	Military Construction, National Guard	45,118
12.401	National Guard Military Operations and Maintenance (O&M) Projects	29,679
12.551	National Security Education Program David L. Boren Scholarships	36
	U.S. Department of Housing and Urban Development	
	Section 8 Project-Based Cluster:	
14.195	Section 8 Housing Assistance Payments Program - Special Allocations	765,428
14.249	Section 8 Moderate Rehabilitation Single Room Occupancy	18
14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	83
	Total Section 8 Project-Based Cluster	765,529
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	53,099 *

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal Awards.

STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
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(Amounts in thousands)

Federal CFDA Number	Federal Agency/Program or Cluster Title	Amounts	
	U.S. Department of Housing and Urban Development, Cont.		
14.231	Emergency Shelter Grants Program	$ 3,397	
14.235	Supportive Housing Program	3,930	
14.238	Shelter Plus Care	4,318	
14.239	HOME Investment Partnerships Program	33,910	*
14.241	Housing Opportunities for Persons with AIDS	1,658	
14.246	Community Development Block Grants/Brownfields Economic Development Initiative	8	
14.401	Fair Housing Assistance Program-State and Local	1,349	
14.414	Non-Discrimination on the Basis of Disability by Public Entities	803	
14.871	Section 8 Housing Choice Vouchers	87,006	*
14.879	Mainstream Vouchers	271	
	U.S. Department of the Interior		
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration Program	6,791	
15.611	Wildlife Restoration	9,417	
	Total Fish and Wildlife Cluster	16,208	
15.616	Clean Vessel Act	656	
15.622	Sportfishing and Boating Safety Act	50	
15.625	Wildlife Conservation and Restoration	59	
15.810	National Cooperative Geologic Mapping Program	45	
15.904	Historic Preservation Fund Grants-In-Aid	689	
15.916	Outdoor Recreation - Acquisition, Development and Planning	3,344	
15.929	Save America's Treasures	29	
	U.S. Department of Justice		
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	195	
16.203	Comprehensive Approaches To Sex Offender Management Discretionary Grant (CASOM)	187	
16.523	Juvenile Accountability Block Grants	2,115	
16.528	Enhanced Training and Services to End Violence and Abuse of Women Later in Life	13	
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	4,394	
16.541	Part E-Developing, Testing and Demonstrating Promising New Programs	63	
16.543	Missing Children's Assistance	240	
16.548	Title V - Delinquency Prevention Program	497	

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal Awards.

STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
Year ended March 31, 2008
(Amounts in thousands)

Federal CFDA Number	Federal Agency/Program or Cluster Title	Amounts	
	U.S. Department of Justice, Cont.		
16.550	State Justice Statistics Program for Statistical Analysis Centers	$ 14	
16.554	National Criminal History Improvement Program (NCHIP)	1,703	
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	249	
16.564	Crime Laboratory Improvement - Combined Offender DNA Index System Backlog Reduction	825	
16.575	Crime Victim Assistance	25,158	
16.576	Crime Victim Compensation	8,705	
16.578	Federal Surplus Property Transfer Program	1,940	
16.579	Edward Byrne Memorial Formula Grant Program	6,701	
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	40	
16.585	Drug Court Discretionary Grant Program	1,572	
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	245	
16.588	Violence Against Women Formula Grants	6,118	
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	2,602	
16.593	Residential Substance Abuse Treatment for State Prisoners	781	
16.597	Motor Vehicle Theft Protection Act Program	1	
16.606	State Criminal Alien Assistance Program	28,942	
16.607	Bulletproof Vest Partnership Program	139	
16.609	Community Prosecution and Project Safe Neighborhoods	1,147	
16.610	Regional Information Sharing Systems	8,447	
16.710	Public Safety Partnership and Community Policing Grants	266	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	10,615	
16.741	Forensic DNA Backlog Reduction Program	403	
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	822	
16.743	Forensic Casework DNA Backlog Reduction Program	366	
	U.S. Department of Labor		
17.002	Labor Force Statistics	4,197	
17.005	Compensation and Working Conditions	474	
	Employment Service Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	47,824	
17.801	Disabled Veterans' Outreach Program (DVOP)	4,061	
17.804	Local Veterans' Employment Representative Program	3,881	
	Total Employment Service Cluster	55,766	
17.225	Unemployment Insurance	2,397,608	*

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal Awards.

STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
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(Amounts in thousands)

Federal CFDA Number	Federal Agency/Program or Cluster Title	Amounts	
	U.S. Department of Labor, Cont.		
17.235	Senior Community Service Employment Program	$ 5,623	
17.245	Trade Adjustment Assistance	14,873	
	WIA Cluster:		
17.258	WIA Adult Program	64,686	
17.259	WIA Youth Activities	69,484	
17.260	WIA Dislocated Workers	70,191	
	Total WIA Cluster	204,361	*
17.261	WIA Pilots, Demonstrations, and Research Projects	6,393	
17.266	Work Incentive Grants	1,232	
17.273	Temporary Labor Certification for Foreign Workers	1,132	
17.503	Occupational Safety and Health - State Program	3,153	
17.504	Consultation Agreements	3,473	
17.600	Mine Health and Safety Grants	254	
	U.S. Department of Transportation		
20.106	Airport Improvement Program	306	
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	1,624,760	
	Total Highway Planning and Construction Cluster	1,624,760	*
20.218	National Motor Carrier Safety	9,411	
20.219	Recreational Trails Program	804	
20.312	High Speed Ground Transportation - Next Generation High Speed Rail Program	29	
20.505	Federal Transit - Metropolitan Planning Grants	4,116	
20.509	Formula Grants for Other Than Urbanized Areas	9,843	
	Transit Services Programs Cluster:		
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	6,912	
	Total Transit Services Programs Cluster	6,912	
20.515	State Planning and Research	108	
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	19,224	
20.609	Safety Belt Performance Grants	55	
	Total Highway Safety Cluster	19,279	
20.700	Pipeline Safety Program Base Grants	1,611	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	250	

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal Awards.

STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
Year ended March 31, 2008
(Amounts in thousands)

Federal CFDA Number	Federal Agency/Program or Cluster Title	Amounts
	U.S. Appalachian Regional Commission	
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects	$ 48
	U.S. Equal Employment Opportunity Commission	
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	1,582
	General Services Administration	
39.011	Election Reform Payments	7,872
	National Foundation on the Arts and the Humanities	
45.025	Promotion of the Arts - Partnership Agreements	509
45.149	Promotion of the Humanities - Division of Preservation and Access	245
45.310	Grants to States	8,468
45.313	Laura Bush 21st Century Librarian Program	404
	National Science Foundation	
47.074	Biological Sciences	29
47.075	Social, Behavioral, and Economic Sciences	12
	Veterans Benefits Administration	
64.005	Grants to States for Construction of State Home Facilities	17,208
64.010	Veterans Nursing Home Care	16,471
64.124	All - Volunteer Force Educational Assistance	1,261
	U.S. Environmental Protection Agency	
66.001	Air Pollution Control Program Support	8,216
66.032	State Indoor Radon Grants	279
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	2,145
66.202	Congressionally Mandated Projects	1,993
66.432	State Public Water System Supervision	4,366
66.436	Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104 (b)(3) of the Clean Water Act	54
66.437	Long Island Sound Program	2,742
66.454	Water Quality Management Planning	1,005
66.456	National Estuary Program	37
66.458	Capitalization Grants for Clean Water State Revolving Funds	118,443
66.461	Regional Wetland Program Development Grants	200
66.468	Capitalization Grants for Drinking Water State Revolving Funds	37,151
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	541
66.472	Beach Monitoring and Notification Program Implementation Grants	355

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal Awards.

STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
Year ended March 31, 2008
(Amounts in thousands)

Federal CFDA Number	Federal Agency/Program or Cluster Title	Amounts	
	U.S. Environmental Protection Agency, Cont.		
66.474	Water Protection Grants to the States	$ 244	
66.481	Lake Champlain Basin Program	214	
66.511	Office of Research and Development Consolidation Research/Training/Fellowships	272	
66.605	Performance Partnership Grants	14,095	
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	141	
66.610	Surveys, Studies, Investigations and Special Purpose Grants within the Office of the Administrator	22	
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	656	
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	66	
66.708	Pollution Prevention Grants Program	58	
66.709	Multi-Media Capacity Building Grants for States and Tribes	89	
66.801	Hazardous Waste Management State Program Support	8,776	
66.802	Superfund State, Political Subdivision, and Indian Tribe Site - Specific Cooperative Agreements	3,182	
66.804	State and Tribal Underground Storage Tanks Program	420	
66.805	Leaking Underground Storage Tank Trust Fund Program	1,799	
66.817	State and Tribal Response Program Grants	27	
	U.S. Department of Energy		
81.039	National Energy Information Center	24	
81.041	State Energy Program	1,868	
81.042	Weatherization Assistance for Low-Income Persons	17,958	
81.089	Fossil Energy Research and Development	131	
81.104	Office of Environmental Waste Processing	1	
81.119	State Energy Program Special Projects	1,029	
	U.S. Department of Education		
84.002	Adult Education - Basic Grants to States	38,940	
84.010	Title I Grants to Local Educational Agencies	1,211,082	*
84.011	Migrant Education - State Grant Program	10,017	
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	635,751	
84.173	Special Education - Preschool Grants	33,199	
	Total Special Education Cluster (IDEA)	668,950	*
84.048	Career and Technical Education - Basic Grants to States	59,867	

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal Awards.

STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
Year ended March 31, 2008
(Amounts in thousands)

Federal CFDA Number	Federal Agency/Program or Cluster Title	Amounts	
	U.S. Department of Education, Cont.		
84.069	Leveraging Education Assistance Partnership	$ 15,015	
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	143,696	*
84.144	Migrant Education - Coordination Program	81	
84.161	Rehabilitation Services - Client Assistance Program	656	
84.169	Independent Living - State Grants	914	
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	2,413	
84.181	Special Education - Grants for Infants and Families	26,687	
84.184	Safe and Drug-Free Schools and Communities - National Programs	186	
84.185	Byrd Honors Scholarships	2,344	
84.186	Safe and Drug-Free Schools and Communities - State Grants	29,203	
84.187	Supported Employment Services for Individuals with Significant Disabilities	3,504	
84.196	Education for Homeless Children and Youth	6,578	
84.213	Even Start - State Educational Agencies	7,962	
84.224	Assistive Technology	430	
84.240	Program of Protection and Advocacy of Individual Rights	911	
84.243	Tech-Prep Education	4,382	
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	123	
84.282	Charter Schools	6,275	
84.287	Twenty-First Century Community Learning Centers	86,197	*
84.298	State Grants for Innovative Programs	10,135	
84.318	Educational Technology State Grants	26,626	
84.323	Special Education - State Personnel Development	1,316	
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	1,545	
84.332	Comprehensive School Reform Demonstration	9,989	
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	3,093	
84.336	Teacher Quality Enhancement Grants	67	
84.343	Assistive Technology - State Grants for Protection and Advocacy	288	
84.346	Vocational Education - Occupational and Employment Information State Grants	29	
84.350	Transition to Teaching	297	
84.357	Reading First State Grants	89,642	*
84.358	Rural Education	1,770	
84.365	English Language Acquisition Grants	59,428	*
84.366	Mathematics and Science Partnerships	10,194	
84.367	Improving Teacher Quality State Grants	231,803	*
84.369	Grants for State Assessments and Related Activities	19,417	

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal Awards.

STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
Year ended March 31, 2008
(Amounts in thousands)

Federal CFDA Number	Federal Agency/Program or Cluster Title	Amounts	
	National Archives and Records Administration		
89.003	National Historical Publications and Records Grants	$ 8	
	Elections Assistance Commission		
90.401	Help America Vote Act Requirements Payments	720	
	U.S. Department of Health and Human Services		
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	109	
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation	331	
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	1,023	
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	1,730	
	Aging Cluster:		
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	25,544	
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	48,621	
93.053	Nutrition Services Incentive Program	14,257	
	Total Aging Cluster	88,422	*
93.048	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	441	
93.051	Alzheimer's Disease Demonstration Grants to States	351	
93.052	National Family Caregiver Support, Title III, Part E	12,477	
93.103	Food and Drug Administration - Research	348	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	3,081	
93.130	Cooperative Agreement to States/Territories for the Coordination and Development of Primary Care Offices	222	
93.136	Injury Prevention and Control Research and State and Community Based Programs	2,632	
93.138	Protection and Advocacy for Individuals with Mental Illness	1,496	
93.150	Projects for Assistance in Transition from Homelessness (PATH)	3,612	
93.217	Family Planning - Services	9,746	
93.235	Abstinence Education Program	3,726	
93.240	State Capacity Building	540	
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	766	
93.267	State Grants for Protection and Advocacy Services	83	
93.268	Immunization Grants	14,021	

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal Awards.

STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
Year ended March 31, 2008
(Amounts in thousands)

Federal CFDA Number	Federal Agency/Program or Cluster Title	Amounts	
	U.S. Department of Health and Human Services, Cont.		
93.394	Cancer Detection and Diagnosis Research	$ 532	
93.448	Food Safety and Security Monitoring Project	(51)	
93.556	Promoting Safe and Stable Families	21,321	
93.558	Temporary Assistance for Needy Families	1,791,499	*
93.563	Child Support Enforcement	158,474	*
93.566	Refugee and Entrant Assistance - State Administered Programs	11,505	
93.568	Low-Income Home Energy Assistance	310,760	*
93.569	Community Services Block Grant	64,201	
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	453,971	
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	177,755	
	Total CCDF Cluster	631,726	*
93.576	Refugee and Entrant Assistance - Discretionary Grants	1,347	
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants	3,532	
93.586	State Court Improvement Program	1,072	
93.590	Community-Based Child Abuse Prevention Grants	1,237	
93.599	Chafee Education and Training Vouchers Program (ETV)	2,840	
93.600	Head Start	250	
93.601	Child Support Enforcement Demonstration and Special Projects	4	
93.602	Assets for Independence Demonstration Program	1,000	
93.617	Voting Access for Individuals with Disabilities - Grants to States	6	
93.618	Voting Access for Individuals with Disabilities - Grants for Protection and Advocacy Systems	177	
93.623	Basic Center Grant	127	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	7,482	
93.643	Children's Justice Grants to States	1,236	
93.645	Child Welfare Services - State Grants	14,525	
93.658	Foster Care - Title IV-E	411,454	*
93.659	Adoption Assistance	207,919	*
93.667	Social Services Block Grant	166,973	*
93.669	Child Abuse and Neglect State Grants	1,409	
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	4,293	
93.674	Chafee Foster Care Independence Program	10,949	
93.767	State Children's Insurance Program	325,799	*

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal Awards.

STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
Year ended March 31, 2008
(Amounts in thousands)

Federal CFDA Number	Federal Agency/Program or Cluster Title	Amounts	
	U.S. Department of Health and Human Services, Cont.		
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	$ 29,294	
93.777	State Survey and Certification of Health Care Providers and Suppliers	31,861	
93.778	Medical Assistance Program	22,721,471	
	Total Medicaid Cluster	22,782,626	*
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	2,534	
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	511	
93.958	Block Grants for Community Mental Health Services	30,401	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	120,645	*
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grant	2,667	
93.991	Preventive Health and Health Services Block Grant	7,113	
93.994	Maternal and Child Health Services Block Grant to the States	41,855	*
93.999	Test for Suppression Effects of Advanced Energy	170	
	Corporation for National and Community Service		
94.003	State Commissions	474	
94.004	Learn and Serve America - School and Community Based Programs	1,429	
94.006	AmeriCorps	9,309	
94.007	Planning and Program Development Grants	63	
94.009	Training and Technical Assistance	295	
	Foster Grandparent/Senior Companion Cluster:		
94.016	Senior Companion Program	228	
	Total Foster Grandparent/Senior Companion Cluster	228	
	Social Security Administration		
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	136,211	
	Total Disability Insurance/SSI Cluster	136,211	*
96.009	Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries	338	
	U.S. Department of Homeland Security		
97.001	Pilot Demonstration or Earmarked Projects	5	
	Homeland Security Cluster:		
97.004	State Domestic Preparedness Equipment Support Program	7,608	
97.067	Homeland Security Grant Program	72,528	
	Total Homeland Security Cluster	80,136	*

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal Awards.

STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
Year ended March 31, 2008
(Amounts in thousands)

Federal CFDA Number	Federal Agency/Program or Cluster Title	Amounts	
	Department of Homeland Security, Cont.		
97.006	State and Local Homeland Security Exercise Support	$ 4	
97.008	Urban Areas Security Initiative	20,911	
97.012	Boating Safety Financial Assistance	2,288	
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	41	
97.022	Flood Insurance	335	
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	260	
97.029	Flood Mitigation Assistance	1,526	
97.034	Disaster Unemployment Assistance	13	
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	179,304	*
97.039	Hazard Mitigation Grant	60,063	*
97.041	National Dam Safety Program	86	
97.045	Cooperating Technical Partners	2,117	
97.047	Pre-Disaster Mitigation	1,053	
97.050	Presidentially Declared Disasters Assistance to Individuals and Households - Other Needs	1,677	
97.051	State and Local All Hazards Emergency Operations Planning	57	
97.056	Port Security Grant Program	813	
97.070	Map Modernization Management Support	155	
97.075	Rail and Transit Security Grant Program	19,859	
97.078	Buffer Zone Protection Program (BZPP)	3,380	
	Student Financial Assistance Cluster:		
	U.S. Dept. of Education		
84.007	Federal Supplemental Educational Opportunity Grants	6,671	
84.033	Federal Work-Study Program	11,028	
84.038	Federal Perkins Loan Program - Federal Capital Contributions	21,481	
84.063	Federal Pell Grant Program	154,170	
84.268	Federal Direct Student Loans	272,844	
84.375	Academic Competitiveness Grants	7,794	
84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants	5,104	
	Total U.S. Dept. of Education	479,092	
	U.S. Dept. of Health and Human Services		
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	2,074	
93.364	Nursing Student Loans	711	
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	895	
	Total U.S. Dept. of Health and Human Services	3,680	
	Total Student Financial Assistance Cluster:	482,772	*

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal Awards.

STATE OF NEW YORK
Schedule of Expenditures of Federal Awards
Year ended March 31, 2008
(Amounts in thousands)

Federal CFDA Number	Federal Agency/Program or Cluster Title	Amounts
	Research and Development Cluster:	
16.735	Protect Inmates and Safeguard Communities Discretionary Grant Program	$ 311
84.013	Title I Program for Neglected and Delinquent Children	3,158
84.331	Grants to States for Incarcerated Youth Offenders	1,133
93.597	Grants to States for Access and Visitation Programs	621
	Total Research and Development Cluster	5,223
	Total Expenditures of Federal Awards	$ 40,962,542

* Represents major program.

See accompanying notes to the Schedule of Expenditures of Federal Awards.

STATE OF NEW YORK

Notes to the Schedule of Expenditures of Federal Awards

March 31, 2008

(1) Basis of Presentation

(a) Entity

For purposes of complying with The Single Audit Act of 1984, as amended in 1996, the State of New York is defined in a manner consistent with the entity defined in the basic financial statements as of and for the year ended March 31, 2008; except that the New York State and Local Retirement System and the Public Benefit Corporations (as defined in the notes to the basic financial statements, except for the Dormitory Authority of the State of New York, the New York State Energy Research and Development Authority, Hugh C. Carey Battery Park City Authority and the Housing Trust Fund Corporation), the State Lottery, the City University of New York Fund, and the Research Foundation of the State University of New York which is included within the State University of New York Fund are excluded. Accordingly, the accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the Federal financial assistance programs administered by the State of New York (the State), as defined above, for the year ended March 31, 2008.

(b) Major Federal Financial Assistance Programs

For the State's purposes, a Type A Federal program, as defined by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is any program that exceeds .15% (.0015) of Federal awards expended when the total Federal expenditures of the reporting entity exceed $10 billion. Total expenditures of Federal awards of the reporting entity were approximately $41.0 billion (approximately $36.3 billion in expenditures, $2.5 billion in non-cash assistance and $2.2 billion in State Unemployment Insurance Program expenditures). As a result, all programs with expenditures of $61.6 million or more were Type A programs. All other programs were categorized as Type B. All Type A programs, except four, were assessed to be high-risk and were tested as major programs. Four Type B high-risk programs were tested as major programs to replace the four Type A low-risk programs.

(c) Loans Outstanding (SUNY)

The State had the following loan balances outstanding at March 31, 2008. These loan balances outstanding are not included in the Federal expenditures presented in the Schedule.

CFDA Number	Program Title	Amounts Outstanding (in thousands)
84.038	Federal Perkins Loan Program	$ 128,967
93.342	Health Professions Student Loans	12,832
93.364	Nursing Student Loans	3,854

The State also administers the Federal Family Education Loan Programs (CFDA No. 84.032) consisting of the Stafford Loans (SL), including Supplemental Loans for Students, and Parents Loans for Undergraduate Students (PLUS). During the fiscal year ended March 31, 2008, new loans guaranteed under these programs amounted to approximately $434

(1) Basis of Presentation, Continued

(c) Loans Outstanding (SUNY), Continued

million and $71 million, respectively. The principal balances outstanding at March 31, 2008 were not available. The loans guaranteed under the SL and PLUS programs are not included in the accompanying Schedule. However, all of these programs were considered major Federal financial assistance programs under the Student Financial Aid Cluster in the State's Single Audit.

(d) Loans Outstanding (Housing Trust Fund Corporation)

The State administers the HOME Investment Partnership Program (CFDA No. 14.239). A portion of the HOME program payments are in the form of low interest loans made to not-for-profit and for-profit organizations to construct multi-family apartment buildings. The outstanding balance of these loans at March 31, 2008 amounted to $114 million. The loans under the HOME Investment Partnership program are not included in the accompanying Schedule. However, the loans were included with the HOME Investment Partnership Program's expenditures to determine Type A programs.

(e) Non-Cash Awards

The State is the recipient of Federal financial assistance programs that do not result in cash receipts or disbursements. Non-cash awards received by the State are included in the Schedule of Expenditures of Federal Awards as follows:

CFDA Number	Program Title	Non-cash Awards (in thousands)
10.550	Food Donation	$ 63,620
10.551	Food Stamps	2,414,376
10.558	Child and Adult Care Food Program	788
10.559	Summer Food Service Program for Children	9
10.565	Commodity Supplemental Food Program	7,409
10.569	Emergency Food Assistance Program (Food Commodities)	13,690
16.578	Federal Surplus Property Transfer Program	1,940
93.268	Immunization Grants	175
	Total	$ 2,502,007

(f) Debris Removal Insurance (CFDA Number 97.064)

The State is the grantee under this Federal program to establish a captive insurance company to insure the City of New York and its contractors for claims arising from debris removal at the World Trade Center following the terrorist attacks of September 11, 2001. The funding awarded under this program in the State's fiscal year ended March 31, 2005 was $999.9 million. Upon transfer of the award to the captive insurance company through the State and the City, the captive insurance company will use the award for an initial period of up to 25 years. In the event the captive insurance company is unable to terminate its liabilities within the 25-year period because it would not be

(1) Basis of Presentation, Continued

(f) Debris Removal Insurance (CFDA Number 97.064), Continued

commercially reasonable or cost effective to do so, a request to extend the period of performance will be considered by the Federal government. The State is responsible for complying with post assistance requirements contained in the grant award. This program is considered high risk and has been audited as a major program for the year ended March 31, 2008.

(2) Basis of Accounting

(a) General

The accompanying Schedule was prepared using the cash basis of accounting, except as noted for the Department of Labor, as reported by the central accounting system. The central accounting system provides primary information from which the basic financial statements are prepared.

(b) Department of Labor

The New York State Department of Labor (DOL) maintains an internal accounting system as required by the Federal Department of Labor. Certain amounts included in the accompanying Schedule for programs administered by DOL were obtained from DOL's accounting system. DOL's accounting system is reconciled periodically to the State's central accounting system.

The following amounts were obtained from DOL's internal accounting system:

CFDA Number	Program Title	Expenditures (in thousands)
17.002	Labor Force Statistics	$ 4,197
17.005	Compensation and Working Conditions	474
17.207	Employment Service/Wagner - Peyser Funded Activities	47,824
17.225	Unemployment Insurance	203,050
17.245	Trade Adjustment Assistance	14,873
17.258	WIA Adult Program	64,686
17.259	WIA Youth Activities	68,258
17.260	WIA Dislocated Workers	70,191
17.261	WIA Pilots, Demonstrations, and Research Projects	3,052
17.266	Work Incentive Grants	1,232
17.273	Temporary Labor Certification for Foreign Workers	1,132
17.503	Occupational Safety and Health - State Program	3,153
17.504	Consultation Agreements	3,473
17.600	Mine Health and Safety Grants	254
17.801	Disabled Veterans' Outreach Program (DVOP)	4,061
17.804	Local Veterans' Employment Representative Program	3,881
66.001	Air Pollution Control Program Support	240

(2) Basis of Accounting, Continued

(b) Department of Labor, Continued

CFDA Number	Program Title	Expenditures (in thousands)
84.048	Career and Technical Education - Basic Grants to States	$ 110
84.346	Vocational Education - Occupational and Employment Information State Grants	29
97.034	Disaster Unemployment Assistance	13
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	104
97.039	Hazard Mitigation Grant	12
97.050	Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	1,677
	Total	$ 495,976

The amount reported for the Unemployment Insurance program (CFDA No. 17.225) included $2.2 billion in State funded expenditures.

(3) Matching Costs

Matching costs, i.e., the nonfederal share of certain program costs, are not included in the accompanying Schedule except for the State's share of Unemployment Insurance.

(4) Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of Federal financial reports vary by Federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the Federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared on the basis explained in notes 1 and 2.

(5) Litigation

The State is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of State and Federal laws.

Included in the State's outstanding litigation are a number of cases challenging the legality or the adequacy of a variety of significant social welfare programs primarily involving the State's Medicaid and mental health programs. Adverse judgments in these matters generally could result in injunctive relief coupled with prospective changes in patient care that could require substantial increased financing of the litigated programs in the future.

(6) Subrecipients

The following Type A programs provided Federal awards to subrecipients:

CFDA Number	Program/Cluster Title	Amounts Provided to Subrecipients (in thousands)
	Food Stamp Cluster:	
10.561	State Administrative Matching Grants for Food Stamp Program	$ 290,291
	Total Food Stamp Cluster	290,291
	Child Nutrition Cluster:	
10.555	National School Lunch Program	604,861
10.559	Summer Food Service Program for Children	40,519
	Total Child Nutrition Cluster	645,380
10.557	Special Supplemental Nutrition Program for Woman, Infants and Children	60,751
10.558	Child and Adult Care Food Program	160,750
	Section 8 Project-Based Cluster:	
14.195	Section 8 Housing Assistance Payments Program - Special Allocations	744,448
14.249	Section 8 Moderate Rehabilitation Single Room Occupancy	18
14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	83
	Total Section 8 Project-Based Cluster	744,549
14.871	Section 8 Housing Choice Vouchers	75,734
	WIA Cluster:	
17.258	WIA Adult Program	57,856
17.259	WIA Youth Activities	48,082
17.260	WIA Dislocated Workers	50,949
	Total WIA Cluster	156,887
	Highway Planning and Construction Cluster:	
20.205	Highway Planning and Construction	342,380
	Total Highway Planning and Construction Cluster	342,380
66.458	Capitalization Grants for Clean Water State Revolving Funds	118,136
84.010	Title I Grants to Local Education Agencies	1,195,416

(6) Subrecipients, Continued

CFDA Number	Program/Cluster Title	Amounts Provided to Subrecipients (in thousands)
	Special Education Cluster:	
84.027	Special Education - Grants to States	$ 599,110
84.173	Special Education - Preschool Grants	31,761
	Total Special Education Cluster	630,871
84.287	Twenty-First Century Community Learning Centers	84,788
84.357	Reading First State Grants	87,419
84.367	Improving Teacher Quality State Grants	226,928
	Aging Cluster:	
93.044	Special Programs for the Aging - Title III - Part B	24,557
93.045	Special Programs for the Aging - Title III - Part C	45,063
93.053	Nutrition Services Incentive Program	14,257
	Total Aging Cluster	83,877
93.558	Temporary Assistance for Needy Families	1,264,267
93.563	Child Support Enforcement	93,330
93.568	Low-Income Home Energy Assistance	264,907
93.569	Community Services Block Grant	61,886
	CCDF Cluster:	
93.575	Child Care and Development Block Grant	390,390
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	196,642
	Total CCDF Cluster	587,032
93.658	Foster Care - Title IV-E	365,409
93.659	Adoption Assistance	207,455
93.667	Social Services Block Grant	161,139
93.767	State Children's Insurance Program	317,559
	Medicaid Cluster:	
93.778	Medical Assistance Program	4,816,367
	Total Medicaid Cluster	4,816,367
93.959	Block Grants for Prevention and Treatment of Substance Abuse	113,270
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	157,605
	Homeland Security Cluster:	
97.067	Homeland Security Grant Program	35,180
	Total Homeland Security Cluster	35,180
	Total	$ 13,349,563

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Governor
State of New York:

Compliance

We have audited the compliance of the State of New York (the State) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2008. The State's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

The State of New York's basic financial statements as of and for the year ended March 31, 2008 were audited by other auditors. As discussed in note 1, the State's basic financial statements include the operation of certain entities whose Federal awards are not included in the schedule of expenditures of Federal awards for the year ended March 31, 2008. Our audit, described below, did not include the operations of the entities identified in note 1 as these entities conducted separate audits in accordance with OMB Circular A-133, if required.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133 - "Audits of States, Local Governments and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

As described in items 08-10 and 08-39 in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding allowable costs/costs principles that are applicable to its Food Stamp Cluster, Temporary Assistance for Needy Families, Child Support Enforcement, Low-Income Home Energy Assistance, Child Care and Development Fund (CCDF) Cluster, Foster Care - Title IV-E, Adoption Assistance, Social Service Block Grant, Medical Assistance Program and Social Security - Disability Insurance programs and the special tests and provisions applicable to its Temporary Assistance for Needy Families and Medical Assistance Programs. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-01, 08-06, 08-07, 08-08, 08-09, 08-11, 08-12, 08-13, 08-14, 08-17, 08-19, 08-20, 08-22, 08-23, 08-24, 08-25, 08-26, 08-27, 08-29, 08-30, 08-33, 08-34, 08-35, 08-36, 08-37, 08-43, 08-44, 08-45, 08-46, 08-49, 08-50, 08-54, 08-55, and 08-56.

Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 08-01, 08-02, 08-03, 08-04, 08-05, 08-06, 08-09, 08-10, 08-11, 08-12, 08-13, 08-14, 08-15,

08-16, 08-17, 08-18, 08-20, 08-21, 08-23, 08-25, 08-26, 08-27, 08-28, 08-29, 08-30, 08-31, 08-32, 08-34, 08-35, 08-36, 08-38, 08-39, 08-40, 08-41, 08-42, 08-43, 08-46, 08-47, 08-48, 08-50, 08-51, 08-52, 08-53, 08-54, 08-55, and 08-56 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider all of the items to be material weaknesses.

The State's responses to the findings identified in our audit are described in the accompanying State Agency Corrective Action Plans. We did not audit the State's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Toski, Schaefer & Co., P.C.

Williamsville, New York
November 21, 2008

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2008

(1) Summary of Auditors' Results

Basic Financial Statements

a) Unqualified opinions were issued by other auditors, on the basic financial statements of the State of New York (the State) as of and for the year ended March 31, 2008.

b) The audit, issued by other auditors, reported control deficiencies in connection with the basic financial statements of the State as of and for the year ended March 31, 2008. The control deficiencies were not considered material weaknesses.

c) The audit, issued by other auditors, disclosed no instances of noncompliance that would be material to the basic financial statements of the State as of and for the year ended March 31, 2008.

Single Audit

d) The audit disclosed significant deficiencies in connection with the major Federal programs of the State for the year ended March 31, 2008. All significant deficiencies noted were considered to be material weaknesses.

e) An unqualified opinion was issued on the State's compliance with its major Federal programs for the year ended March 31, 2008, except for the Food Stamp Cluster, Temporary Assistance for Needy Families, Child Support Enforcement, Low-Income Home Energy Assistance, Child Care and Development Fund (CCDF) Cluster, Foster Care - Title IV-E, Adoption Assistance, Social Services Block Grant, Medical Assistance Program, and Social Security - Disability Insurance for which the opinion on compliance was qualified.

f) There were audit findings required to be reported under Section 510(a) of OMB Circular A-133 for the year ended March 31, 2008.

g) The dollar threshold to determine Type A programs was $61.6 million. The major Federal programs of the State for the year ended March 31, 2008 are as follows:

U.S. Department of Agriculture

- Food Stamp Cluster
- Child Nutrition Cluster
- Special Supplemental Nutrition Program for Women, Infants and Children
- Child and Adult Care Food Program

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2008

U.S. Department of Housing and Urban Development

- Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii
- HOME Investment Partnerships Program
- Section 8 Housing Choice Vouchers

U.S. Department of Labor

- Unemployment Insurance
- WIA Cluster

U.S. Department of Transportation

- Highway Planning and Construction Cluster

U.S. Department of Education

- Title I Grants to Local Educational Agencies
- Special Education Cluster (IDEA)
- Rehabilitation Services - Vocational Rehabilitation Grants to States
- Twenty-First Century Community Learning Centers
- Reading First State Grants
- English Language Acquisition Grants
- Improving Teacher Quality State Grants
- Student Financial Assistance Cluster

U.S. Department of Health and Human Services

- Aging Cluster
- Temporary Assistance for Needy Families
- Child Support Enforcement
- Low-Income Home Energy Assistance
- Child Care Development Fund (CCDF) Cluster
- Foster Care - Title IV-E
- Adoption Assistance
- Social Services Block Grant
- State Children's Insurance Program
- Medicaid Cluster

U.S. Department of Health and Human Services, Continued

- Block Grants for Prevention and Treatment of Substance Abuse
- Maternal and Child Health Services Block Grant to the States

Social Security Administration

- Disability Insurance/SSI Cluster

U.S. Department of Homeland Security

- Homeland Security Cluster
- Disaster Grants - Public Assistance (Presidentially Declared Disasters)
- Hazard Mitigation Grant
- Debris Removal Insurance

h) The State did not qualify as a low-risk auditee for the year ended March 31, 2008.

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

The independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of the State of New York financial statements performed in accordance with Government Auditing Standards was issued by other auditors.

Refer to the separately issued report dated July 25, 2008, issued by other auditors, for specific details regarding these findings, which incorporated management's response.

(3) Findings Relating to the Schedule of Expenditures of Federal Awards in Accordance with *Government Auditing Standards*

The audit disclosed a significant deficiency in internal control over financial reporting of the Schedule of Expenditures of Federal Awards. This was not, however, considered to be a material weakness.

See accompanying schedule of findings and questioned costs item 08-15.

(4) Findings and Questioned Costs Relating to Federal Awards

See accompanying pages 30 through 149.

Food Stamps (10.551)
State Administrative Matching Grants for Food Stamp Program (10.561)
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (14.228)
WIA Adult Program (17.258)
WIA Youth Activities (17.259)
WIA Dislocated Workers (17.260)
Highway Planning and Construction (20.205)
Child Support Enforcement (93.563)
Low-Income Home Energy Assistance (93.568)
Child Care and Development Block Grant (93.575)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)
Foster Care - Title IV-E (93.658)
Social Services Block Grant (93.667)
Medical Assistance Program (93.778)
Block Grants for Prevention and Treatment of Substance Abuse (SAPT) (93.959)
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (97.036)

Department of Health (DOH)
Department of Labor (DOL)
Department of Transportation (DOT)
Housing Trust Fund Corporation (HTFC)
Office of Alcoholism and Substance Abuse Services (OASAS)
Office of Children and Family Services (OCFS)
Office of Temporary and Disability Assistance (OTDA)
State Emergency Management Office (SEMO)

Reference: 08-01

Requirement

In accordance with Office of Management and Budget (OMB) Circular A-133, section .400(d): A pass-through entity is responsible for ensuring that subrecipients expending $500,000 or more in Federal awards during the subrecipients fiscal year have met the audit requirements of OMB Circular A-133.

In accordance with OMB Circular A-133, section .520(b) and (c): The auditor shall identify the larger Federal programs, which shall be labeled Type A programs. Type A programs are defined as Federal programs with Federal awards expended during the audit period based on specific calculations as described in Section .520(b)(1). The auditor shall identify Type A programs which are low-risk. For a Type A program to be considered low-risk, it shall have been audited as a major program in at least one of the two most recent audit periods, and in the most recent audit period, it shall have had no audit findings.

In accordance with OMB Circular A-133, section .105, a cluster of programs means a grouping of closely related programs that share common compliance requirements. The types of clusters of programs are research and development (R&D), student financial aid (SFA), and other clusters. "Other clusters" are as defined by the OMB in the compliance supplement or as designated by a State for Federal awards the State provides to its subrecipients that meet the definition of a cluster of programs. When designating an "other cluster," a State shall identify the Federal awards included in the cluster and advise the subrecipients of compliance requirements applicable to the cluster, consistent with section .400(d)(1) and section .400(d)(2), respectively. A cluster of programs shall be considered as one program for determining major programs, as described in section .520, and, with the exception of R&D as described in section .200(c), whether a program-specific audit may be elected.

The National Single Audit Sampling Project conducted by the President's Council on Integrity and Efficiency was performed to determine the quality of single audits using statistical methods and to make recommendations to address noted audit quality issues. The report sampled 208 single audit reports and identified deficiencies in risk assessments as part of the major program determination in approximately 25% of the sample (Report on National Single Audit Sampling Project, June 2007).

Finding

State agencies review the OMB Circular A-133 Single Audit Reports as they are received to determine if there are any findings that relate to the Federal programs they administer and determine compliance with the nine-month due date requirement. This generally involves examining the reports to determine if all required opinions and schedules have been included.

We reviewed the Data Collection Form (U.S. Form SF-SAC) for all 57 counties within New York State for the years ended December 31, 2006, 2005, and 2004 and the City of New York for the years ended June 30, 2007, 2006, and 2005. We used the auditor-calculated Type A threshold to determine which programs were considered to be Type A programs as of December 31, 2006 and June 30, 2007. We then examined Data Collection Forms for the prior two years to determine if the program was identified as having been audited in at least one of those two years. State agencies provided evidence that five Data Collection Forms were not prepared correctly by the auditors and were not identical to the auditors' single audit reports. We did not include the known errors of the Data Collection Forms in this finding.

There were 25 Federal programs that were not identified as having been audited for the year ended December 31, 2006 that were required to be audited under section .520 of OMB Circular A-133. These 25 programs spanned 10 counties.

During the audit, we also noted Data Collection Forms for six counties that did not properly identify programs within a cluster in accordance with section .105 of OMB Circular A-133. In these instances, part of the cluster was identified as being audited while other programs within the cluster were not identified as being audited.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2008

The following is a detailed list of the errors by county:

Subrecipient	Number of Type A Programs Not Audited	Amount of Type A's not Audited	Improperly Reported Cluster	Amount in Improper Reported Cluster
County 1	3	$ 12,607,043	1	$ 2,412,317
County 2	1	766,668	-	-
County 3	-	-	1	108,326
County 4	-	-	2	894,140
County 5	1	3,015,838	-	-
County 6	7	4,986,084	1	317,208
County 7	2	1,566,756	1	53,386
County 8	1	992,644	-	-
County 9	2	1,443,796	-	-
County 10	2	9,322,474	-	-
County 11	5	10,362,797	-	-
County 12	1	1,384,978	-	-
	25	$ 46,449,078	6	$ 3,785,377

The following is the detail of these errors by Federal program:

	Amount of Type A Programs not Audited	Amount of Improperly Reported Cluster
Food Stamp Cluster (10.551, 10.561)	$ 2,654,422	3,334,199
Community Development Block Grants (14.228)	560,618	-
WIA Cluster (17.258, 17.259, 17.260)	-	451,178
Highway Planning and Construction (20.205)	5,770,400	-
Formula Grants for other than Urbanized Areas (20.509)	585,143	-
Child Support Enforcement (93.563)	1,039,466	-
Low-Income Home Energy Assistance (93.568)	5,826,493	-
Child Care Development Fund Cluster (93.575, 93.596)	9,757,296	-
Foster Care - Title IV-E (93.658)	8,528,621	-
Social Services Block Grant (93.667)	1,560,376	-
Medical Assistance Program (93.778)	2,623,124	-
SAPT (93.959)	6,550,475	-
Disaster Grants - Public Assistance (97.036)	992,644	-
Total	$ 46,449,078	3,785,377

The following is the detail of these errors by State agency:

State Agency	Federal Programs Affected	Improper Type A Determination Instances	Improper Type A Determination Amount	Improperly Clustered Instances	Improperly Clustered Amount
OTDA	Food Stamp Cluster (10.551, 10.561)	2	$ 2,654,422	5	3,334,199
	Low-Income Home Energy Assistance (93.568)	2	5,826,493	-	-
	Child Support Enforcement (93.563)	1	1,039,466	-	-
OCFS	Foster Care - Title IV-E (93.658)	3	8,528,621	-	-
	Child Care Development Fund Cluster (93.575, 93.596)	3	9,757,296	-	-
	Social Services Block Grant (93.667)	2	1,560,376	-	-
OASAS	SAPT (93.959)	3	6,550,475	-	-
DOT	Highway Planning and Construction (20.205)	4	5,770,400	-	-
	Formula Grants for other than Urbanized Areas (20.509)	1	585,143	-	-
DOL	WIA Cluster (17.258, 17.259, 17260)	-	-	1	451,178
HTFC	Community Development Block Grants (14.228)	1	560,618	-	-
SEMO	Disaster Grants - Public Assistance (97.036)	1	992,644	-	-
DOH	Medical Assistance Program (93.778)	2	2,623,124	-	-
	Total	25	$ 46,449,078	6	3,785,377

Recommendation

We recommend that when Single Audit reports are received, they be reviewed for compliance with OMB Circular A-133. Specifically, a review of Type A program audit coverage should be performed to ensure that all identified Type A programs have been audited as a major program in at least one of the three most recent audit periods and that program clusters have been properly treated.

Related Noncompliance

Based on the above, the State was not in compliance with the requirement described above.

Questioned Costs

Cannot be determined

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Food Stamps (10.551)
State Administrative Matching Grants for Food Stamp Program (10.561)
Temporary Assistance for Needy Families (93.558)
Child Support Enforcement (93.563)
Low-Income Home Energy Assistance (93.568)
Social Security - Disability Insurance (96.001)

Office of Temporary and Disability Assistance

Reference: 08-02

Requirement

GAO-07-731G Government Auditing Standards, Section 5.13 states that all significant deficiencies in internal control should be reported and include those deficiencies that represent material weaknesses. If a significant deficiency is remediated before the auditors' report is issued and the auditors obtain sufficient, appropriate evidence supporting the remediation of the significant deficiency, then the auditors should report the significant deficiency and the fact that it was remediated before the auditors' report was issued.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected.

General controls are the policies and procedures that apply to an entity's overall computer operations and create the environment in which application controls and certain user controls, which are control activities, operate. General controls include appropriate entity-wide security management programs and service continuity controls (Federal Information Systems Controls Audit Manual sect 295 F .02).

The continual backing up of data and systems can help minimize the severity of threats and a well documented data system backup plan should be in place that includes information on how best to recover data systems that have been damaged. Controls and protections should be in place to ensure that data or systems are not damaged, altered, or destroyed during this recovery process. Practice drills should be conducted periodically to determine how effective the plan is and to determine what changes may be necessary. The Office for Technology should verify these drills are being conducted properly and that problems uncovered during these drills are addressed and procedures designed to deal with any potential deficiencies are implemented and tested to determine their effectiveness.

Finding

Although individual files are recovered safely and with great frequency, the Office for Technology does not have a plan in place that tests for a complete data system restore. To date, the Office for Technology has never performed a test to ensure that a complete and error free recovery of system data is possible.

The Office of Temporary and Disability Assistance and the Office for Technology perform risk assessment reviews together and individually which form the basis for identifying and prioritizing risks to critical systems and the related potential impacts on business continuity. Based on the internal assessments, they are of the opinion that present policies and practices mitigate the risks of substantial impacts associated with business interruption as the result of the inability to read and recover the Welfare Management System (WMS) data file set.

A similar finding was included in the prior year Single Audit Report as finding 07-04 on page 36.

Recommendation

In fiscal 2007, we recommended that the Office develop and document procedures for performing periodic testing for reading and recovering the complete WMS data system file set. As part of our current year's examination, we determined that the Office for Technology has implemented policies and procedures that address our prior year's audit findings, however, the policies and procedures were not in effect for a substantial portion of the year covered by our current examination. Accordingly, the finding is repeated in the audit report for the fiscal year ended March 31, 2008.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Food Stamps (10.551)
State Administrative Matching Grants for Food Stamp Program (10.561)
Temporary Assistance for Needy Families (93.558)
Child Support Enforcement (93.563)
Low-Income Home Energy Assistance (93.568)
Social Security - Disability Insurance (96.001)

Office of Temporary and Disability Assistance

Reference: 08-03

Requirement

GAO-07-731G Government Auditing Standards, Section 5.13 states that all significant deficiencies in internal control should be reported and include those deficiencies that represent material weaknesses. If a significant deficiency is remediated before the auditors' report is issued and the auditors obtain sufficient, appropriate evidence supporting the remediation of the significant deficiency, then the auditors should report the significant deficiency and that fact that it was remediated before the auditors' report was issued.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected.

Finding

There are insufficient standards for the documentation of new development work or for the maintenance of existing systems. Where such standards exist, they are not always disseminated to Office of Temporary and Disability Assistance (OTDA) Technical Staff. A familiar relationship has developed between OTDA-Policy and OTDA-Technical such that new developments or updates to existing systems are discussed in advance of the work request being received from OTDA-Policy. Documentation is created specific to the changes requested with the primary intent being a mutual understanding between Policy and Technical of the work to be accomplished. The lack of sufficient standards poses risks for the systems like the Benefit Issuance Control System and budget calculation subsystems like Automated Budget and Eligibility Logic (ABEL) and Medicaid Automated Budget and Eligibility Logic (MABEL) on legacy mainframe systems. Of the systems we reviewed, the Welfare Reporting and Tracking System was the only one with a single repository of updated documentation. No other systems use the Welfare Documentation System (WDOCS) at this time.

A similar finding was included in the prior year Single Audit Report as finding 07-02 on page 32.

Recommendation

In fiscal 2007, we recommended that the Office take the following actions to ensure that critical applications are documented such that an interruption in personnel will not severely impact the operation of the program:

1. Develop Office-wide standards for documenting new system development and maintenance and updating of existing systems.
2. Disseminate the developed standards to each employee and each employee should receive sufficient training in the standards to be able to incorporate it into their development/maintenance.
3. Any non-compliance to the standards in existing system documentation should be identified and the necessary documentation should be created to ensure each system is in compliance.
4. Procedures should be put in place to include updated documentation in the system release package.

During our follow-up of the Office's corrective action plan, we noted that the Office has taken appropriate actions to implement policies and procedures correcting the conditions that resulted in our finding last year. The Office took actions to form a work group to develop, implement, review and enforce documentation standards and the migration of the legacy systems documentation to a more comprehensive enterprise application management suite. Due to the timing of the release of our prior report and the complex nature of the applications and standards, the implementation was still in progress during the State fiscal year ended March 31, 2008 and, therefore, remains a finding in the audit report for the year ended March 31, 2008.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Food Stamps (10.551)
State Administrative Matching Grants for Food Stamp Program (10.561)
Temporary Assistance for Needy Families (93.558)
Child Support Enforcement (93.563)
Low-Income Home Energy Assistance (93.568)
Social Security - Disability Insurance (96.001)

Office of Temporary and Disability Assistance

Reference: 08-04

Requirement

GAO-07-731G Government Auditing Standards, Section 5.13 states that all significant deficiencies in internal control should be reported and include those deficiencies that represent material weaknesses. If a significant deficiency is remediated before the auditors' report is issued and the auditors obtain sufficient, appropriate evidence supporting the remediation of the significant deficiency, then the auditors should report the significant deficiency and that fact that it was remediated before the auditors' report was issued.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected.

Policies and procedures should be in place to control development staff's access to the production environment and no changes should be made without prior authorization at the appropriate management level. A process should be in place to notify the user and development community of the changes.

Finding

The Office of Temporary and Disability Assistance (OTDA) development staff have update capability within the Office for Technology production environment. Although OTDA development staff may be prevented from promoting code through an existing automated configuration management system, they may access production code and make updates directly.

We noted that the Office identified these issues and have developed policies and procedures that were implemented during the period covered by our report.

A similar finding was included in the prior year Single Audit Report as finding 07-03 on page 34.

Recommendation

In fiscal 2007 and 2006, we recommended that policies and procedures be developed by the Office to control OTDA development staff's access to the Office For Technology production environment and ensure that any changes have prior authorization at the appropriate management level should be implemented as intended by the Office and monitored to assess their effectiveness.

As part of our testwork for the State fiscal year ended March 31, 2008, we reviewed the policies and implementation status of our recommendation. We noted that the Office has developed appropriate policies and procedures that address the fiscal 2007 findings and the Office began implementation of the process during the third quarter of the State fiscal year ending March 31, 2008. Accordingly, the issue remains a finding for the purposes of the audit report for the year ended March 31, 2008.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

School Breakfast Program (10.553)
National School Lunch Program (10.555)
Special Milk Program for Children (10.556)
Summer Food Service Program for Children (10.559)

State Education Department

Reference: 08-05

Requirement

Internal control over major Federal award programs pursuant to OMB A133 Compliance Supplement (Part 6 - Control Activities, Information and Communication), Committee of Sponsoring Organizations of the Treadway Commission (COSO), and Control Objectives for Information and Related Technology (COBIT), National Institute of Standards and Technology (NIST), and International Organization for Standardization - International Electrotechnical Commission (ISO:IEC) require adequate controls over data center operations, management of the physical environment, protection against environmental factors, and physical facilities management.

The requirements for equipment and real property management are contained in the OMB Circular A-133 Part 6, OMB Circular A-110 (___.34(f)(4)), COBIT [DS 12.4-12.5], ISO IEC 17799:2005 9.1.4 and NIST 800-26 7.1.12.

Finding

The School Breakfast Program, National School Lunch Program, Special Milk Program for Children and Summer Food Service Program for Children (Child Nutrition Cluster), does not provide for adequate protection of computer hardware that is used by the State Education Department.

During our on-site inspection of the physical environment and related security control over the data center, we observed that no fire suppression system has been installed in the data center.

State Education Department management is aware of the lack of adequate protection of assets from environmental factors and is in the process of constructing a new data center.

Recommendation

We recommend that the Child Nutrition Program Cluster either install an adequate fire suppression system within its main data center, or move the current data center to a new location that will allow for the proper protection of the computer equipment.

Related Noncompliance

Based on the above, the Department was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Special Supplemental Nutrition Program for Women, Infants and Children (10.557)

Department of Health

Reference: 08-06

Requirement

OMB Circular A-133 Section .300 states that "the auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Finding

The Department maintains a database (WICSYS) of the Food Instruments (FI) that are issued to eligible program participants. This database contains information on all FIs and is the ultimate source of the information used to prepare the reports filed by the Department. The actual amount of the individual FI is not known until it is negotiated by the State's bank that is used solely for this purpose. Data from the bank is updated daily for those FIs that have been presented and paid to retail outlets. This bank information is critical to the accurate processing of the reports as the FIs only have a value not to exceed amount until such time as they are negotiated. The Department does not have a procedure in place to verify that the dollar value of the FIs updated into WICSYS is reconciled with the dollar value of the FIs clearing the bank.

Recommendation

We recommend that a process be developed to verify that the updates into WICSYS are reconciled to the amounts of the FIs that are clearing the FI bank account.

Related Noncompliance

Based on the absence of such a process to verify the accuracy of the updates into the WICSYS database, the Department was not in compliance with the requirement identified above.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2008

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)
Child and Adult Care Food Program (10.558)
State Children's Insurance Program (93.767)
Medical Assistance Program (93.778)
Maternal and Child Health Services Block Grant to the States (93.994)

Department of Health

Reference: 08-07

Requirement

Title to equipment acquired by a non-Federal entity with Federal awards vests with the non-Federal entity. Equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of $5,000 or more per unit. However, consistent with a non-Federal entity's policy, lower limits may be established.

Equipment purchased with Federal Awards shall be disposed of pursuant to the guidelines established in OMB Circular A-110 (§ 215.34), including the provision of a mechanism for recognizing the proceeds from the sale of the asset and return of funds to the federal awarding agency if necessitated by federal statute.

A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

A State shall use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures.

The requirements for equipment are contained in the A-102 Common Rule (§ ____.32), OMB Circular A-110 (§ 215.34), Federal awarding agency program regulations, and the terms and conditions of the award.

Finding

We noted that the Department's policy and procedures were not designed to properly identify the asset as Federal or Federally participating. Additionally, the Federal requirements relative to disposition of Federal assets with a value over $5,000 could not be achieved, since these assets are not identified as Federal or Federally participating. Also, the Department's disposition and surplus asset policy does not include provisions to address the required Federal regulations.

It was noted that the Department has acquired scanners and barcode labels to enable it to conduct a physical inventory, and one bureau's inventory has been completed. Also, there were no significant sales of inventory for the year ended March 31, 2008. In October 2008, the Department established a policy regarding disposition of equipment purchased with Federal funds.

A similar finding was included in the prior year Single Audit Report as finding 07-09 on page 50.

Recommendation

We recommend the Department amend its policies and procedures to identify assets as being Federal or Federally participating. Also, the Department should incorporate the Federal requirements for disposal of assets in its policies and procedures. Additionally, we recommend the Department review its current asset management process and institute controls to insure the proper safeguarding of assets over the lifecycle of the asset, from procurement through disposition, including the practice of taking a physical inventory of the equipment once every two years.

Related Noncompliance

Based on the above, the Department was not in compliance with the requirement described above.

Questioned Costs

Cannot be determined

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)
Child and Adult Care Food Program (10.558)
State Children's Insurance Program (93.767)
Medical Assistance Program (93.778)
Maternal and Child Health Services Block Grant to the States (93.994)

Department of Health

Reference: 08-08

Requirement

In accordance with OMB Circular A-133, a pass-though entity is responsible for (a) Ensuring required audits are performed within nine months of the end of the subrecipient's audit period; (b) Issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (c) Ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of the continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Finding

The Department has established an audit clearinghouse whose responsibilities include monitoring subrecipients to ensure that required audits were performed and submitted to the Department within the required time period. The audit clearinghouse has a system in place to follow up on findings contained in the audit reports and to impose sanctions upon subrecipients who do not provide the Department with an A-133 audit within the specified time frame.

In accordance with the Department's self-monitoring procedure, the Department had 247 audit reports with findings that were required to have management decisions rendered within six months. Of these, 241 had been completed in a timely manner while six required more than six months to complete.

A similar finding was included in the prior year Single Audit Report as finding 07-06 on page 40.

Recommendation

We recommend that the Department modify their procedures to ensure that management decisions are issued within six months for all A-133 audit reports that contain findings.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

State Administrative Matching Grants for Food Stamp Program (10.561)
Temporary Assistance for Needy Families (93.558)
Child Support Enforcement (93.563)
Low-Income Home Energy Assistance (93.568)
Child Care and Development Block Grant (93.575)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)
Foster Care - Title IV-E (93.658)
Adoption Assistance (93.659)
Social Services Block Grant (93.667)
Medical Assistance Program (93.778)
Social Security - Disability Insurance (96.001)

Office of Temporary and Disability Assistance
Office of Children and Family Services
Department of Health

Reference: 08-09

Requirement

In accordance with OMB Circular A-87, Attachment B, section 8(a) - Compensation for Personal Services - The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this Circular, and that the total compensation for individual employees is determined and supported as provided in subsection (h) - Support of salaries and wages:

- Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

Finding

The Office of Children and Family Services uses cost allocation plans to allocate various costs to Federal public assistance programs. Personnel service costs are entered into the Payroll Allocation Costs System (PACS), which is used to allocate personnel service costs to the quarterly cost allocation plans based on accumulator codes. These codes have pre-determined allocation methodologies to distribute costs to applicable programs. Employee timesheets which are completed bi-weekly, include the accumulator code, and are signed by the employees and their supervisors.

We selected 40 employee timesheets to compare the accumulator codes entered on the timesheets to the accumulator codes in the PACS report. For three timesheets, the accumulator codes did not agree to the PACS report as follows:

- In one instance, the accumulator code on a timesheet was not a valid code.
- In two instances, the employee was asked to change the accumulator code based on the duties performed. However, the change in the PACS report did not occur until several months after the employees' duties changed.

In each of the three instances, the timesheet was signed by the employee and approved by the supervisor.

Recommendation

We recommend that the Office reaffirm review policies with supervisors to ensure the timesheets are properly completed with the correct accumulator codes.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

Cannot be determined

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

State Administrative Matching Grants for Food Stamp Program (10.561)
Temporary Assistance for Needy Families (93.558)
Child Support Enforcement (93.563)
Low-Income Home Energy Assistance (93.568)
Child Care and Development Block Grant (93.575)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)
Foster Care - Title IV-E (93.658)
Adoption Assistance (93.659)
Social Services Block Grant (93.667)
Medical Assistance Program (93.778)
Social Security - Disability Insurance (96.001)

Office of Temporary and Disability Assistance
Office of Children and Family Services
Department of Health

Reference: 08-10

Requirement

The State shall submit a cost allocation plan for the State agency as required below to the Director, Division of Cost Allocation (DCA), in the appropriate U.S. Department of Health and Human Services (HHS) Regional Office. The plan shall: (1) Describe the procedures used to identify, measure, and allocate all costs to each of the programs operated by the State agency; (2) Conform to the accounting principles and standards prescribed in Office of Management and Budget Circular (OMB) A-87, and other pertinent Department regulations and instructions; (3) Be compatible with the State plan for public assistance programs described in 45 CFR Chapters II, III and XIII, and 42 CFR Chapter IV Subchapter C and D; and (4) Contain sufficient information in such detail to permit the Director, Division of Cost Allocation, after consulting with the Operating Divisions, to make an informed judgment on the correctness and fairness of the State's procedures for identifying, measuring, and allocating all costs to each of the programs operated by the State agency (45 CFR Section 95.507).

Finding

The Offices and the Department of Health, on a quarterly basis, create Central Office Cost Allocation Claims (COCACs) which accumulate direct costs and allocated indirect costs through allocation accounts. All central office and certain local district costs are assigned to an accumulator code.

The COCACs contained approximately $1.3 billion in allocated costs covering 76 separate allocation methodologies during the period April 1, 2007 through March 31, 2008. The methodologies were established to allocate overhead costs related to the programs formerly administered by the Department of Social Services (DSS). Effective October 1, 1996, the Department of Health (DOH) became the Single State Agency for Medicaid, with DSS submitting other State agencies' claims to DOH for Medicaid reimbursement based on the DSS COCACs. Effective with the January 1, 1998 reorganization of DSS to create the Office of Children and Family Services (OCFS) and the Office of Temporary and Disability Assistance (OTDA), OCFS and OTDA revised and implemented cost allocation methodologies regarding the programs which they then administered to reflect the current organizational structure of the two Human Service agencies.

As part of our testwork, we analyzed the dates that the allocation methodologies were Federally approved and noted that there were 35 separate allocation methodologies with approximately $224 million in allocated costs related to the Office of Children and Family Services and approximately $224 million related to the Office of Temporary and Disability Assistance that had not yet been approved by the Federal government as of the State fiscal year ended March 31, 2008. Federal regulation allows the Offices to submit claims derived from cost allocation methodologies that have been submitted to the Federal government but are pending approval. The table below details how long cost allocation plans (CAPs) have been awaiting Federal approval and how long the Offices have been allocating costs based on the unapproved CAPs.

Year CAP was submitted	Number of CAPS Submitted for Approval
1999	5
2000	3
2002	6
2003	5
2005	3
2006	6
2007	5
2008	2
	35

The 76 total allocation methodologies, as described above, only include active methodologies that had costs charged during the period April 1, 2007 through March 31, 2008. The amount charged to Federal programs as the Federal share of expenditures amounted to $549 million of the total $1.3 billion in allocated costs. Due to the number of allocation methodologies, complex methodologies that charge other methodologies, and the fact that the Federal share of reimbursement differs by program, we cannot determine the Federal share of costs charged to Federal programs.

A similar finding was included in the prior year single audit report as finding 07-14 on page 60.

Recommendation

We recommend that the Office continue to work with the U.S. Department of Health and Human Services to timely approve cost allocation plans.

Related Noncompliance

Federal regulations allow for the Office to allocate costs based on the cost allocation plan submitted but not yet approved. However, until the plans are approved, any costs allocated may be unallowable and Federal funds may be required to be returned to the Federal government.

Questioned Costs

Cannot be determined

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

State Administrative Matching Grants for Food Stamp Program (10.561)
Temporary Assistance for Needy Families (93.558)
Child Support Enforcement (93.563)
Low-Income Home Energy Assistance (93.568)
Social Security - Disability Insurance (96.001)

Office of Temporary and Disability Assistance

Reference: 08-11

Requirement

In accordance with OMB Circular A-133 section .400, at the time of award the pass-through entity must make subrecipients aware of (a) Federal award information (e.g., CFDA title and number, amount of award, award name, name of Federal agency) and requirements imposed by laws, regulations and the provisions of contract or grant agreements; and (b) the activities approved in the award documents and agreements were allowable.

Finding

The Office's Bureau of Contract Management centralizes the daily procurement function for all programs administered by the Office. Personnel at the individual programs award and prepare the contracts which are then reviewed by the Bureau of Contract Management, Division of Budget, and the Attorney General.

During our review of 20 contracts reimbursed with Federal funds from a total population of 80, we noted that 16 did not contain sufficient documentation to identify the Federal program to the subrecipient. All 20 contracts examined contained language informing the subrecipient of the need to have a Single Audit performed under A-133 if Federal funds expended were greater than $500,000. During February of 2008, the Office began identifying the Federal awards, including CFDA number, in the Request For Proposals posted on their website and including the information as an appendix to the signed contracts.

A similar finding was included in the prior year Single Audit Report as finding 07-13 on page 58.

Recommendation

We recommend that the Office continue to provide subrecipients with all required information regarding the Federal awards as required by OMB Circular A-133 section .400.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

HOME Investment Partnerships Program (14.239)

Housing Trust Fund Corporation

Reference: 08-12

Requirement

According to OMB Circular A-133 section .400, a pass-through entity is required to monitor the activities of subrecipients.

The following are examples of factors that may affect the nature, timing, and extent of during-the-award monitoring:

- Program complexity - Programs with complex compliance requirements have a higher risk of non-compliance.
- Percentage passed through - The larger the percentage of program awards passed through, the greater the need for subrecipient monitoring.
- Amount of awards - Larger dollar awards are of greater risk.
- Subrecipient risk - Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipients would require closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring [e.g., the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems (2008 Compliance Supplement).

Monitoring activities normally occur throughout the year and may take various forms, such as:

- Reporting - Reviewing financial and performance reports submitted by the subrecipient.
- Site Visits - Performing site visits at the subrecipient to review financial and programmatic records and observe operations.
- Regular Contact - Regular contacts with subrecipients and appropriate inquiries concerning program activities (2008 Compliance Supplement).

The Housing Trust Fund Corporation Home Program Monitoring Guide for State Recipients and Subrecipients (the Guide) states that the Corporation is responsible for ensuring that subrecipients are in compliance with Federal guidelines by conducting periodic monitoring visits or desk audits for each subrecipient. During the performance of the monitoring visit or desk audit, the Corporation must comply with the following:

- Review the greater of five files or 10% of the total;
- Issue a monitoring letter to the program within 30 days after the visit;
- Report any findings to the program; and
- Ensure correction of the finding within 30 days of issuing the monitoring letter.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2008

Finding

The Corporation grants HOME funds to subrecipients and loans HOME funds for the purpose of constructing multi-family apartment buildings. The Corporation has four regional offices that are in charge of conducting the reviews in their respective area. The following details are only specific to the monitoring of the HOME funds which the Corporation awarded as grants.

The Albany regional office conducted reviews of 29 grantees and the Buffalo regional office conducted reviews of five grantees during the fiscal year ended March 31, 2008. We selected eight of 29 Albany regional office reviews and all five of the Buffalo regional office reviews for a total sample of 13.

Based on our review of the sample, the Corporation is not in compliance with the policy and procedure guidelines set forth in the Guide. Specific areas of the Guide that are not being followed are:

1. Subrecipients are not being monitored on an annual basis through a monitoring visit or desk audit. In the documents provided by the Corporation, 264 subrecipients were identified as being currently open with program completion dates ranging from 2003 to 2006. Of those 264 subrecipients, 90 (34%) have never received a desk audit or monitoring visit according to the Corporation's records.
2. Although the Corporation requires that subrecipient monitoring to be performed annually, a formal monitoring selection process is not in place to ensure completion of this requirement or alert management to non-compliance with the requirement.
3. We reviewed the letters that identify the findings noted during the regional office's review for the sample of 13 noted above. One letter could not be found and four subrecipients did not receive the letter within the 30-day requirement.
4. Eight of 13 visits did not comply with the minimum number of project file reviews.
5. We reviewed each letter for findings, and the subsequent correction of any findings within 30 days. One subrecipient did not have the finding resolved within the 30-day guideline.
6. Files requested at the Albany regional office were not complete and/or available for review. The regional office did not have an organized file system for the retention of these documents.

Recommendation

We recommend that the Corporation review the Guide, update it as necessary and require regional offices to adhere to the updated Guide. The Corporation should consider including a standardized selection process for monitoring visits, checklist of required documentation to be maintained for each review file, and a sanctioning policy for subrecipients that do not respond to findings in a timely manner.

Related Noncompliance

Based on the above, the Corporation was not in compliance with the requirements described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

HOME Investment Partnerships Program (14.239)

Housing Trust Fund Corporation

Reference: 08-13

Requirement

Each participating jurisdiction must provide eligible matching contributions of 25 percent of HOME funds drawn down during the fiscal year. The match must be provided by the end of the fiscal year. Some participating jurisdictions are eligible for a reduction in the required match based upon meeting standards of distress. The jurisdictions which are eligible for the reduction are identified by a notice published in the *Federal Register*, or a notice issued by HUD. Jurisdictions may also receive reductions if they are in Presidentially-declared disaster areas. Participating jurisdictions are required to maintain records, including individual project records and a running log, demonstrating compliance with the matching requirements, including the type and amount of contributions by project. Matching information is provided on the *HOME Match Report* (HUD-40107-A) (24 CFR sections 92.218 through 92.220, 92.222, and 92.508).

Finding

The HOME Match Report is prepared from the Corporation's HOME program match log report and then data is transferred to the Match report and sent to HUD. The match log report has projects that were determined to have eligible expenses that the HOME program can use for the programs match liability.

We reviewed and recalculated the amounts reported on the HOME program match log report for the Federal fiscal year ended September 30, 2007. The Match liability for the 2007 fiscal year was incorrectly reported as $3,682,033. This amount was the amount of the match reported for Federal fiscal year ended September 30, 2006. The correct amount of the match that should have been reported for the Federal fiscal year ended September 30, 2007 amounted to $4,053,418.

The Corporation's management corrected the error and retransmitted the HOME Match report to HUD, once they were made aware of the error during the audit. Although the report was incorrect, the Corporation complied with the 25% match requirement.

Recommendation

We recommend that the Corporation establish and implement procedures to ensure the HOME Match Report is prepared in accordance with reporting instructions and amounts used to prepare the report are adequately supported.

Related Noncompliance

Based on the above, the Corporation was not in compliance with the requirements described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

HOME Investment Partnerships Program (14.239)

Housing Trust Fund Corporation

Reference: 08-14

Requirement

In accordance with OMB Circular A-133 section .400, a pass-though entity is responsible for (a) Ensuring required audits are performed within nine months of the end of the subrecipient's audit period; (b) Issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (c) Ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of the continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Finding

The HOME program provides funding to subrecipients in two forms. One of which is grants that are awarded to local municipalities and not-for-profit corporations. These grants are typically under $500,000. The other form of HOME program payments is made to not-for-profit and for-profit organizations in the form of low interest loans to construct multi-family apartment buildings for which other monitoring procedures are performed.

The Corporation does not have procedures in place to adequately monitor the compliance requirements of OMB Circular A-133 for grant subrecipients. Although many of the Corporation's subrecipients may not be required to have a Single Audit, the Corporation does not maintain a schedule of all subrecipients in order to demonstrate which subrecipients are required to submit Single Audit reports.

Recommendation

We recommend that the Corporation establish policies and procedures to ensure compliance with all of the monitoring requirements as stated in OMB Circular A-133.

Related Noncompliance

Based on the above, the Corporation was not in compliance with the requirements described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

HOME Investment Partnerships Program (14.239)

Housing Trust Fund Corporation

Reference: 08-15

Requirement

In accordance with OMB Circular A-133 Section .300, the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

In accordance with OMB Circular A-133 Section .205, since the Federal government is at risk for loans until the debt is repaid, the following guidelines shall be used to calculate the value of Federal awards expended under loan programs, except when the loans were expended in a prior year when the laws, regulations, and the provisions of contracts or grant agreements pertaining to such loans impose no continuing compliance requirements other than to repay the loans.

1. Value of new loans made or received during the fiscal year; plus
2. Balance of loans from previous years for which the Federal government imposes continuing compliance requirements; plus
3. Any interest subsidy, cash, or administrative cost allowance received.

In accordance with OMB Circular A-133 Section .310, the Schedule of Expenditures of Federal of Federal Awards shall include, in either the schedule or in the notes to the schedule, Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end.

Finding

The preliminary Schedule of Expenditures of Federal Awards (SEFA) received from the New York State Office of the State Comptroller (OSC) reported total expenditures for the HOME Investment Partnerships Program of $36,610,000. This amount was determined by expenditures recorded in OSC's Central Accounting System amounting to $2,864,000 and expenditures totaling $33,746,000, as reported by Housing Trust Fund Corporation, a component unit of the State of New York.

The HOME program provides funding to subrecipients in two forms. One of which is grants that are awarded to local municipalities and not-for-profit corporations. These amounts and the Corporation's administrative costs were accounted for in the $33,746,000 reported by the Corporation. The other form of HOME program payments is made to not-for-profit and for-profit

organizations in the form of low interest loans to construct multi-family apartment buildings. The outstanding value of these loans has not been reported to OSC for inclusion on the State's SEFA. The outstanding balance of these loans at March 31, 2008 amounted to $114,314,000.

To determine the amount of Federal awards expended as required by OMB Circular A-133 Section .205, the Corporation needs to disclose the outstanding balance of loans for the previous fiscal year that the Federal government imposes continuing compliance requirements. Management has informed us that the vast majority of outstanding loans have continuing compliance requirements. The March 31, 2007 outstanding loan balance of $108,882,000 was added to the current year expenditures to determine total Federal awards expended.

The HOME program and other Corporation administrative personnel are employed by the New York State Division of Housing and Community Renewal (DHCR). The $2,864,000 reported by OSC represents salaries of the Corporation's personnel which were paid by DHCR. The Corporation also included $2,700,000 of personnel costs as part of the $33,746,000 reported to OSC. Accordingly, the $2,700,000 was included twice in the $36,610,000 which was reported on the preliminary SEFA.

Recommendation

We recommend that the Corporation coordinate with DHCR and OSC to ensure that the amount reported to OSC accurately reflects the total Federal expenditures and other information necessary to complete the SEFA and related notes as defined by OMB Circular A-133.

Related Noncompliance

Based on the above, the Corporation was not in compliance with the requirements described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Section 8 Housing Choice Vouchers (14.871)

Housing Trust Fund Corporation

Reference: 08-16

Requirement

According to 24 CFR 982.158:

(a) The Public Housing Administrator (PHA) must maintain complete and accurate accounts and other records for the program in accordance with U.S. Department of Housing and Urban Development (HUD) requirements, in a manner that permits a speedy and effective audit. The records must be in the form required by HUD, including requirements governing computerized or electronic forms of record-keeping. The PHA must comply with the financial reporting requirements in 24 CFR part 5, subpart H.

(b) The PHA must furnish to HUD accounts and other records, reports, documents and information, as required by HUD. For provisions on electronic transmission of required family data, see 24 CFR part 908.

The specific quarterly report required by HUD is identified in the 2008 Compliance Supplement as:

a. HUD-52681-B, *Voucher for Payment of Annual Contributions and Operating Statement* (OMB No. 2577-0169) - submitted quarterly.

   Key Line Items - following line items contain critical information:

   1. Unit Months Leased
   2. Housing Assistance Payments (HAP) Expenses

Finding

The Section 8 Housing Choice Vouchers program (HCV) was previously administered by the New York State Housing Finance Agency (HFA). Effective January 1, 2008, Housing Trust Fund Corporation (the Corporation) was instructed by HUD to take over administrative responsibilities of this program. Due to difficulties in transferring banking operations, HFA continued to issue HCV checks at the direction of the Corporation to provide uninterrupted service to tenants.

We reviewed the financial quarterly reports (HUD-52681) and agreed the monthly unit vouchers and HAP expenses to supporting documentation and verified that the Corporation submitted the reports in a timely manner. Various lines of the financial reports did not agree to the supporting documentation provided. The majority of the differences were less than 1% from the reported amount. However, two lines on the quarterly report (5-year Mainstream units and 5-year Mainstream HAP) were understated by approximately 20%. The Corporation did not maintain adequate support to demonstrate how the amounts were adjusted before inclusion on the financial reports.

For the period of January 1, 2008 through March 31, 2008, the difference in total reported vouchers to the supporting documentation amounted to 673 from a population of 108,246 (0.62%). The difference in total reported HAP expenditures amounted to $286,382 from a population of $71,172,689 (0.40%). The differences are primarily due to adjustments for timing issues and check refunds and cancellations.

Recommendation

We recommend that the Corporation maintain all supporting documentation for adjustments to provide for accurate reporting that is supported by the financial records.

Related Noncompliance

Based on the above, the Corporation was not in compliance with the requirements described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Section 8 Housing Choice Vouchers (14.871)

Housing Trust Fund Corporation

Reference: 08-17

Requirement

In accordance with OMB Circular A-133 section .210, an auditee may be a recipient, a subrecipient, and a vendor. Federal awards expended as a recipient or a subrecipient would be subject to audit under this section. The payments received for goods or services provided as a vendor would not be considered Federal awards. The guidance in paragraphs (b) and (c) of this section should be considered in determining whether payments constitute a Federal award or a payment for goods and services.

(b) Federal award. Characteristics indicative of a Federal award received by a subrecipient are when the organization:

(1) Determines who is eligible to receive what Federal financial assistance;
(2) Has its performance measured against whether the objectives of the Federal program are met;
(3) Has responsibility for programmatic decision making;
(4) Has responsibility for adherence to applicable Federal program compliance requirements; and
(5) Uses the Federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

(c) Payment for goods and services. Characteristics indicative of a payment for goods and services received by a vendor are when the organization:

(1) Provides the goods and services within normal business operations;
(2) Provides similar goods or services to many different purchasers;
(3) Operates in a competitive environment;
(4) Provides goods or services that are ancillary to the operation of the Federal program; and
(5) Is not subject to compliance requirements of the Federal program.

(d) Use of judgment in making determination. There may be unusual circumstances or exceptions to the listed characteristics. In making the determination of whether a subrecipient or vendor relationship exists, the substance of the relationship is more important than the form of the agreement. It is not expected that all of the characteristics will be present and judgment should be used in determining whether an entity is a subrecipient or vendor.

In accordance with OMB Circular A-133 section .400, a pass-though entity is responsible for (a) Ensuring required audits are performed within nine months of the end of the subrecipient's audit period; (b) Issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (c) Ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of the continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

In accordance with OMB Circular A-133 section .205, the basis of the Federal awards expended for non-cash assistance, such as free rent, food stamps, food commodities, donated property, or donated surplus property, shall be valued at fair market value at the time of receipt or the assessed value provided by the Federal agency.

Finding

Housing Trust Fund Corporation (the Corporation) is responsible for administering the Housing Choice Voucher (HCV) program through 40 local administrators. These administrators perform intake and eligibility determinations for participants, are continuously monitored by the Corporation based on Federal regulations, and receive an administrative fee based on the number of clients served. Based on the above requirements, the local administrators should be classified as subrecipients rather than as vendors. The Corporation currently classifies the local administrators as vendors.

The HCV program was transferred from the New York State Housing Finance Agency to the Corporation effective as of January 1, 2008. The Corporation has not developed procedures to collect or review the OMB Circular A-133 Single Audit reports or sanction the subrecipients if necessary.

We selected 10 of 40 local administrators to review their most recent SF-SAC reports available from the Federal Single Audit Clearinghouse for this program to determine the amount of Federal expenditures they are reporting on their Schedule of Expenditures of Federal Awards (SEFA). Two of 10 reports were not located, five of 10 reports did not report any Federal expenditures for the

HCV program, two of 10 reports indicated only the administrative expenditures, and one of 10 reported the administrative and non-cash assistance expenditures. The Corporation has not developed a policy that informs the local administrators of the amount of Federal expenditures to be included on their SEFA.

Recommendation

The Corporation should seek a management decision from the U.S. Department of Housing and Urban Development. We also recommend that the Corporation develop procedures that comply with the management decision received regarding OMB Circular A-133, specifically sections .210 and .400. Pending the management decision, we recommend that the Corporation notify all subrecipients of these requirements to ensure that all subrecipients are reporting the Federal awards consistently.

Related Noncompliance

Based on the above, the Corporation was not in compliance with the requirements described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Unemployment Insurance (17.225)
WIA Adult Program (17.258)
WIA Youth Activities (17.259)
WIA Dislocated Workers (17.260)

Department of Labor

Reference: 08-18

Requirement

Internal control over major Federal award programs pursuant to OMB Circular A-133 Compliance Supplement Part 6 - Control Activities, Computer and Program Controls, requires that organizations have a documented disaster recovery plan and a continuity of operations plan that is properly communicated to staff. Additionally, these standards require adequate policies and procedures regarding documentation of security controls and access controls for information technology.

General controls include policies and procedures that apply to an entity's overall computer operations and create an environment in which application controls and certain user controls, which are control activities, operate. General controls include appropriate entity-wide security management programs and service continuity controls issued by U.S. Government Accountability Office in its Federal Information Systems Control Audit Manual (FISCAM).

The requirements with respect to disaster recovery and continuity of operations plans are also contained in internal control standards issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO), Control Objectives for Information and Related Technology (COBIT), National Institute of Standards and Technology (NIST), and International Organization for Standardization - International Electrotechnical Commission (ISO:IEC). The requirements with respect to system documentation are also contained in the COSO, COBIT, ISO:IEC and FISCAM standards.

Finding

During our examination and interviews with Department personnel and the New York State Office of Technology, we determined that a formalized disaster recovery and continuity of operations plan has not been written. Also, personnel within the Department are unaware of any such plan(s) existence. Since the Department does not have a formalized disaster recovery or continuity of operation plan, testing of full backups and restores to the many Department enterprise systems in use cannot be performed.

Additionally, documentation standards of new development work or for the maintenance of existing systems, including application and physical controls did not meet accepted industry information technology standards during the period covered by our examination. If standards of sufficient form did exist, they are not disseminated to the Department Technical Staff as the systems have not been documented, nor were any of the analysts interviewed aware of such standards. The lack of standard documentation for information technology (IT) policies and procedures places the IT systems in use by the Department at risk, and, therefore, the Department does not meet acceptable practices and professional and regulatory standards.

We noted that the Department is in the process of updating its enterprise and project management systems, which include the management of application design, development and change management, including application documentation.

We also noted that an alternative data processing site (hot site) has not been identified in the Department's informal disaster recovery and continuity of operation plans.

Recommendation

We recommend that the Department formalize the disaster recovery and continuity of operation plans, perform testing at least annually to ensure the plans are effective in the event of a real disaster and modify the plans as needed based on test outcomes to improve plan effectiveness.

We also recommend the following to ensure that critical applications are documented such that an interruption in personnel will not severely impact the operation of the Department's various IT systems:

1. Continue to implement and refine the enterprise and project management systems implemented and enforce an office wide standard for documenting new system development and maintenance and updating of existing systems.

2. Disseminate the developed standard to each employee and provide employees with sufficient training in the standard to be able to incorporate it into their application development/maintenance processes.

3. Where partial documentation exists, identify instances of non-compliance to the standard documentation and correct the documentation to ensure each system is in compliance with the standard.

4. Establish procedures to include updated documentation in system update releases.

Related Noncompliance

Based on the above, the Department was not in compliance with the requirements described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Highway Planning and Construction (20.205)

Department of Transportation

Reference: 08-19

Requirement

In accordance with OMB Circular A-133 section .400, a pass-though entity is responsible for (a) Ensuring required audits are performed within nine months of the end of the subrecipient's audit period; (b) Issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (c) Ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of the continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Finding

As part of their pass-through entity responsibilities, the Department is responsible for ensuring that subrecipients have an audit performed in accordance with OMB Circular A-133. The Contract Audit Bureau maintains an active database tracking system for the submission of subrecipient OMB Circular A-133 audit reports. Due to inherent timing differences between the expenditures by the State and that of subrecipients, a questionnaire is used to determine when the subrecipient has expended the Federal funds. When the Contract Audit Bureau receives an audit report, the report is logged into the database and reviewed by Department staff.

Our review included examining a sample of 40 subrecipients' OMB Circular A-133 Single Audit Reports. Our procedures noted that two of 40 reports sampled were received after the nine-month deadline, or the approved extension date. Seven of 40 subrecipients selected for testing were granted extensions. Of the seven extensions granted, four did not have documentation from a federal agency that the extension had been approved.

The Department did not have a sanctioning policy in place, during the audit period, for subrecipients who were not in compliance. Effective August 2008, a formal sanction policy has been established.

A similar finding was included in the prior year Single Audit Report as finding 07-16 on page 65.

Recommendation

We recommend the Department strengthen existing procedures to ensure the submission of the OMB Circular A-133 Single Audit Reports within the deadline or the approved extension date and that documentation is received from the Federal agency granting the extension. We also recommend that the sanction policy be strictly enforced when subrecipients are not in compliance.

Related Noncompliance

Based on the above, the Department was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2008

Federal Supplemental Educational Opportunity Grants (FSEOG) (84.007)
Academic Competitiveness Grants (ACG) (84.375)
National Science and Mathematics Access to Retain Talent (SMART) Grants (84.376)

SUNY at Albany - State University of New York

Reference: 08-20

Requirement

The Education Department (ED) provides funds to an institution under the advance, just in-time (JIT), reimbursement, or cash monitoring payment methods. Under the reimbursement method, the institution must disburse funds to the students before requesting funds from ED. Under the cash monitoring method, the institution must disburse funds to students before requesting funds from ED under either the advance payment method (limited to the actual disbursement amount) or a process similar to the reimbursement method. Under the advance payment method, the institution's request must not exceed the amount immediately needed to disburse funds to students. A disbursement of funds occurs on the date an institution credits a student's account or pays a student or parent directly with either Student Financial Assistance (SFA) funds or its own funds. Under the advance payment method the institution must make the disbursements as soon as administratively feasible, but no later than three business days following the receipt of funds. Any amounts not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned to ED. However, an excess cash balance tolerance is allowed if that balance was: (1) during a peak period of enrollment, was less than three percent of its total prior-year drawdowns; or (2) for any other period was less than one percent of its prior-year drawdowns; and (3) is eliminated within the next seven calendar days. Except for the Federal Perkins Loan Program earnings, interest earnings greater than $250 must be returned to ED. Federal Perkins Loan earnings are reinvested in the Federal Perkins Loan revolving fund (34 CFR sections 668.162, 163, 164, and 166).

Finding

During our test work at SUNY at Albany (the University), regarding cash management of FSEOG, ACG and SMART Grants, we noted that the University did not disburse all the FSEOG ACG and SMART Grants within three-business days following the receipt of funds. A sample of 60 disbursements was tested, 30 each for the fall 2007 and spring 2008 semesters. Seven of 30 spring 2008 semester disbursements tested were found to have been held longer than the allowable three business days. The University held $95,575 of ACG funds from January 24, 2008 to February 4, 2008, a total of 11 calendar days, before disbursement was made to student accounts. The $95,575 was 14.5% of prior-year drawdowns and therefore exceeded the three percent total of prior-year drawdowns an institution can hold during a peak period of enrollment for an extra seven calendar days. All fall 2007 semester disbursements tested were executed properly.

The University held $28,524 of FSEOG money from May 2, 2008 to May 8, 2008, a total of six calendar days, before disbursing it to student accounts. The funds were disbursed outside of the 3-business day time frame. The $28,524 was 5.13% of prior-year drawdowns and therefore exceeded the one percent total of prior-year drawdowns an institution can hold during a period of non-peak enrollment for an extra seven calendar days.

The University also held $50,896 of SMART Grant money longer then the three business day period. There were two instances where SMART Grant money was not distributed within the three business day window, $44,896 was held from January 24, 2008 to February 4, 2008, 11 calendar days, and $6,000 was held from May 28, 2008 to June 3, 2008, six calendar days. The $44,896 was 15.03% of prior-year drawdowns and, therefore, exceeded the three percent total of prior-year drawdowns an institution can hold during a peak period of enrollment for an extra seven calendar days. The $6,000 was 2.01% of prior-year drawdowns and therefore exceeded the one percent total of prior-year drawdowns an institution can hold during a period of non-peak enrollment for an extra seven calendar days.

Recommendation

We recommend that the University strengthen their procedures to ensure that the disbursement of FSEOG, ACG and SMART Grant funds to students are within the three business day period as allowed by the regulations.

Related Noncompliance

Based on the above, the University was not in compliance with the requirement described above.

Questioned Cost

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Federal Supplemental Educational Opportunity Grants (FSEOG) (84.007)
Federal Family Education Loans (FFEL) (84.032)
Federal Work-Study Program (FWS) (84.033)
Federal Perkins Loan Program (FPL) (84.038)
Federal Pell Grant Program (PELL) (84.063)
Academic Competitiveness Grants (ACG) (84.375)
National Science and Mathematics Access to Retain Talent (SMART) Grants (84.376)

State University of New York

Reference: 08-21

Requirement

Internal control over major Federal award programs pursuant to OMB Circular A-133 Compliance Supplement (Part 6 - Control Activities, Information and Communication), Committee of Sponsoring Organizations of the Treadway Commission (COSO), Control Objectives for Information and Related Technology (COBIT), National Institute of Standards and Technology (NIST), and International Organization for Standardization - International Electrotechnical Commission (ISO:IEC), require adequate protection of sensitive information.

The regulation and standards require that data and information technology assets be protected from damage, theft or loss. Furthermore, in circumstances where sensitive, confidential or protected information is involved, stricter standards should be employed and adhered to. The standards with respect to 20 U.S.C.S. § 1232g and 34 CFR part 99 specifically prohibit unauthorized access to protected student personal information

Finding

An incident pertaining to a security breach over protected student personal information occurred during the fiscal year ended March 31, 2008. The incident occurred through the theft of a vendor/contractor's laptop computer on which the student protected private information was stored. The computer was in the possession of a vendor/contractor working on implementation of the Banner Student Financial application for the SUNY system at the time the theft occurred. The data containing information for both current and former students of the SUNY system had been in the possession of the vendor/contractor since 2002 when the Banner application was being implemented at various SUNY schools.

The student personal information affected 26 institutions of higher education, including five SUNY institutions. The SUNY institutions were Buffalo State College, Fredonia State College, Brockport State College, University at Binghamton, and SUNY Downstate Medical Center.

The SUNY system followed proper procedures and protocols in notifying appropriate parties and taking action to mitigate potentially disastrous effects of the incident.

Recommendation

We recommend that SUNY and all of its related organizations enhance policies and procedures and take appropriate measures to protect data that is released to vendors/contractors. Specifically, procedures should be enhanced to protect data that is transferred to removable media storage or stored on mobile computing devices. Access, transfer, storage and disposal of data should be controlled and safeguarded. Additionally, private information should be protected through encryption.

Related Noncompliance

Based on the above, the University's compliance with the requirement described above cannot be fully verified.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Federal Family Education Loans (FFEL) (84.032)

Buffalo State College - State University of New York

Reference: 08-22

Requirement

Returns of Title IV funds are required to be deposited or transferred into the Student Financial Assistance (SFA) account or electronic fund transfers initiated to the Education Department (ED) or the appropriate Federal Family Education Loans (FFEL) lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (34 CFR section 668.173(b)).

Finding

During our test work at Buffalo State College (the College) of return of the Title IV funds, we noted that the College did not refund the SFA funds to lenders on a timely basis for one of 46 student withdrawals tested. The student withdrew March 18, 2008 but the Title IV funds were not returned until June 3, 2008. This is 77 days after the student had withdrawn from the College. The Title IV funds should have been returned by May 2, 2008, 45 days after the student had withdrawn.

A similar finding was included in the prior year Single Audit Report as finding 07-24 on page 81.

Recommendation

We recommend that the College strengthen its procedures to ensure all Title IV refunds are returned to a SFA account within 45 days of a student's withdrawal from the College.

Related Noncompliance

Based on the above, the College was not in compliance with the requirement described above.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2008

Questioned Cost

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2008

Federal Family Education Loans (FFEL) (84.032)

Geneseo College - State University of New York

Reference: 08-23

Requirement

Unless the school expects to complete its next Student Status Confirmation Report (SSCR) within 60 days, the school must notify the lender or the guaranty agency within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis (FFEL, 34 CFR section 682.610; Direct Loan, 34 CFR section 685.309).

Finding

During our test work of Student Status Changes at State University of New York (SUNY) at Geneseo (the College), we noted that the College did not report the status change of six of 30 students tested to the National Student Clearinghouse (NSC) within the required sixty-day time frame. The status of the six students had changed from full time to withdrawn. The following chart reports the student withdrawal date and the NSC notification date.

Student	Withdrawal Date	NSC Notified	Number of Days until NSC Notified
1	December 19, 2007	February 19, 2008	62
2	March 28, 2008	September 18, 2008	175
3	September 13, 2007	February 19, 2008	159
4	October 22, 2007	February 19, 2008	120
5	December 18, 2007	February 19, 2008	63
6	December 19, 2007	February 19, 2008	62

Recommendation

We recommend that the College redesign its controls for reporting student status changes, including enrollment issues, to comply with this requirement.

Related Noncompliance

Based on the above, the College was not in compliance with the requirement described above.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2008

Questioned Cost

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2008

Federal Family Education Loans (FFEL) (84.032)

Stony Brook University - State University of New York

Reference: 08-24

Requirement

If an institution is not required to take attendance, the withdrawal date is: (1) the date that the student began the withdrawal process prescribed by the school; (2) the date that the student otherwise provided official notification to the school, in writing or orally, of his or her intent to withdraw; (3) if the student ceases attendance without providing official notification to the institution of his or her withdrawal, the midpoint of the payment period or, if applicable, the period of enrollment; (4) if the institution determines that a student did not begin the withdrawal process or otherwise notify the school of the intent to withdraw due to illness, accident, grievous personal loss or other circumstances beyond the student's control, the date the institution determines is related to that circumstance; (5) if a student does not return from an approved leave of absence, the date that the institution determines the student began the leave of absence; or (6) if the student takes an unapproved leave of absence, the date that the student began the leave of absence. Notwithstanding the above, an institution that is not required to take attendance may use as the withdrawal date, the last date of attendance at an academically related activity as documented by the institution (34 CFR sections 668.22(c) and (d)).

Finding

During our test work at Stony Brook University (the University) with regard to the return of Title IV funds, we noted that the University did not use the correct withdrawal date to calculate the Title IV refund for one of 30 student withdrawals tested out of a population of 339, five of which were administrative withdrawals. The University obtained medical documentation stating that as of November 1, 2007 the student was hospitalized and would be withdrawing from the University. The Department of Judicial Affairs is responsible for determination of certain medical withdrawals and the reporting of these withdrawals to the Registrar (administrative withdrawal). The Registrar recorded an incorrect withdrawal date of February 25, 2008, which was used by the Financial Aid Office for the refund calculation, instead of the correct withdrawal date of November 1, 2007. The University should have used the date the institution determined was related to the circumstance that caused the student to withdraw from the University. The recalculated amount of subsidized Stafford Loan funds due to the Lender amounted to $2,028. This amount was returned to the lender on June 27, 2008.

Recommendation

We recommend that the University develop a more formalized process for the Department of Judicial Affairs to report medical withdrawals to the Registrars office.

Related Noncompliance

Based on the above, the College was not in compliance with the requirement described above.

Questioned Cost

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Federal Family Education Loans (FFEL) (84.032)

Stony Brook University - State University of New York

Reference: 08-25

Requirement

Unless the school expects to complete its next Student Status Confirmation Report (SSCR) within 60 days, the school must notify the lender or the guaranty agency within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis (FFEL, 34 CFR section 682.610; Direct Loan, 34 CFR section 685.309).

Finding

During our test work of Student Status Changes at Stony Brook University (the University), we noted that the University did not report the status change of one of 30 students tested to the National Student Clearinghouse (NSC) within the required sixty-day time frame. The status of the student had changed from full time to withdrawn. The student withdrew on October 17, 2007, however the National Student Clearinghouse was not updated until December 27, 2007. This is 71 days after the University had determined the student's status had changed. The Clearinghouse should have been updated by December 16, 2007; 60 days after the student's status had changed.

Recommendation

We recommend that the University enhance its existing controls for reporting student status changes, including enrollment issues, to comply with this requirement.

Related Noncompliance

Based on the above, the University was not in compliance with the requirement described above.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2008

Questioned Cost

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2008

Federal Family Education Loans (FFEL) (84.032)

SUNY at Albany - State University of New York

Reference: 08-26

Requirement

Unless the school expects to complete its next Student Status Confirmation Report (SSCR) within 60 days, the school must notify the lender or the guaranty agency within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis (FFEL, 34 CFR section 682.610; Direct Loan, 34 CFR section 685.309).

Finding

During our testwork of Student Status Changes at SUNY at Albany (the University), we noted that the University did not report the status change of ten of 30 students tested to the National Student Clearinghouse (NSC) within the sixty-day required time frame. The following chart reports the student withdrawal date and the NSC notification date:

Student	Withdrawal Date	NSC Notified	Number of Days until NSC Notified
1	May 5, 2008	September 11, 2008	129
2	May 5, 2008	September 11, 2008	129
3	October 21, 2007	February 12, 2008	114
4	March 29, 2008	Information not available	*
5	March 25, 2008	September 11, 2008	170
6	February 7, 2008	September 11, 2008	217
7	April 5, 2008	Information not available	*
8	February 29, 2008	Information not available	*
9	November 7, 2007	February 12, 2008	97
10	October 25, 2008	February 12, 2008	110

* The student re-registered for school after the sixty-day required reporting time frame, but before the University was aware of the noncompliance; accordingly, NSC was not notified of the change in status.

Recommendation

We recommend that the University enhance its existing controls for reporting student status changes, including enrollment issues, to comply with this requirement.

Related Noncompliance

Based on the above, the University was not in compliance with the requirement described above.

Questioned Cost

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126)

State Education Department

Reference: 08-27

Requirement

The State Vocational Rehabilitation (VR) Agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless:

- Exceptional and unforeseen circumstances beyond the control of the State VR Agency preclude making an eligibility determination with 60 days and the State agency and the individual agree to a specific extension of time;

- The State VR Agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services (Section 102(a)(6) of the Act (29 USC 722(a)(6))).

Finding

We reviewed a sample of 40 case files, in the Manhattan District VESID VR Office, to determine if the eligibility status was determined within the timetable required. In 12 of 40 cases tested, the individual's eligibility was not determined within 60 days and an eligibility extension was not filed to note a reason for additional time needed to process the determination.

A similar finding, from the Syracuse District VESID VR Office, was included in the prior year's single audit report as finding 07-26 on page 85.

Recommendation

The Department should strengthen its procedures over the review of the eligibility of individuals to ensure compliance with the requirement.

Related Noncompliance

Based on the above, the Department was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126)

State Education Department

Reference: 08-28

Requirement

The State Vocation Rehabilitation (VR) Agency must determine whether an individual is eligible for VR services and that only eligible individuals participated in the program. An individual is eligible for VR services if the individual (a) has a physical or mental impairment that, for the individual, constitutes or results in a substantial impediment to employment; (b) can benefit in terms of an employment outcome from VR services; and (c) requires VR services to prepare for, secure, retain, or regain employment (Section 102(a)(1) of the Act (29 USC 722(a)(1))).

Finding

We reviewed a sample of 40 case files, in the Manhattan District VESID VR Office, to determine if an individual was eligible for VR services. In one of 40 cases tested, the individual's eligibility determination was not signed or dated by the counselor.

A similar finding, from the Syracuse District VESID VR Office, was included in the prior year's single audit report as finding 07-25 on page 83.

Recommendation

The Department should strengthen its procedures over the review of the eligibility of individuals to ensure compliance with the requirement.

Related Noncompliance

Based on the above, the Department was not in compliance with the requirement described above.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2008

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126)
Reading First State Grants (84.357)

State Education Department

Reference: 08-29

Requirement

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (§__.300).

Finding

We reviewed a sample of 25 subrecipient files at the Reading First State Grants Office to determine that all subrecipients had completed all parts of the application, including the certification that they are not suspended or debarred. In one of 25 files tested, the application was not completed and an appropriate official of the subrecipient did not sign the suspension and debarment certification.

We reviewed a sample of 40 Rehabilitation Services vendor contract files at the Contracts Administration Office to determine that all vendors had completed all parts of the contract, including the certification that they are not suspended or debarred. In five of 40 contracts tested, the suspension and debarment certification was not present.

Recommendation

The Department should strengthen its procedures over the review of applications to ensure compliance with the requirement.

Related Noncompliance

Based on the above, the Department was not in compliance with the requirement described above.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2008

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (93.044)
Special Programs for the Aging - Title III, Part C - Nutrition Services (93.045)
Nutrition Services Incentive Program (93.053)

Office for the Aging

Reference: 08-30

Requirement

In accordance with OMB Circular A-133 section .400, a pass-though entity is responsible for (a) Ensuring required audits are performed within nine months of the end of the subrecipient's audit period; (b) Issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (c) Ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of the continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Finding

During the period under audit, the Office collected single audit reports from Area Agencies on Aging (AAAs), which include local districts, non-profit agencies, and Indian tribes, primarily related to the fiscal year ended December 31, 2006. The Office had adequate policies and procedures to identify AAAs that are required to submit an OMB Circular A-133 Single Audit report, track delinquent single audit reports, follow-up on outstanding reports and findings to ensure that such audits were being performed, and track whether the audit reports were submitted to the Office within the required due date (within nine-months from the end of the AAA's fiscal year end).

We reviewed the submitted single audit reports and noted that four of 16 single audit reports we selected for review were submitted late and no sanctions were levied on the AAAs. The Office's tracking log was accurate based on our sample of 16; therefore, based on the Office's total population of AAAs, seven of 59 OMB Circular A-133 Single Audit Reports were late. The Office did not have policies or procedures in place to sanction subrecipients for late filing of the required OMB Circular A-133 reports. A sanction policy was completed and placed into effect in August, 2008.

A similar finding was included in the prior year Single Audit Report as finding 07-28 on page 89.

Recommendation

We recommend that the Office enforce the sanction policy for the AAAs who continue to be unable or unwilling to submit timely A-133 single audit reports.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (93.044)
Special Programs for the Aging - Title III, Part C - Nutrition Services (93.045)
Nutrition Services Incentive Program (93.053)

Office for the Aging

Reference: 08-31

Requirements

As identified in 45 CFR sections 1321.11 and 1321.17 (f)(9), the State Agency is required to develop policies governing all aspects of programs operated under the State Plan and to monitor their implementation, including assessing, performance for quality and effectiveness and specifying data system requirements to collect necessary and appropriate data.

The Office's policy is to monitor local Area Agencies on Aging (AAAs) through Annual Evaluations and Fiscal Field Visits. The 2007-2008 Annual Evaluation policies and procedures state that "Upon returning to the Office, the Aging Services Representative (ASR) will prepare a complete copy of the Annual Evaluation Guide reflecting her/his findings and recommendations for corrective actions. The ASR will send a completed, typed guide and cover letter to the AAA within six weeks following the completion of all components of the evaluation."

The 2007 Fiscal Field Visits procedure memo states that the field visit report must be issued to the local AAA within 30 days after the conclusion of the field visit.

Finding

During the period under audit, the Office performed both Annual Evaluations and Fiscal Field Visits on various AAAs, which include local districts, non-profit agencies, and Indian tribes. The Annual Evaluations are a programmatic review conducted annually for each AAA. Fiscal Field Visits are performed at least every two years for each AAA and alternate between a review of financial transactions and a comprehensive review of the entire financial management system.

The Office had adequate policies and procedures which established the following:

- Timeline for reporting
- Identification of AAAs that were being evaluated and visited
- Follow-up on outstanding reports and findings required to ensure that such evaluations and visits were being performed
- Tracking of whether the audit reports were submitted within the required due date.

We reviewed both the Annual Evaluation and Fiscal Field Visit reports and noted that six of 16 reports we selected for review for Annual Evaluations and six of eight reports we selected for review for Fiscal Field Visits were not completed within the time period stipulated in the Office's policies and procedures. We also noted that the Office had identified which Fiscal Field Visit final reports were not submitted timely. The Office's tracking log for the Fiscal Field Visits was accurate based on our sample of eight; therefore, based on the Office's total population of AAAs visited, 20 of 30 AAA's which had fiscal field visits did not have the final reports completed on a timely basis.

During the review of the Fiscal Field Visits, we noted that the Financial Assessment Guide did not have a cover page with the agency information, date of visit, the names of the staff involved in performing the evaluation, or a summary and sign-off page at the end of the guide.

During our review of the Office's procedures regarding Annual Evaluations and Fiscal Field Visits, we noted that the Office took appropriate action (management decisions) for findings that required their attention.

Recommendation

We recommend that the Office evaluate the policy and procedure guide for the Annual Evaluations and the Fiscal Field Visits with respect to the final report due dates.

We also recommend that the Office re-evaluate the Financial Assessment Guide used during the completion of the Fiscal Field Visit. Unlike other evaluation guides used by the Office, this guide does not have a cover page with the agency information, date of visit, the names of the staff involved in performing the evaluation, or a summary and sign-off page at the end of the guide.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirements described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (93.044)
Special Programs for the Aging - Title III, Part C - Nutrition Services (93.045)
Nutrition Services Incentive Program (93.053)

Office for the Aging

Reference: 08-32

Requirement

The Office is required to submit a semi-annual financial status report along with the "AoA supplemental form" to the United States Administration on Aging within 30 days.

In accordance with OMB Circular A-133 section .400, a pass-though entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved

Finding

The Office grants approximately 95% of its grant awards from Title III B and C to local Area Agencies on Aging (AAA). The Office requires AAAs to submit quarterly financial and demographic data within 20 days after the end of the quarter. The AAAs report this information to the Office electronically through the Consolidated Area Agency Reporting System (CAARS). If this information is not received by the due date, the Office has controls in place to withhold reimbursement requests until the AAA submits the required data. The Office has implemented this control to ensure timely and accurate submission of semi-annual financial reports.

The Office must use budgets and estimates from prior quarters to determine the amount of funds spent on Aging programs when the AAA does not submit this data in a timely manner.

During the period April 1, 2007 through March 31, 2008, the Office's CAARS report indicated that 10 AAAs had submitted the required information past the 20-day requirement. Our sample of seven AAAs revealed that the Office did not enforce the withholding of reimbursements for one AAA.

Recommendation

We recommend that the Office strictly enforce its established controls to ensure all financial reports submitted to the United States Administration on Aging are as accurate as possible.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirements described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (93.044)
Special Programs for the Aging - Title III, Part C - Nutrition Services (93.045)
Nutrition Services Incentive Program (93.053)

Office for the Aging

Reference: 08-33

Requirement

In order to avoid a penalty, each fiscal year the State agency, to meet the required non-Federal share applicable to its allotments under this part, shall spend under the State plan for both services and administration at least the average amount of State funds it spent under the plan for the three previous fiscal years. If the State agency spends less than this amount, the Commissioner reduces the State's allotments for supportive and nutrition services under this part by a percentage equal to the percentage by which the State reduced its expenditures. (45 CFR 1321.49)

This requirement is also sent by the Department of Health and Human Services Administration on Aging (AoA) to States annually through Program Instructions. These Program Instructions are available online at http://www.aoa.gov/prof/agingnet/PI/PI.aspx.

Finding

The Office submits the "Certification of Maintenance of Effort for Title III" annually by the required due date. This certification claims that "State resources expended to meet the maintenance of effort requirement…" were a stated amount. The amount on this certification that the Office submits to AoA is equal to the average that it certified in the previous three Federal fiscal years.

The current procedure used by the Office does not meet the above requirements and does not provide evidence that the State has spent funds at least equal to the amount the State spent in the previous three years. We cannot determine if the State is in compliance with this requirement as the amount expended in the prior three years is not readily available for review.

Recommendation

We recommend that the Office review current policies and procedures regarding level of effort requirements and report the appropriate amounts supported by the Office's financial records.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirements described above.

Questioned Costs

Cannot be determined

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Temporary Assistance for Needy Families (93.558)
Child Care and Development Block Grant (93.575)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)
Foster Care - Title IV-E (93.658)
Adoption Assistance (93.659)
Social Services Block Grant (93.667)

Office of Children and Family Services

Reference: 08-34

Requirement

In accordance with OMB Circular A-133 section .400, a pass-though entity is responsible for (a) Ensuring required audits are performed within nine months of the end of the subrecipient's audit period; (b) Issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (c) Ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of the continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Finding

During the period under audit, the Office collected single audit reports from local districts and non-profit agencies related to the fiscal years ending December 31, 2006 and June 30, 2007. The Office had adequate policies and procedures to identify subrecipients, track delinquent Single Audit reports, follow-up on outstanding reports and findings to ensure that such audits were being performed, and track whether the audit reports were submitted to the Office within the required period.

During our review of the Office's subrecipient monitoring procedures, we noted that the Bureau of Audit and Quality Control sent audit reports that had findings to the appropriate program officials for review and follow-up. The Office issued management decisions with regard to local district and non-profit agencies' OMB Circular A-133 Single Audit Reports that had findings relevant to their Federal programs.

Our review included examining OMB Circular A-133 Single Audit Reports for 12 of 58 local districts and 17 of 68 not-for-profit subrecipients. Eight of the sample of 29 were received late and the Office did not impose their sanction policy for six of these eight subrecipients.

A similar finding was included in the prior year Single Audit Report as finding 07-32 on page 97.

Recommendation

We recommend that the Office enforce the sanctions in accordance with their sanction policy.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Temporary Assistance for Needy Families (93.558)
Child Care and Development Block Grant (93.575)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)

Office of Temporary and Disability Assistance

Office of Children and Family Services

Reference: 08-35

Requirement

A State may transfer up to 30 percent of the combined total of funds received under the State family assistance grant, and supplemental grant for population increases for a given fiscal year to carry out programs under the Social Services Block Grant (Title XX) (CFDA 93.667) and/or the Child Care and Development Block Grant (CFDA 93.575). However, no more than 10 percent may be transferred to Title XX, and such amounts may be used only for programs or services to children or their families whose income is less than 200 percent of the poverty level. Contingency funds under 42 USC 603(b) cannot be transferred under this authority (Pub. L. No. 109-171, Sec. 7101(a) and Pub. L. No. 108-199, Title II, Social Services Block Grant); 42 USC 604(d); 45 CFR section 264.72(e)).

ACF-696, Child Care and Development Fund Financial Report (OMB No. 0970-0163) is due quarterly from States and Territories. These reports are in lieu of the SF-269, Financial Status Report. Each fiscal year the expenditure report must be separate, therefore, multiple reports may be required if awards from more than one fiscal year are expended in a given quarter. Any funds transferred from Temporary Assistance for Needy Families (TANF) are treated as Discretionary Funds for reporting on the ACF-696 (42 USC 604(d); 45 CFR section 98.54(a)).

Finding

The New York State Office of Temporary and Disability Assistance (OTDA) administers the Temporary Assistance for Needy Families (TANF) program and the New York State Office of Child and Family Services (OCFS) administers the Child Care and Development Block Grant (CCDF). In accordance with Federal requirements, the State transfers TANF funds to CCDF. The total transfer for a given grant award year is usually transferred in several installments.

We reviewed both the CCDF ACF-696 financial report and TANF ACF-196 financial report for the quarter ended March 31, 2008. The CCDF ACF-696 did not report a transfer from TANF to CCDF for the 2008 grant. The TANF ACF-196 reported the total transferred amount of TANF funds to CCDF was $8,154,000 for the 2008 grant.

Line 5, column C of the CCDF ACF-696 reports the amount of funds awarded by the Federal government for "Discretionary Funds" and line 6 reports the amount of funds transferred from TANF. For the quarter ended March 31, 2008, the CCDF ACF-696 "Discretionary Funds" awarded did not agree to the Federal grant award letter by $4,154,000. OCFS personnel stated that this amount was the TANF transfer and was reported on the wrong line of the report. Additionally, the $4,154,000 did not agree to the amount of the transfer reported on the TANF ACF-196. Therefore, there is a $4,000,000 ($8,154,000 - $4,154,000) difference, which is not accounted for, between the CCDF ACF-696 and TANF ACF-196.

Recommendation

We recommend that the OCFS review its policies and procedures regarding report preparation and supervisory review to ensure that reports are accurate. We also recommend that OCFS and OTDA improve communication between Offices to ensure consistent reporting.

Related Noncompliance

Based on the above, the Offices were not in compliance with the requirements described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Temporary Assistance for Needy Families (93.558)
Child Care and Development Block Grant (93.575)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)
Foster Care - Title IV-E (93.658)
Adoption Assistance (93.659)
Social Services Block Grant (93.667)

Office of Children and Family Services

Reference: 08-36

Requirement

In accordance with OMB Circular A-133 section .400, a pass-though entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Finding

The Office conducted 48 on-site audits of subrecipients for various Federal programs during the period of April 1, 2007 through March 31, 2008. During these audits, the Office is primarily selecting case files to review for Federal eligibility determinations and evidence of adequate supporting documentation for amounts claimed for Federal reimbursement. The Office also maintains an annual audit plan for their review of local districts.

The Office uses two methods of recapturing funds. For local districts which electronically submit claims monthly through the Automated Claiming System (ACS), the Office relies on the local districts to include adjustments to their monthly claims. The other method used is primarily for subrecipients paid through contracts. For these subrecipients, the Office will request a check be sent to the Office of Audit and Quality Control (A&QC) within the Office.

We selected 14 of 48 audit reports issued by the Office during the fiscal year ending March 31, 2008 to review the findings, recommendations, and follow-up activity. Findings and recommendations made by the Office for the recapture of Federal funds were included in 11 of 14 audit reports. However, four reports were in draft form at the time of our audit and, therefore, no corrective action was available for our review.

Five of seven final audit reports which contained the recapture of Federal funds are for local districts that contained findings and requested funds be recovered through the ACS. The Office relies on the local districts to determine the questioned costs based upon the audit findings. In three instances, the Office could verify that funds were recovered through adjustments in the ACS. However, for two reports the Office could not verify that the ACS determined the questioned costs or that any questioned costs were recovered or that alternative allowable costs were provided to support their claims.

Two of seven final audit reports which contained the recapture of Federal funds were for the same contract subrecipient. Correspondence requesting the remittance of questioned costs amounting to $192,304 were sent to the subrecipient. However, this subrecipient did not submit a check for the questioned costs and no follow-up correspondence requesting payment was available. The questioned costs stated below are from these two audit reports. These audit reports were for contracts ending in the third quarter 2005 and recommended that the contractor revise procedures to ensure future claims are appropriate.

The Office does not have formal policies and procedures to adequately follow-up on questioned costs identified in the audits performed by the A&QC to ensure that local districts adjust their ACS claims appropriately or that refund checks are received timely.

Recommendation

We recommend that the Office develop policies and procedures to ensure all questioned costs identified during subrecipient audits are recovered as necessary.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

$192,304 - Temporary Assistance for Needy Families

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Temporary Assistance for Needy Families (93.558)
Child Support Enforcement (93.563)
Child Care and Development Block Grant (93.575)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)
Foster Care - Title IV-E (93.658)
Adoption Assistance (93.659)
Social Service Block Grant (93.667)

Office of the State Comptroller

Reference: 08-37

Requirement

Many recipients utilize the Payment Management System (PMS) operated by the Division of Payment Management (DPM) within the Department of Health and Human Services. After a Federal agency awards a grant, DPM is responsible for controlling payments to the recipient; receiving collections for unexpected funds, duplicate payments, audit disallowances, and interest earned on Federal funds; accounting for disbursement information provided by the recipient; and reporting data equivalent to the SF-272, *Federal Cash Transactions Report*, to the recipient and Federal agency (OMB Circular A-110 section .52).

Federal awarding agencies enter authorization amounts in PMS through letter of credit information to allow recipients to draw Federal funds. There are three methods by which recipients can request funds: (1) the PMS 270 cash request, (2) SMARTLINK II, or (3) CASHLINE systems. SMARTLINK II enables recipients to request Federal funds through computer link with DPM, while CASHLINE allows funds to be requested via a touch-tone telephone. Once a quarter, using the authorization amounts provided by the Federal agency, payments requested by recipients, cash collection activity, and disbursement information provided by recipients, DPM generates PSC-272 reports.

The State must reconcile and balance with the PSC-272 on a quarterly basis. PSC reports are downloaded by the State for verification of amounts drawn from the U.S. Treasury and certification of the dollar amounts disbursed.

Finding

The Office of the State Comptroller is responsible for the draw down of Federal funds on behalf of most of the State agencies, which deal with the Federal programs. For PSC-272 reporting purposes, each Federal letter of credit from which the State is authorized to draw down funds has its unique identification number and required report. Our review of the twelve PSC-272 reports required for each of the quarters in the State's fiscal year ended March 31, 2007 revealed that three of the DPM's twelve cash balances were not in agreement with those of the State. In December 2007, the DPM agreed to adjust its reported advances to the State for three PAN accounts. As a result, two of the PAN's are now in agreement with the State's records. The DPM variance for PAN U009P at March 31, 2008 was a negative cash balance of $22,494,549 representing a potential receivable from the Federal government.

The Office has controls and procedures in place to demonstrate that all current/active awards remain reconciled each quarter and that in no changes to DPM's stated variance occurs. The Office continuously monitors this variance and has confirmed that it has provided DPM the necessary financial information to correct the variances. The Office has indicated that they have done everything within their power over the course of several years to try and get the U.S. Treasury's DPM to resolve this one remaining issue through journal entries posted to DPM's accounting system.

A similar finding was included in the prior year Single Audit Report as finding 07-27 on page 87.

This finding has been reported for the last three years and no management decision has been issued by the Federal government.

Recommendation

We recommend that officials at the Office of the State Comptroller and DPM continue working to resolve the difference in the cash balance that is contained in DPM's PMS 272 reports for PAN U009P.

Related Noncompliance

Until such time as DPM officials adjust the reported cash balance for PAN U009P, the Office cannot be in full compliance with the requirements described above.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2008

Questioned Costs

Cannot be determined

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Temporary Assistance for Needy Families (93.558)

Office of Temporary and Disability Assistance

Reference: 08-38

Requirement

As identified in 45 CFR 265.9, each state must file an annual report containing information on the TANF program and the State's Maintenance of Effort (MOE) programs for that year. Each state must provide the average monthly total number or the total number of eligible families served as of the end of the fiscal year for each program for which the State claims MOE expenditures.

Form ACF-204 instructions for line 8 state: Total number of families served under the program with MOE funds. Enter the number of eligible families that are receiving the benefit(s) or service(s) named in line 1 that are funded in whole or in part with State MOE funds. States may use reasonable estimates that have sound basis where actual numbers are not available. This may include estimates based on samples. Also, put an "X" on the appropriate line to indicate whether the number being provided is a report on the average monthly number of families being served or on the total number served over the course of the fiscal year. States would report in this manner even if the State used MOE funds that were being commingled with Federal TANF funds to pay for the service. Hence, the State would not allocate the total number of families according to the percentage of MOE funds that have been commingled with TANF funds.

Finding

The Form ACF-204 is the State's Annual Report on MOE programs, which is derived from the data in the Q5i system. Items on the report are used to give an accurate representation of the State's MOE based on Federal requirements. We selected this report for the Federal fiscal year ending September 30, 2007 and verified the information reported.

For the "Work Related/Expenses" benefit type, the State calculated the families served based on the total served over the fiscal year. However, when examining the Form ACF-204, it was noted that the "X" was placed on the "average monthly number of families being served" line. Accordingly, due to a clerical error, the Form ACF-204 incorrectly reported "total families served" as "average families served."

Recommendation

We recommend that the Department establish and implement procedures to ensure the Form ACF-204 report is prepared in accordance with reporting instructions and that the Form is adequately reviewed and approved.

Related Noncompliance

Based on the above, the Department was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Temporary Assistance for Needy Families (93.558)
Medical Assistance Program (93.778)

Office of Temporary and Disability Assistance

Reference: 08-39

Requirement

Each State shall participate in the Income Eligibility and Verification System (IEVS) required by Section 1137 of the Social Security Act, as amended. Under the State Plan, the State is required to coordinate data exchanges with other Federally assisted benefit programs, request and use income and benefit information when making eligibility determinations, and adhere to standardized formats and procedures in exchanging information with other programs and agencies. Specifically, the State is required to request and obtain information as follows (42 USC 1320b-7; 45 CFR section 205.55):

- Wage information from State Wage Information Collection Agency (SWICA).
- Unemployment Compensation (UC) information should be obtained for all applicants at the first opportunity, and in each of the first three months in which the individual is receiving aid.
- All available information from the Social Security Administration for all applicants at the first opportunity.
- Information from the Immigration and Naturalization Service and any other information from other agencies in the State or in other States that might provide income or other useful information.
- Unearned income information from the Internal Revenue Service (IRS).

The State is permitted to exclude categories of information items from follow-up if it has received approval from Administration for Children and Families (ACF) after having demonstrated that follow-up is not cost effective.

Finding

The Office was in compliance with the IEVS requirements until November 2000. The verification of unearned income information from the IRS was discontinued as a result of an IRS Security audit and the costs of implementing the necessary changes identified by the security audit. In September 2004, the Office submitted a corrective action plan to the Federal government, including certification from the Governor, which expressed the State's commitment to complying with the IRS unearned income matching requirement and a proposed timeline for compliance.

The 1099 unearned income computer-matching component of the IEVS is currently operational in New York State, however 1099 Federal tax information is not being processed as the State is in the process of implementing the new IRS electronic data transmission process. On July 27, 2004, a $43 million sanction was imposed against the State for noncompliance with this component of IEVS. The Office has received approval from the Department of Health and Human Services for the entire sanction to be forgiven under a Corrective Action Plan (CAP) approved in January of 2005. The CAP required the Office to have its 1099 computer matching re-instituted by October 1, 2005. As a result of documented delays in IRS approval of the State's timely Computer Matching Agreement (CMA) submission, approval of the CMA was delayed until March 9, 2006. On August 21, 2008 the Office received approval on the new CMA for the period of July 1, 2008 through December 31, 2009.

The 1099 matching component was initiated in July of 2006 when the Office was first legally able, under its March 2006 approved CMA, to submit a tape of its TANF recipients to the IRS. Processing of data began in September 2006. However, due to data errors the monthly updates were suspended in October 2006. As a result, income eligibility information was not available for local districts to utilize in making eligibility determinations. In November 2007, the program made corrections and successfully implemented the Tumbleweed process for electronic income verification. As a result of the implementation, the Office began receiving monthly income eligibility information and made it available to the local districts as appropriate.

A similar finding was included in the prior year Single Audit Report as finding 07-31 on page 95.

Recommendation

We recommend that the Office continue to monitor its compliance with this requirement.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Child Support Enforcement (93.563)

Office of Temporary and Disability Assistance

Reference: 08-40

Requirement

The Office will maintain records necessary for the proper and efficient operation of the State plan, including records regarding the amount and sources of support collections and the distribution of these collections (45 CFR 302.15(a)(3)).

Finding

We selected the December 31, 2007 OCSE-34A quarterly report of collections to determine if reported amounts were adequately documented. The Automated Claiming System (ACS) allows local districts to electronically submit Federal and State reimbursement requests and report other data to the State of New York. According to the ACS, total collections received during the fourth quarter of 2007 amounted to $416,875,070. For the same quarter, the total amount of collections reported to the Federal government on Form OCSE-34A (Line 2) amounted to $406,949,514.

The difference between the amount reported in the ACS and the OCSE-34A is $9,925,556. The entire difference is categorized in line 2(g) "From Other Sources." This occurs each quarter and the amount varies. The Office has been aware of the difference and has analyzed the problem, however, specific solutions have not yet been determined.

Management has informed us that the difference is largely due to the net amount of collections and disbursements of non-Title IV-D funds. Local courts have ordered that certain non-Title IV-D funds be remitted to the State. The Office's Child Support Management System (CSMS) is currently unable to provide sufficient detail on these non-Title IV-D funds.

The non-Title IV-D funds are included with Title IV-D funds reported on line 1 "Balance Remaining Undistributed from Previous Quarter" and line 9 "Gross Undistributed Collections." In order to reconcile the report, the Office includes the net amount of non-Title IV-D funds in line 2(g). The Office systematically identifies the non-Title IV-D cases and excludes them from Federal reimbursement relative to the total caseload. We were not able to verify the percentage of cases removed from Federal reimbursement.

Recommendation

We recommend that the Office use the information gathered in their previous analysis to modify the reports generated by CSMS to adequately identify Child Support Enforcement collections and disbursements. In addition, the Office should take the necessary steps to implement policies and procedures to identify and reconcile the differences of other sources of collections and disbursements.

Related Noncompliance

Based on the above, the Office's compliance with the requirement described above cannot be fully verified.

Questioned Costs

Cannot be determined

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Low-Income Home Energy Assistance (93.568)

Office of Temporary and Disability Assistance

Reference: 08-41

Requirement

In accordance with OMB Circular A-133, subpart D section .400(d): A pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Finding

The Office designates local districts to administer the Low-Income Home Energy Assistance program (LIHEAP) and monitors these districts by obtaining their annual OMB Circular A-133 single audit report and by monitoring financial and programmatic processes.

During the 2007-2008 LIHEAP season, the Office conducted 22 reviews of local districts. We selected six of 22 reviews to examine the reports issued and documents maintained by the Office. Documents maintained by the Office were not consistent between the various reviews conducted. Three of six reviews did not contain documentation to show that a comparison of applicant information and benefits to local district records was performed.

Additionally, one of six review checklists was incomplete and not signed by the reviewer and none of the six reviews were reviewed by a supervisor. According to the Office, the final reports are all reviewed by an appropriate official. The documentation is only reviewed in instances where there are questions about the final report.

Based on the Office's policies, vendor invoices should be examined to determine if the LIHEAP reimbursed expenditure was properly billed and the vendor exists. The Office did not review vendor files for 2007-2008 as the responsibility for these reviews has shifted between bureaus within the Office.

Recommendation

We recommend that the Office enhance its procedures to ensure that all local district review documentation is reviewed and adequately supervised. We also recommend that the Office resume their reviews of vendors during their local district monitoring.

Related Noncompliance

Based on the above, the Office's compliance with the requirement described above cannot be fully verified.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Low-Income Home Energy Assistance (93.568)

Office of Temporary and Disability Assistance

Reference: 08-42

Requirement

No more than 15 percent of the greater of the funds allotted or the funds available to the grantee for a Federal fiscal year may be used for low-cost residential weatherization or other energy-related home repairs. The Secretary may grant a waiver, and the grantee may then spend up to 25 percent for residential weatherization or energy-related home repairs (42 USC 8624(k)).

OMB Circular A-133 Section .300 states that "the auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Finding

The Office prepares an "allocation worksheet" which details the amount of the Low-Income Home Energy Assistance program (LIHEAP) grants received, calculates the maximum allowable administrative, weatherization, and carryforward amounts, and details expenditures by these same categories. Office personnel use this worksheet to monitor the Office's compliance with LIHEAP regulations.

The amounts obligated to New York State Division of Housing and Community Renewal (DHCR) and New York State Office for the Aging (OFA) were greater than the amounts on this worksheet, which resulted in LIHEAP expenditures for weatherization being greater than 15% of the LIHEAP grants. The expenditures on the allocation worksheet were not equal to the amount segregated by the New York State Division of the Budget (DOB) or the quarterly expenditures reports submitted by DHCR and OFA. The allocation worksheet was not updated when adjustments were made to LIHEAP allocations. Based on the allocation worksheet and corrected amounts for DHCR and OFA, actual expenditures amounted to $41,064,164. For the 2006-2007 grants, the 15 percent maximum allowable expenditures for weatherization activities amounted to $41,022,758. The difference of $41,406 ($41,064,164 - $41,022,758) represented the difference between the actual expenditures and the maximum amount allowable.

According to the approved 2007-2008 State Plan, furnace replacement expenditures may be applied to the emergency or weatherization categories. The Office transferred furnace replacement expenditures from the weatherization category to emergency category and, therefore, remained in compliance with the 15% weatherization earmark.

Adequate supporting documentation should be updated as changes occur and reviewed by an appropriate official to ensure that the Office remains in compliance with Federal regulations.

Recommendation

We recommend that the allocation worksheet be reviewed by a supervisor each time changes are made.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Child Care and Development Block Grant (93.575)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)
Foster Care - Title IV-E (93.658)
Adoption Assistance (93.659)
Social Services Block Grant (93.667)

Office of Children and Family Services

Reference: 08-43

Requirement

In accordance with OMB Circular A-133 section .400, a pass-though entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Finding

The Office conducted on-site audits of subrecipients for the Adoption Assistance, Child Care, and Foster Care programs during the period of April 1, 2007 through March 31, 2008. During these audits, the Office is primarily selecting case files to review for Federal eligibility determinations and evidence of adequate supporting documentation for amounts claimed for Federal reimbursement. The Office also maintains an annual audit plan for their review of local districts.

The Office uses a risk-based approach to determine which subrecipients to audit. For the past three years, the Office focused on Title IV-E Foster Care audits due to the number of errors found during Federal audits. Out of 59 local districts, the Office performed 37 Foster Care audits, 18 Child Care audits, four Adoption Assistance audits, and no Social Service Block Grant audits between the fiscal years ending 2003 through 2008. Therefore, many local districts have not been audited by the Office in several years. However, the Office appears to have appropriately focused their efforts and available resources on those local districts that represent the highest degree of risk.

During the year April 1, 2007 through March 31, 2008, the Office issued 10 audit reports (additional eight in process) for local districts that were audited for their Foster Care programs and seven audit reports (additional five in process) for their Child Care programs. The Social Services Block Grant program has not been reviewed by the Office in several years and subrecipients of Adoption Assistance programs were not reviewed by the Office during the State fiscal year 2008.

A similar finding was included in the prior year Single Audit Report as finding 07-33 on page 99.

Recommendation

We recommend that the Office assess their risk-based approach to determine if audits are necessary for a wider range of local districts for their Federally funded programs. Once subrecipients are determined to be low-risk, the Office could allow those subrecipients to perform their own case review and communicate the results to the Office. This would allow the Office to monitor a wider range of subrecipients with limited resources.

We also recommend that the Office maintain a risk-assessment schedule for subrecipients to document the Office's rationale for determining the risk of the subrecipients. This schedule should include information such as the period since last audit, amount of Federal funds, caseload, findings reported by OMB Circular A-133 reports, findings from previous monitoring visits, changes in management personnel at subrecipients, and program complexity.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Foster Care - Title IV-E (93.658)
Adoption Assistance (93.659)

Office of Children and Family Services

Reference: 08-44

Requirement

The Federal awarding agency shall require recipients to submit the SF-269 or SF-269A (an original and no more than two copies) no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports, and 90 calendar days for annual and final reports. Extensions of reporting due dates may be approved by the Federal awarding agency upon request of the recipient (OMB Circular A-110 Section .52(a)(1)(IV)).

The Office uses a similar reporting form, Form ACF-IV-E-1, instead of the SF-269. This quarterly report is also due no later than 30 days after the end of each specified reporting period (Instructions For Completing FORM ACF-IV-E-1).

Finding

The Office requires the receipt of financial data submitted by local districts in order to complete the Foster Care and Adoption Assistance Financial Report (Form ACF-IV-E-1). The local districts submit their claims through the Automated Claiming System (ACS) managed by the Office of Temporary and Disability Assistance. Currently, the reports from the ACS are generated approximately 30 days after the end of the quarter in order to give the local districts time to submit claims.

During our audit, we noted that each quarterly report is submitted approximately four to five weeks late due to the inability of the State to compile the required financial data on a timely basis.

A similar finding was included in the prior year Single Audit Report as finding 07-34 on page 101.

Recommendation

We recommend that the Office request a waiver for the 30-day financial reporting requirement from the Federal Administration of Children and Families.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Foster Care Title IV-E (93.658)
Adoption Assistance (93.659)

Office of Children and Family Services

Reference: 08-45

Requirement

Each State which administers or supervises the administration of Titles IV-B and IV-E must implement a system that begins to collect data on October 1, 1994. The first transmission must be received in the U.S. Department of Health and Human Services, Administration for Children and Families (ACF) no later than May 15, 1995. The data reporting system must meet the requirements of Sec. 1355.40(b) and electronically report certain data regarding children in foster care and adoption.

The term "missing data" refers to instances where no data has been entered, if applicable, for a particular data element. In addition, all data elements which fail a consistency check for a particular case will be converted to missing data. All data which are "out of range" (i.e., the response is beyond the parameters allowed for that particular data element) will also be converted to missing data. Data elements with responses of "cannot be determined" or "not yet determined" are not considered as having missing data.

For missing data in excess of 10 percent for any one data element, a penalty will be applied.

Failure by a State to meet any of the standards described in paragraphs (a) through (d) of this section is considered a substantial failure to meet the requirements of the Title IV-E State Plan. Penalties for substantial noncompliance will be assessed semi-annually against a State's Title IV-E administrative cost reimbursement in an amount that is equal to no more than 10 percent of the State's annual share of Title IV-B funds above the base appropriation of $141 million (45 CFR 1355.40).

Finding

The Office semi-annually submits data for Adoption and Foster Care Analysis and Reporting System (AFCARS) to the U.S. Department of Health and Human Services, Administration for Children and Families (ACF). Despite continuous effort to develop the Statewide Automated Child Welfare Information System (SACWIS) the Office has repeatedly failed the standards for several data elements.

During our audit we noted that for the period of April 1, 2007 through September 30, 2007 and October 1, 2007 through March 31, 2008, three of the 37 data elements for Adoption Assistance data and 27 of the 66 data elements for Foster Care had error rates which exceeded the 10% error rate allowed by Federal regulations.

A similar finding was included in the prior year Single Audit Report as finding 07-35 on page 103.

Recommendation

We recommend that the Office continue to improve their reporting system for the data submitted in the AFCARS report in order to reduce the error rate for missing data below the 10 percent threshold.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

State Children's Insurance Program (93.767)

Department of Health

Reference: 08-46

Requirement

Activities Unallowed - Federal funds may not be expended under the State plan to pay for any abortion or to assist in the purchase, in whole or in part, of health coverage that includes coverage of abortion, except if necessary to save the life of the mother or if the pregnancy is the result of incest or rape (42 USC 1397ee(c)).

Finding

During our review of the State Children's Health Insurance Program (SCHIP), we noted that the Department has consistently estimated unallowable abortion costs based on established policies and procedures to ensure that the costs were not charged to the SCHIP. The Department developed a methodology to estimate the cost of abortions incurred each quarter and the State proposed the methodology to the Center for Medicare and Medicaid Services; however, no confirmation of the policy's acceptance by the Federal awarding agency has been received by the Program.

The Department used the method developed to reduce Federal fiscal year 2007 claims by $470,195.

A similar finding was included in the prior year Single Audit Report as finding 07-36 on page 105.

Recommendation

We recommend the Department modify their procedures in a manner allowing for the identification of abortion costs by participating plans, ensuring that Federal funds are not being utilized for the payment of abortion related costs.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

March 31, 2008

Questioned Costs

Cannot be determined

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

State Children's Insurance Program (93.767)
Medical Assistance Program (93.778)
Maternal and Child Health Services Block Grant to the States (93.994)

Department of Health

Reference: 08-47

Requirement

Internal control over major Federal award programs pursuant to OMB Circular A-133 (Part 6 - Control Activities, Information and Communication), Committee of Sponsoring Organizations of the Treadway Commission (COSO), and Control Objectives for Information and Related Technology (COBIT) require adequate controls over data center operations, management of the physical environment, protection against environmental factors, and physical facilities management.

OMB Circular A-133 requires that physical assets be protected from fire, theft, or other forms of damage or loss that has the potential to impair value of the asset or render the asset inoperable. Proper physical security over information technology is included in internal control requirements under COSO, as well as the security of information technology standard cited above

The requirements for equipment and real property management are contained in the OMB Circular A-133 Part 6, COBIT [DS 12.4-12.5], International Organization for Standardization - International Electrotechnical Commission 17799:2005, 9.1.4 and 9.2.1 through 9.2.3, National Institute of Standards and Technology (NIST) 800-53 PE-9, and 800-26 7.1.16 and 7.1.12, Federal Information Systems Controls Audit Manual SC-2.2, OMB Circular A-110 (_.34(f)(4)), NFPA - 75, PEFD-1, PEFS-1.

Finding

The Information System Health Statistics Group (ISHSG) does not provide for adequate physical protection of IT hardware and network infrastructure assets at the ISHSG data center. This data center contains production servers, web servers, and key IT infrastructure for the Department of Health.

We observed that exposed fiber optic cabling was loosely suspended from the ceiling throughout the main data center. Additionally, we observed that the data center does not have a fire suppression system in operation.

Proper protection of cabling and an operational fire suppression system reduces the risk of accidental and intentional damage of equipment and prevents disruptions to information and communication network services to users.

Recommendation

We recommend the Department perform a cost-benefit analysis regarding the safeguarding of information technology equipment and take appropriate action to protect such equipment.

Related Noncompliance

Based on the above, the Department was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

State Children's Insurance Program (93.767)

Department of Health

Reference: 08-48

Requirement

Internal control over major Federal award programs pursuant to OMB Circular A-133 Compliance Supplement Part 6 - Control Activities, Computer and Program Controls, requires that organizations have a documented disaster recovery plan and a continuity of operations plan that is properly communicated to staff.

General controls include policies and procedures that apply to an entity's overall computer operations and create an environment in which application controls and certain user controls, which are control activities, operate. General controls include appropriate entity-wide security management programs and service continuity controls issued by U.S. Government Accountability Office in its Federal Information Systems Control Audit Manual (FISCAM).

The requirements with respect to disaster recovery and continuity of operations plans are also contained in internal control standards issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), Control Objectives for Information and Related Technology (COBIT), National Institute of Standards and Technology (NIST), and International Organization for Standardization - International Electrotechnical Commission (ISO:IEC).

Finding

During our examination and interviews with the Department's Information System Health Statistics Group (ISHSG) personnel, it was noted that ISHSG's disaster recovery plan was incomplete or not updated on at least an annual basis. The plan references obsolete servers, and does not address new hardware and software used by the Department for current applications. Additionally, ISHSG has not performed full backup and restore tests pursuant to the plans.

We also noted that an alternate data processing site (hot site) has not been establish by ISHSG, further calling for the need to ensure that full backups and recoveries are tested on at least on an annual basis.

Recommendation

We recommend that the Department update its disaster recovery plan on at least an annual basis and perform tests to ensure that key systems are properly protected and able to be restored in the event of a disaster.

Related Noncompliance

Based on the above, the Department was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Medical Assistance Program (93.778)

Department of Health

Reference: 08-49

Requirement

To be allowable under a grant, costs must be necessary, reasonable, and supported by adequate documentation (OMB Circular A-87).

Finding

The Department, acting through its fiscal agent, on March 24, 2005 implemented eMedNY, New York State's electronic Medicaid system, an automated payment and information reporting system to process Medical Assistance claims and pay providers for medical services rendered to eligible Medicaid recipients.

The Office of the State Comptroller (OSC) maintains staff (Medical Claims Unit) on site to conduct continuous audits of the eMedNY claims processing activity, including weekly examinations of the accuracy of the Medicaid claims that are processed. The Unit's weekly review of Medicaid payments enables errors and unreasonable transactions to be detected and investigated. However, the volume of transactions subject to review, about 1 million claims daily, requires OSC to perform post-audits of the Medicaid program. The post-audit function complements OSC's weekly reviews of Medicaid payments with on-site inspections of health care providers' medical records, and in-depth reviews of the Department's policies and procedures relating to the Medicaid program. The Medical Claims Unit's post-audit activities provide OSC with reasonable assurance that the procedures and practices used by the Department to control Medicaid payments are adequate. These activities include attending weekly eMedNY evolution meetings and identifying new risks, and using advanced data analysis techniques and data mining to detect inappropriate payments. As a result of this process, OSC issued 37 audit reports during the fiscal year ended March 31, 2008, 26 that were original audits and 11 that were follow-ups from previously issued audit reports.

During our audit, we reviewed the OSC procedures and working papers to ensure the established procedures were adequate to accomplish the objectives of their audits. Our audit found that OSC's procedures accomplished those objectives.

As a result of the above procedures, OSC identified approximately $49.8 million in potential overpaid claims for the year ended March 31, 2008. The Department and the Office of the Medicaid Inspector General have initiated recovery of those that they determine are appropriate for recovery. These potential overpaid claims represent approximately .2% of the total Medicaid program, which amounted to $22.7 billion for the year ended March 31, 2008. The OSC audits also include numerous recommendations to improve controls over Medicaid payments, as well as the investigation and recovery of claim overpayments.

A similar finding was included in the prior year Single Audit Report as finding 07-41 on page 115.

Recommendation

We recommend that the Department complete their investigations of the $49.8 million in potential overpaid claims and modify existing policies and procedures in light of OSC recommendations in order to reduce the amount of payments that are made for non-allowable services or ineligible recipients.

Related Noncompliance

Based on the above and the work of other auditors, the Department was not in compliance with the requirement described above.

Questioned Costs

Cannot be determined

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Medical Assistance Program (93.778)

Department of Health

Reference: 08-50

Requirement

Section 1927 of the Social Security Act allows States to receive rebates for drug purchases the same as other payers receive. Drug manufacturers (Labelers) are required to provide a listing to Federal Center for Medicare and Medicaid Services (CMS) of all covered outpatient drugs and, on a quarterly basis, are required to provide their average manufacturer's price (AMP) and their best price (BP) for each covered outpatient drug. Based on these data, CMS calculates a Rebate Amount per Unit (RAPU) for each drug, which it then provides to States. No later than 60 days after the end of the quarter, the State Medicaid agency must provide drug utilization data to manufacturers. Within 30 days of receipt of the utilization data from the State, the manufacturers are required to pay the rebate or provide the State with written notice of disputed items not paid because of discrepancies found.

Internal controls over Federal award programs pursuant to Circular OMB A-133 (Part 6-Control Activities) require computations to be checked for accuracy. Proper internal control requires reconciliation for all drug rebates received.

Finding

Manufacturers are invoiced quarterly, no later than 60 days after the end of the quarter, based on the number of units from eMedNY and the RAPU provided by CMS. Prior period adjustments to the quarterly RAPU's are made by the drug manufacturers, following initial invoicing by the Department. These RAPU adjustments result from the impact of changes to the prior period AMP and BP amounts that are not available to the Department. These adjustments are made by the drug manufacturers through the payment process as reported on the Reconciliation of State Invoice (ROSI). The Department has not designed a procedure to determine the appropriateness of those adjustments.

From the quarter ended September 30, 2007, in which invoices were mailed November 28, 2007, we selected a sample of 40 Labelers invoiced totaling $48,046,181 from a population of 410 labelers that were invoiced totaling $246,268,156. This sample represented approximately 20% of the rebates invoiced. From our sample, payments from the Labelers received exceeded initial invoiced rebates by $3,987 for a total of $48,050,168. There were also a total of eight adjustments made by the Labelers netting to an increase in payments totaling $73,481 or .153% of our sample.

Labelers also adjust their payments to the State for disputed items, such as quantity and other reported variances. A total of 10 disputes totaling $69,494, representing .145% of our sample, were made by the labelers, five of which totaling $40,203 were resolved as of August 28, 2008. The Department continues to address the remaining disputed items.

A similar finding was included in the prior year Single Audit Report as finding 07-38 on page 109.

Recommendation

The Department should conduct a risk assessment to determine the risk associated with prior period adjustments. We also recommend that although the RAPU information is confidential, the Department should develop procedures to allow the Department to verify the accuracy of the adjustments made by the Labelers. This procedure could be accomplished by coordinating with CMS to verify the appropriateness of the adjusted RAPU's.

Related Noncompliance

Based on the above, the Department was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Medical Assistance Program (93.778)

Department of Health

Reference: 08-51

Requirement

Section 1927 of the Social Security Act allows States to receive rebates for drug purchases the same as other payers receive. Drug manufacturers (Labelers) are required to provide a listing to Federal Center for Medicare and Medicaid Services (CMS) of all covered outpatient drugs and, on a quarterly basis, are required to provide their average manufacturer's price (AMP) and their best price (BP) for each covered outpatient drug. Based on these data, CMS calculates a Rebate Amount per Unit (RAPU) for each drug, which it then provides to States. No later than 60 days after the end of the quarter, the State Medicaid agency must provide drug utilization data to manufacturers. Within 30 days of receipt of the utilization data from the State, the manufacturers are required to pay the rebate or provide the State with written notice of disputed items not paid because of discrepancies found.

Internal controls over Federal award programs pursuant to Circular OMB A-133 (Part 6-Control Activities) require computations to be checked for accuracy. Proper internal control requires reconciliation for all drug rebates received.

Finding

New York State participates in the National Medicaid Pooling Initiative (NMPI), a multi-state pool established to provide participating states with supplemental rebates from drug manufacturers, which is administered under the State's contract with First Health Services Corporation (FHSC). Rebate information is protected under Federal law and by specific terms in the NMPI agreements, which do not allow release of information that can expose certain cost information. New York State does have the right to conduct an audit of the supplemental drug rebate process, which includes full access to its rebate related information maintained by FHSC.

During the year ended March 31, 2008, the Department received $147,083,024 under this supplemental rebate program. The Department is not provided with the information to analyze adjustments or disputed changes made by the drug manufacturers and relies heavily on the internal controls of FHSC.

The Department has received a Service Auditor's Report for the period July 1, 2006 through June 30, 2007 regarding supplemental drug rebate processing for the New York State Department of Health from FHSC. The Department has also conducted site monitoring at FHSC.

The Department also maintains a unit that administers the primary drug rebate program as required by CMS. This unit monitors the actual invoices of labelers. Both rebate programs (primary and supplemental) use the same claim utilization information as the source of the rebates. The Department has not completely coordinated the monitoring of the FHSC contract (supplemental rebate program) with the unit charged for administering the primary rebate program.

Recommendation

We recommend that the Department consider using the information maintained by the primary drug rebate unit in conducting its monitoring of FHSC. Additionally, the Department should continue to conduct site monitoring and auditing of FHSC as necessary to ensure that the State is maximizing its rebate revenue.

Related Noncompliance

Based on the above, the Department's compliance with the requirement described above cannot be fully verified.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Medical Assistance Program (93.778)

Department of Health

Reference: 08-52

Requirement

Internal control over major Federal award programs pursuant to OMB A133 Compliance Supplement (Part 6 - Control Activities, Information and Communication), Committee of Sponsoring Organizations of the Treadway Commission (COSO), Control Objectives for Information and Related Technology (COBIT) and National Institute of Standards and Technology (NIST) require adequate controls over data processing, and application edits.

The requirements for data processing and application edits are contained in the OMB Circular A-133 Part 6, COSO Control Activities - Application Controls, COBIT [AC 10 - 11], ISO (10.9.2, 12.2.2), NIST SP800-53 (SI-10, Au-10, SC-8, SC-9, SC-11, SC-23).

Finding

The Department, acting through its fiscal agent, on March 24, 2005 implemented eMedNY, New York State's electronic Medicaid system, an automated payment and information reporting system to process Medical Assistance Claims and pay providers for medical services rendered to eligible Medicaid recipients.

The Office of the State Comptroller (OSC) maintains staff (Medical Claims Unit) on site to conduct continuous audits of the eMedNY claims processing activity, including weekly examinations of the accuracy of the Medicaid claims that are processed.

During our audit, we reviewed the OSC procedures and workpapers to ensure the established procedures were adequate to accomplish the objectives of their audits. Our procedures found that OSC's procedures accomplished those objectives.

As a result of their procedures, OSC identified several areas where additional edits to the eMedNY program would reduce incorrect or duplicate payments in the following areas:

- Edits to verify the validity of certain third party insurance information recorded by Medicaid providers on their claims.

- Edits to prevent overpayments for durable medical equipment while the recipient is residing in a nursing home.

- Edits to prevent Medicaid overpayments of Medicare Part B deductibles in the eMedNY claims processing system to track Medicare deductible claims and prevent excessive double billing.

- Edits to eMedNY controls to validate the miles recorded by transportation providers on the Medicaid claims.

- Edits to prevent duplicate payments when providers neglect to include procedure codes on claims submitted into the eMedNY system.

OSC also identified computer edits within the eMedNY system that have been not been implemented due to a lack of testing and analysis. Edit control No. 759 and No. 760 existed in the eMedNY system, however, these controls have not been implemented.

Subsequent to the period under examination and prior to the issuance of our report, the Department in conjunction with its fiscal agent, implemented a series of evolution projects to correct or address the issues in the OSC report. The application modifications are in various stages of design, testing or implementation as of the date of our report.

Recommendation

The Department took immediate action to respond to the findings contained in the OSC report. We recommend that the Department review edits within the eMedNY system on a continual basis in order to protect the Department from overpaying for services rendered. Proper input and processing controls in a computer system prevent the processing and payment of non-allowable and duplicate claims.

Related Noncompliance

Based on the above, the Department was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Block Grants for Prevention and Treatment of Substance Abuse (93.959)

Office of Alcoholism and Substance Abuse Services

Reference: 08-53

Requirement

In accordance with OMB Circular A-133 section .400, a pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

The following are examples of factors that may affect the nature, timing, and extent of during-the-award monitoring:

- Program complexity - Programs with complex compliance requirements have a higher risk of non-compliance.
- Percentage passed through - The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.
- Amount of awards - Larger dollar awards are of greater risk.
- Subrecipient risk - Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipients would require closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring [e.g., the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems].

Finding

The Office performs fiscal reviews of not-for-profit providers. The review consists of reviewing fiscal policies and procedures, financial, budget and reporting records, expenditures, and requirements specific to the Block Grant for Prevention and Treatment of Substance Abuse (SAPT). The Office determines which subrecipients to review based on a risk assessment. Subrecipients' risk is evaluated based on budget, complexity of their program, self-questionnaire, the last time the subrecipient was reviewed and the results of the review, fiscal viability, and amount of Federal funding.

During our audit we noted design flaws in the risk assessment process. The Office assesses a higher risk if the subrecipient is deemed to be "Federally funded" with SAPT funds. For risk assessment purposes, the Office does not consider subrecipients that receive funds passed through a local government unit (LGU) from the Block Grant for Prevention and Treatment of Substance Abuse as "Federally funded." Therefore, these subrecipients of the LGUs are not given a proper risk assessment. The Office has notified the LGUs of their responsibility to monitor these subrecipients, however, the Office also has the responsibility to monitor these subrecipients as if they received Federal funds directly from the Office.

A similar finding was included in the prior year Single Audit Report as finding 07-46 on page 125.

In accordance with the corrective action plan for findings 07-46, the office implemented an updated risk assessment policy effective April 1, 2008.

Recommendation

During our follow-up of the Office's corrective action plan, we noted that the Office has taken appropriate actions to implement policies and procedures to correct the conditions that resulted in our finding last year. Due to the timing of the release of the Office's updated risk assessment policy (effective April 1, 2008) the issue remains a finding in the audit report for the year ended March 31, 2008. We recommend that the Office continually monitor the risk assessment process for fiscal reviews in accordance with its updated policy.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Block Grants for Prevention and Treatment of Substance Abuse (93.959)

Office of Alcoholism and Substance Abuse Services

Reference: 08-54

Requirement

The requirements for cash management are contained in the OMB Circular A-102 (Paragraph 2.a.), the A-102 Common Rule section .21, OMB Circular A-110 section .22, and Treasury regulations at 31 CFR part 205. Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Pass-through entities must monitor cash drawdowns by their subrecipients to assure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

Finding

The Office of Alcoholism and Substance Abuse Services awards Federal funds to local government units (LGU) and not-for-profit providers. The Office advances funds to the LGU and not-for-profit providers by providing equal monthly advances which are based on the annual budget. All subrecipients (LGU and not-for-profit providers) are required to submit mid-year and final expenditure reports. At the fiscal year end of the subrecipient, the total advances are compared to total expenditures claimed. The amount of any over-advances is recouped by decreasing the following month's advance. Actual expenditure claims at mid-year are compared to half the annual budget. When actual expenditures are less than 10% of half the annual budget (40% of the total budget), the Office will decrease the following month's advance.

We reviewed the mid-year and final expenditure reports for 12 of approximately 225 not-for-profits and 15 of 59 LGUs. The Office properly withheld funds for all subrecipients that did not submit their report on time. However, the Office did not enforce their policy of withholding future advances if the subrecipient could not prove that they were timely spending the prior advances. For two of 12 not-for-profit mid-year reports we examined, the expenditures claimed were 38% of the total budget. For one of 15 LGU mid-year reports, the expenditures claimed were 30% of the total budget. Based on the Office's cash management policies, these three subrecipients should have had their advance for the following month decreased. The total amount of Federal expenditures that was under 40% of the budget and subject to the Office's withholding policies amounted to $46,095.

The primary reason that the Office did not withhold future advances was because the review of the expenditures submitted was not conducted timely. In all three instances, the Office used an updated expenditure amount at the time of review which was between two and five months after the reports were due.

A similar finding was included in the prior year Single Audit Report as finding 07-45 on page 123.

Recommendation

We recommend that the Office conduct their review of the mid-year reports on a timely basis in order to determine if the subrecipient has not been over-advanced. We also recommend the Office monitor the cumulative advances of the LGUs, specifically the Federal funds, and adjust future advances of Federal funds accordingly.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Maternal and Child Health Services Block Grant to the States (93.994)

Department of Health

Reference: 08-55

Requirement

A cost is allocable to a particular cost objective, such as a grant, contract, project, service or other activity, in accordance with the relative benefits received. Any cost allocable to a particular award or other cost objective under Office of Management and Budget (OMB) Circular A-122 may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or terms of the award. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:

- Is incurred specifically for the award.
- Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received.
- Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.
- Conforms to any limitations or exclusions set forth in OMB Circular A-122 or in the award.
- Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization.
- Be accorded consistent treatment.
- Be determined in accordance with generally accepted accounting principles (GAAP).
- Not be included as a cost or used to meet cost-sharing or matching requirements of any other federally financed program in either the current or a prior period.
- Be adequately documented.
- Be net of all applicable credits.

Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Pass-through entities must monitor cash drawdowns by their subrecipients to assure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

During-the-Award Monitoring - Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Finding

The Maternal and Child Health Services Block Grant uses New York State standard vouchers. State internal controls require that authorized personnel of the payee sign the vouchers. Additionally, Department personnel are also required to sign the standard vouchers prior to processing and payment.

We selected 40 vouchers totaling $1,588,644 for testwork, two of 40 vouchers, amounting to $184, were not signed by the payee and were also missing the authorized signature required to approve payment.

Recommendation

We recommend that the Department comply with the internal control policies regarding the review and authorization of vouchers.

Related Noncompliance

Based on the above, the Department was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix to the Single Audit Report.

Disaster Grants - Public Assistance (Presidentially Declared Disasters) (97.036)
Hazard Mitigation Grant (97.039)

State Emergency Management Office

Reference: 08-56

Requirement

In accordance with OMB Circular A-133 section .400, a pass-through entity is responsible for (a) Ensuring that required audits are completed within nine months of the end of the subrecipient's audit period; (b) Issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (c) Ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of the continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Finding

The Office has policies and procedures in place to inform subrecipients that a single audit may be required in accordance with OMB Circular A-133 through the Applicant Handbook, Applicant Closeout Letter, and an annual reminder package that included a Subrecipient Single Audit Requirement Fact Sheet and a Single Audit Certification Checklist. Based on the responses to the Single Audit Certification Checklist, the Office determined that for the year ended March 31, 2008 there were 104 subrecipients that were identified as having had an OMB Circular A-133 audit requirement.

Our audit procedures noted that five of 104 subrecipients did not submit, or have an approved extension to submit, an OMB A-133 audit report that was due during New York State's year ended March 31, 2008. We also noted that 17 of 99 subrecipient OMB Circular A-133 reports were submitted late (not within the nine-month requirement from their fiscal year end). No sanctions were imposed nor were funds withheld with regard to these 22 subrecipients (17 late reports and 5 no reports submitted).

We also noted two subrecipients were not included within the Office's database of subrecipients, and therefore were not included in the Subrecipient Single Audit Requirement Fact Sheet and a Single Audit Certification Checklist. As a result, no OMB Circular A-133 audit reports were requested or obtained from these two subrecipients.

A similar finding was included in the prior year Single Audit Report as finding 07-47 on page 127.

Recommendation

We recommend that the Office enforce its sanctioning policy to strengthen the existing procedures to ensure that subrecipients submit their A-133 reports within the required deadlines. Appropriate action should be taken with regard to those subrecipients that are not in compliance. We also recommend control procedures be implemented to ensure the Office's database of subrecipients includes all applicable entities.

Related Noncompliance

Based on the above, the Office was not in compliance with the requirement described above.

Questioned Costs

None

Views of Responsible Officials

Presented in the State Agency Corrective Action Plans attached as an appendix in the Single Audit Report.

STATE OF NEW YORK

David A. Paterson, *Governor*
Laura L. Anglin, *Budget Director*

SINGLE AUDIT REPORT

For The Year Ended March 31, 2008

STATE AGENCY CORRECTIVE ACTION PLANS

Compiled in December 2008 by the New York State Division of the Budget

Pursuant to U.S. Office of Management and Budget (0MB)
Circular A—133 entitled "Audits of States, Local Governments, and Non—Profit Organizations"

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agencies:	New York State Department of Health (DOH) New York State Department of Labor (DOL) New York State Department of Transportation (DOT) Housing Trust Fund Corporation (HTFC) Office of Alcoholism and Substance Abuse Services (OASAS) Office of Children and Family Services (OCFS) Office of Temporary and Disability Assistance (OTDA) New York State Emergency Management Office (SEMO)
Single Audit Contacts:	DOH - Stephen Abbott , Director, DOH Audit Unit (518) 473-3920 DOL - Timothy Burleski, Director of Internal Audit, (518) 457-9016 DOT - Tina Kim, Director, Audit and Civil Rights Division (518) 457-1590 HTFC - Frank J. Markowski, Jr, Assistant Treasurer, (518) 486-3407 OASAS - Douglas Rosenberry, Bureau Director, (518) 485-2260 OCFS - Ralph Timber, Management Specialist 2 (518) 473-0796 OTDA - Christine Unson, Coordinator for External Audit, (518) 402-0128 SEMO - John A. Agostino, Deputy Director for Administration, (518) 292-2321
E-mail:	sca02@health.state.ny.us Timothy.Burleski@Labor.State.NY.US tkim@dot.state.ny.us FMarkowski@nysdhcr.gov dougrosenberry@oasas.state.ny.us Ralph.Timber@ocfs.state.ny.us Christine.Unson@otda.state.ny.us john.agostino@semo.state.ny.us
Federal Program(s) (CFDA #[s])	Food Stamps (10.551) State Administrative Matching Grants for Food Stamp Program (10.561) Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (14.228)

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

WIA Adult Program (17.258)
WIA Youth Activities (17.259)
WIA Dislocated Workers (17.260)
Highway Planning and Construction (20.205)
Child Support Enforcement (93.563)
Low-Income Home Energy Assistance (93.568)
Child Care and Development Block Grants (93.575)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)
Foster Care – Title IV-E (93.658)
Social Services Block Grant (93.667)
Medical Assistance Program (93.778)
Block Grants for Prevention and Treatment of Substance Abuse (SAPT) (93.959)
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Audit Report Reference 08-01

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]

Questioned Costs Cannot be determined

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

State agencies review the OMB Circular A-133 Single Audit Reports as they are received to determine if there are any findings that relate to the Federal programs they administer and determine compliance with the nine-month due date requirement. This generally involves examining the reports to determine if all required opinions and schedules have been included.

The auditors reviewed the Data Collection Form (U.S. Form SF-SAC) for all 57 counties within New York State for the years ended December 31, 2006, 2005, and 2004 and the City of New York for the years ended June 30, 2007, 2006, and 2005. The auditors used the auditor-calculated Type A threshold to determine which programs were considered to be Type A programs as of December 31, 2006 and June 30, 2007. The auditors then examined Data Collection Forms for the prior two years to determine if the program was identified as having been audited in at least one of those two years. State agencies provided evidence that five Data Collection Forms were not prepared correctly by the auditors and were not identical to the auditors' single audit reports. The auditors did not include the known errors of the Data Collection Forms in this finding.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2008

There were 25 Federal programs that were not identified as having been audited for the year ended December 31, 2006 that were required to be audited under section .520 of OMB Circular A-133. These 25 programs spanned 10 counties.

The auditors also noted Data Collection Forms for six counties that did not properly identify programs within a cluster in accordance with section .105 of OMB Circular A-133. In these instances, part of the cluster was identified as being audited while other programs within the cluster were not identified as being audited.

The auditors recommend that when Single Audit reports are received, they be reviewed for compliance with OMB Circular A-133. Specifically, a review of Type A program audit coverage should be performed to ensure that all Type A programs have been audited as a major program in at least one of the three most recent audit periods and that program clusters have been properly treated.

III. Agencies' Response:

The State will identify and share best practices with State agencies about procedures used to ensure appropriate audit coverage by county single audits. The State will explore how best to share information with counties alerting them to this finding and requesting their cooperation in ensuring appropriate audit coverage in future single audits. Listed below, where applicable are agency specific responses:

New York State Department of Health:

Of the sixteen federal programs associated with this finding, the Medicaid program (93.778) is the only program administered by the Department. 96 percent of the counties in the audit sample (56/58), accounting for over 99 percent of the Medicaid administrative funding provided to these subrecipients, appropriately audited the Medicaid program.

The Department will address the finding in the following manner:

1. The two impacted local districts (LD) will be afforded an opportunity to review and respond to the finding. Absent their furnishing evidence justifying the current reports, each will be requested to have the report revised and reissued.

2. Prospectively, the Department will modify its monitoring policies and procedures to include a determination of whether Department programs have been properly tested.

New York State Department of Labor:

The Department of Labor agrees with the finding and will institute procedures to ensure upon receipt of Single Audit reports they will be reviewed for compliance with OMB Circular A-133. Specifically, a review of Type A WIA program audit coverage will be performed and tracked to ensure all identified Type A programs have been audited as a major program in at least one of the three most recent audit periods. In addition, program clusters will be reviewed for proper treatment. If a WIA cluster is identified and concluded to be a major program, the Department of Labor will

notify the Single Audit Entity as such and request a review be conducted immediately. Furthermore, The Department of Labor will take a proactive position and send notifications to all Single Audit Entities to remind them to work with the Single Audit Auditors to ensure the WIA programs are properly reviewed. The notification to the Single Audit Entities will also contain instructions to prepare their Federal Schedule of Supplemental Assistance for their External Auditors and to ensure the Auditors group the WIA cluster and footnote the schedule to indicate it is a cluster.

New York State Department of Transportation:

The specific finding for the Department of Transportation (Department) included four counties in which a major program, Highway Planning and Construction, was not audited as required by the Office of Management and Budget Circular A-133 (OMB A-133); one of these four counties also failed to identify and audit the Formula Grants for Other than Urbanized Areas program as a major program.

The Department's Contract Audit Bureau (Bureau) has an existing process in place to review subrecipient single audit reports in order to evaluate compliance with OMB A-133 as it relates to determining which programs are considered major programs. However, the Bureau's initial interpretation of the OMB A-133 requirement regarding Type A program audit coverage was determined to be incorrect.

Based on the results of this audit, the Bureau has revised its interpretation to ensure that all major programs required to be audited are correctly identified. In the event that a deficiency is identified upon review of a subrecipient's single audit report, the Bureau will require the subrecipient to submit a revised or program specific audit for the deficient major program.

Housing Trust Fund Corporation:

The Corporation's current monitoring process is designed to detect, and does detect, whether a subrecipient is required to submit an audit in compliance with OMB Circular A-133. In fact, the Corporation's records did reflect the receipt of the subject audit. The Corporation's processes will be amended to compare its records of disbursements to all subrecipients with the amount reported in the subrecipients' audits as the threshold for "Type A" Program reporting to insure that subrecipients properly report federal funds provided through the Corporation in the future, including a requirement that staff reject any subrecipient audit not properly reporting Corporation-provided funds as a "Type A" Program if so required.

Although the Corporation will strengthen its monitoring processes, we also believe that the subrecipient has the primary responsibility to properly disclose to its auditor all federal funds it receives, and to identify "Type A" Major Programs in conjunction with its auditor. In addition, while the Corporation reviews the finding reported in each of its subrecipient's audit reports, no finding of this type was disclosed in the County's audit. Accordingly, the Corporation believes that the County's auditor shares culpability in this regard.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

Office of Alcoholism and Substance Abuse Services:

OASAS agrees with the finding that it did not perform a review to determine that all identified Type A programs were audited as major programs in at least one of the three most recent audit periods. However, effective November 14, 2008, our audit process was modified to include new review criteria which will determine if programs have been identified as Type A; and if so, whether they have been audited as major programs at least once in the last three audit periods. Going forward, utilizing this updated audit process, OASAS will ensure that Type A programs are monitored in accordance with OMB Circular A-133.

Office of Children and Family Services:

OCFS will continue to review Single Audit reports for compliance with OMB Circular A-133. OCFS will work in conjunction with the New York State Division of Budget to develop additional ways to inform local districts of the specific compliance elements regarding Type A programs and proper treatment of program clusters. These actions will enhance subrecipient responsibility and improve compliance with OMB Circular A-133.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of Temporary and Disability Assistance
Single Audit Contact:	Christine Unson
Title:	Coordinator for External Audit
Telephone:	(518) 402-0128
E-mail:	Christine.Unson@otda.state.ny.us
Federal Program(s) (CFDA # [s]):	Food Stamps (10.551) State Administration Matching Grants For Food Stamp Program (10.561) Temporary Assistance for Needy Families (93.558) Child Support Enforcement (93.563) Low-Income Home Energy Assistance (93.568) Social Security – Disability Insurance (96.001)
Audit Report Reference:	08-02

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

Although individual files are recovered safely and with great frequency, the Office for Technology does not have a plan in place that tests for a complete data system restore. To date, the Office for Technology has never performed a test to ensure that a complete and error free recovery of system data is possible.

The Office of Temporary and Disability Assistance and the Office for Technology perform risk assessment reviews together and individually which form the basis for identifying and prioritizing risks to critical systems and the related potential impacts on business continuity. Based on the internal assessments, they are of the opinion that present policies and practices mitigate the risks of substantial impacts associated with business interruption as the result of the inability to read and recover the Welfare Management System (WMS) data file set.

A similar finding was included in the prior year Single Audit Report as finding 07-04 on page 36.

In fiscal 2007, the auditors recommended that the Office develop and document procedures for performing periodic testing for reading and recovering the complete WMS data system file set. As part of our current year's examination, the auditors determined that the Office for Technology has implemented policies and procedures that address the prior year's audit findings, however, the policies and procedures were not in effect for a substantial portion of the year covered by the current examination. Accordingly, the finding is repeated in the audit report for the fiscal year ended March 31, 2008.

III. Agency Response:

As noted by the auditors in the finding, the Office completed the corrective action plan and came into full compliance during the review fiscal year ended March 31, 2008.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of Temporary and Disability Assistance
Single Audit Contact:	Christine Unson
Title:	Coordinator for External Audit
Telephone:	(518) 402-0128
E-mail:	Christine.Unson@otda.state.ny.us
Federal Program(s) (CFDA # [s]):	Food Stamps (10.551) State Administration Matching Grants For Food Stamp Program (10.561) Temporary Assistance for Needy Families (93.558) Child Support Enforcement (93.563) Low-Income Home Energy Assistance (93.568) Social Security – Disability Insurance (96.001)
Audit Report Reference:	08-03

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

There are insufficient standards for the documentation of new development work or for the maintenance of existing systems. Where such standards exist, they are not always disseminated to Office of Temporary and Disability Assistance (OTDA) Technical Staff. A familiar relationship has developed between OTDA-Policy and OTDA-Technical such that new developments or updates to existing systems are discussed in advance of the work request being received from OTDA-Policy. Documentation is created specific to the changes requested with the primary intent being a mutual understanding between Policy and Technical of the work to be accomplished. The lack of sufficient standards poses risks for the systems like the Benefit Issuance Control System and budget calculation subsystems like Automated Budget and Eligibility Logic (ABEL) and Medicaid Automated Budget and Eligibility Logic (MABEL) on legacy mainframe systems. Of the systems reviewed, the Welfare Reporting and Tracking System was the only one with a single repository of updated documentation. No other systems use the Welfare Documentation System (WDOCS) at this time.

A similar finding was included in the prior year Single Audit Report as finding 07-02 on page 32.

In fiscal 2007, the auditors recommended that the Office take the following actions to ensure that critical applications are documented such that an interruption in personnel will not severely impact the operation of the program:

1. Develop Office-wide standards for documenting new system development and maintenance and updating of existing systems.
2. Disseminate the developed standards to each employee and each employee should receive sufficient training in the standards to be able to incorporate it into their development/maintenance.
3. Any non-compliance to the standards in existing system documentation should be identified and the necessary documentation should be created to ensure each system is in compliance.
4. Procedures should be put in place to include updated documentation in the system release package.

During the auditors' follow-up of the Office's corrective action plan, the auditors noted that the Office has taken appropriate actions to implement policies and procedures correcting the conditions that resulted in our finding last year. The Office took actions to form a work group to develop, implement, review and enforce documentation standards and the migration of the legacy systems documentation to a more comprehensive enterprise application management suite. Due to the timing of the release of the auditors' prior report and the complex nature of the applications and standards, the implementation was still in progress during the State fiscal year ended March 31, 2008 and, therefore, remains a finding in the audit report for the year ended March 31, 2008.

III. Agency Response:

As noted by the auditors in the finding, the Office completed the corrective action plan and came into full compliance during the review fiscal year ended March 31, 2008.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of Temporary and Disability Assistance
Single Audit Contact:	Christine Unson
Title:	Coordinator for External Audit
Telephone:	(518) 402-0128
E-mail:	Christine.Unson@otda.state.ny.us
Federal Program(s) (CFDA # [s]):	Food Stamps (10.551) State Administration Matching Grants For Food Stamp Program (10.561) Temporary Assistance for Needy Families (93.558) Child Support Enforcement (93.563) Low-Income Home Energy Assistance (93.568) Social Security – Disability Insurance (96.001)
Audit Report Reference:	08-04

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office of Temporary and Disability Assistance (OTDA) development staff has update capability within the Office for Technology production environment. Although OTDA development staff may be prevented from promoting code through an existing automated configuration management system, they may access production code and make updates directly.

The auditors noted that the Office identified these issues and have developed policies and procedures that were implemented during the period covered by the report.

A similar finding was included in the prior year Single Audit Report as finding 07-03 on page 34.

In fiscal 2007 and 2006, the auditors recommended that policies and procedures be developed by the Office to control OTDA development staff's access to the Office For Technology production environment and ensure that any changes have prior authorization at the appropriate management

level implemented as intended by the Office and monitored to assess their effectiveness.

As part of the auditors' testwork for the State fiscal year ended March 31, 2008, they reviewed the policies and implementation status of their recommendation. The auditors noted that the Office has developed appropriate policies and procedures that address the fiscal 2007 findings and the Office began implementation of the process during the third quarter of the State fiscal year ending March 31, 2008. Accordingly, the issue remains a finding for the purposes of the audit report for the year ended March 31, 2008.

III. Agency Response:

As noted by the auditors in the finding, the Office completed the corrective action plan and came into full compliance during the review fiscal year ended March 31, 2008.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	New York State Education Department
Single Audit Contact:	Theresa E. Savo
Title:	Deputy Commissioner for the Office of Management Services
Telephone:	(518) 474-2547
E-mail:	tsavo@mail.nysed.gov
Federal Program(s) (CFDA #[s]):	School Breakfast Program (10.553) National School Lunch Program (10.555) Special Milk Program for Children (10.556) Summer Food Service Program for Children (10.559)
Audit Report Reference:	08- 05

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The School Breakfast Program, National School Lunch Program, Special Milk Program for Children and Summer Food Service Program for Children (Child Nutrition Cluster), does not provide for adequate protection of computer hardware that is used by the State Education Department.

During the on-site inspection of the physical environment and related security control over the data center, the auditors observed that no fire suppression system has been installed in the data center.

State Education Department management is aware of the lack of adequate protection of assets from environmental factors and is in the process of constructing a new data center.

The auditors recommend that the Child Nutrition (CN) Program Cluster either install an adequate fire suppression system within its main data center, or move the current data center to a new location that will allow for the proper protection of the computer equipment.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

III. Agency Response:

It should be noted that the CN data logs are backed up each night and the entire CN database is backed up weekly. The entire CN system is also periodically backed up. Back ups are stored off site, and in the event of a fire which damaged the CN data in the computer room, all CN data can be recovered to the night before the fire. The most recent version of the system can also be recovered. Therefore, in the event of a fire or other disaster, CN operations would be fully recovered once a new operating environment is established.

The State Education Department is in the process of building a new server room. The server room will have a fire suppression system. The scheduled completion time frame is in the 2nd quarter of 2009. The new server room will house the hardware and operating environment on which the CN system will reside.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	New York State Department of Health
Single Audit Contact:	Stephen Abbott
Title:	Director, DOH Audit Unit
Telephone:	(518) 473-3920
E-mail:	sca02@health.state.ny.us
Federal Program(s) (CFDA #[s]):	Special Supplemental Nutrition Program for Women, Infants and Children (10.557)
Audit Report Reference:	08-06

I. Type of Finding: [Check one to identify the nature of the particular audit finding.]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Department maintains a database (WICSYS) of the Food Instruments (FI) that are issued to eligible program participants. This database contains information on all FIs and is the ultimate source of the information used to prepare the reports filed by the Department. The actual amount of the individual FI is not known until it is negotiated by the State's bank that is used solely for this purpose. Data from the bank is updated daily for those FIs that have been presented and paid to retail outlets. This bank information is critical to the accurate processing of the reports as the FIs only have a value not to exceed amount until such time as they are negotiated. The Department does not have a procedure in place to verify that the dollar value of the FIs updated into WICSYS is reconciled with the dollar value of the FIs clearing the bank.

III. Agency Response:

The Department currently performs informal reconciliations of WICSYS updates to the FIs. This process will be formalized via written procedures utilizing the monthly bank statement and various reports. The Daily Paid/Not Paid report contains the actual amount of the FIs paid by the bank as well as information on items not paid and the reasons why. The paid amount listed on the Paid/Not Paid

report will be compared to the paid amount listed on the Monthly Recap Activity Report for each day. Furthermore, the paid amount from the Paid/Not Paid report will be compared to the presented amount on the monthly bank statement for the same day net of the amount listed on the statement as not paid for the following day (because not paids are lagged by a day). Discrepancies in these amounts exceeding 0.1 percent will be immediately investigated and resolved.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	New York State Department of Health
Single Audit Contact:	Stephen Abbott
Title:	Director, DOH Audit Unit
Telephone:	(518) 473-3920
E-mail:	sca02@health.state.ny.us
Federal Program(s) (CFDA #[s]):	Special Supplemental Nutrition Program for Women, Infants and Children (10.557) Child and Adult Care Food Program (10.558) State Children's Insurance Program (93.767) Medical Assistance Program (93.778) Maternal and Child Health Services Block Grant to the States (93.994)
Audit Report Reference:	08-07

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[X]
Questioned Costs	Cannot be determined

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The auditors noted that the Department's policy and procedures were not designed to properly identify the asset as Federal or Federally participating. Additionally, the Federal requirements relative to disposition of Federal assets with a value over $5,000 could not be achieved, since these assets are not identified as Federal or Federally participating. Also, the Department's disposition and surplus asset policy does not include provisions to address the required Federal regulations.

It was noted that the Department has acquired scanners and barcode labels to enable it to conduct a physical inventory, and one bureau's inventory has been completed. Also, there were no significant sales of inventory for the year ended March 31, 2008. In October 2008, the department established a policy regarding disposition of equipment purchased with Federal funds.

A similar finding was included in the prior year Single Audit Report as finding 07-09 on page 50.

III. Agency Response:

The Department will modify its surplus property disposition forms in order to enable a determination on whether assets surplussed or disposed of were purchased with federal funds. It will additionally investigate the feasibility of adding functionality to its equipment inventory system to electronically track the acquisition and disposition of assets acquired with federal funds.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	New York State Department of Health
Single Audit Contact:	Stephen Abbott
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Telephone:	(518) 473-3920
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Federal Program(s) (CFDA #[s]):	Special Supplemental Nutrition Program for Women, Infants and Children (10.557) Child and Adult Care Food Program (10.558) State Children's Insurance Program (93.767) Medical Assistance Program (93.778) Maternal and Child Health Services Block Grant to the States (93.994)
Audit Report Reference:	08-08

I. Type of Finding: [Check one to identify the nature of the particular audit finding.]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[X]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Department has established an audit clearinghouse whose responsibilities include monitoring subrecipients to ensure that required audits were performed and submitted to the Department within the required time period. The audit clearinghouse has a system in place to follow up on findings contained in the audit reports and to impose sanctions upon subrecipients who do not provide the Department with an A-133 audit within the specified time frame.

In accordance with the Department's self-monitoring procedure, the Department had 247 audit reports with findings that were required to have management decisions rendered within six months. Of these, 241 had been completed in a timely manner while six required more than six months to complete.

A similar finding was included in the prior year Single Audit Report as finding 07-06 on page 40.

III. Agency Response:

97 percent of the Department's management decisions were issued timely (241/247), and sanctions were imposed 100 percent of the times that subrecipients did not submit reports timely. To address this finding, the Department's public website (http://www.nyhealth.gov/funding/audit/index.htm) has been modified to enable subrecipients and audit firms direct and immediate access to required audit forms, enhancing efficiencies for them as well as for the Department. This change is expected to result in additional time for Department audit staff to concentrate on other tasks, resulting in timelier management decisions.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of Children and Family Services
Single Audit Contact:	Ralph Timber
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Telephone:	(518) 473-0796
E-mail:	Ralph.Timber@ocfs.state.ny.us
Federal Program(s) (CFDA #[s]):	State Administrative Matching Grants for Food Stamp Program (10.561) Temporary Assistance for Needy Families (93.558) Child Support Enforcement (93.563) Low-Income Home Energy Assistance (93.568) Child Care and Development Block Grants (93.575) Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596) Foster Care – Title IV-E (93.658) Adoption Assistance (93.659) Social Services Block Grant (93.667) Medical Assistance Program (93.778) Social Security – Disability Insurance (96.001)
Audit Report Reference:	08-09

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	Cannot be determined

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office of Children and Family Services uses cost allocation plans to allocate various costs to Federal public assistance programs. Personnel service costs are entered into the Payroll Allocation Costs System (PACS), which is used to allocate personnel service costs to the quarterly cost allocation plans based on accumulator codes. These codes have pre-determined allocation methodologies to distribute costs to applicable programs. Employee timesheets are completed bi-weekly, include the accumulator code, and are signed by the employees and their supervisors.

The auditors selected 40 employee timesheets to compare the accumulator codes entered on the timesheets to the accumulator codes in the PACS report. For three timesheets, the accumulator codes did not agree to the PACS report:

- In one instance, the accumulator code on timesheet was not a valid code.
- In two instances, the employee was asked to change the accumulator code based on the duties performed. However, the change in the PACS did not occur until several months after the employees' duties changed.

In each of the three instances, the timesheet was signed by the employee and approved by the supervisor.

III. Agency Response:

The Office is reviewing its policies regarding accurate completion of accumulator codes. The Office is developing a policy reminder, which will reaffirm the correct use of accumulator codes and will be made available to all supervisors.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of Children and Family Services
Single Audit Contact:	Ralph Timber
Title:	Management Specialist 2
Telephone:	(518) 473-0796
E-mail:	Ralph.Timber@ocfs.state.ny.us
Federal Program(s) (CFDA #[s]):	State Administrative Matching Grants for Food Stamp Program (10.561) Temporary Assistance for Needy Families (93.558) Child Support Enforcement (93.563) Low-Income Home Energy Assistance (93.568) Child Care and Development Block Grants (93.575) Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596) Foster Care – Title IV-E (93.658) Adoption Assistance (93.659) Social Services Block Grant (93.667) Medical Assistance Program (93.778) Social Security – Disability Insurance (96.001)
Audit Report Reference:	08-10

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	Cannot be determined

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office and the Department of Health, on a quarterly basis, create Central Cost Allocation Claims (COCACs) which accumulate direct costs and allocated indirect costs through allocation accounts. All central office and certain local district costs are assigned to an accumulator code.

The COCACs contained approximately $1.3 billion in allocated costs covering 76 separate allocation methodologies during the period April 1, 2007 through March 31, 2008. The methodologies were established to allocate overhead costs related to the programs formerly administered by the

Department of Social Services (DSS). Effective October 1, 1996, the Department of Health (DOH) became the Single State Agency for Medicaid, with DSS submitting other State agencies' claims to DOH for Medicaid reimbursement based on the DSS COCACs. Effective with the January 1, 1998 reorganization of DSS to create the Office of Children and Family Services (OCFS) and the Office of Temporary and Disability Assistance (OTDA), OCFS and OTDA revised and implemented cost allocation methodologies regarding the programs which the Department then administered to reflect the current organizational structure of the two Human Service agencies.

As part of the testwork, the auditors analyzed the dates that the allocation methodologies were Federally approved and noted that there were 35 separate allocation methodologies with approximately $224 million in allocated costs related to the Office of Children and Family Services and approximately $224 million related to the Office of Temporary and Disability Assistance that had not yet been approved by the Federal government as of the State fiscal year ended March 31, 2008. Federal regulation allows the Offices to submit claims derived from cost allocation methodologies that have been submitted to the Federal government but are pending approval. The table below details how long cost allocation plans (CAPs) have been awaiting Federal approval and how long the Office has been allocating costs based on the CAPs.

Year CAP was Submitted	CAPS Submitted in Stated Year
1999	5
2000	3
2002	6
2003	5
2005	3
2006	6
2007	5
2008	2
Total	**35**

The 77 total allocation methodologies as described above only include active methodologies that had costs charged during the period April 1, 2007 through March 31, 2008. $549 million of the total $1.3 billion was charged to Federal programs as the Federal share of expenditures. Due to the number of allocation methodologies, complex methodologies that charge other methodologies, and the fact that the Federal share of reimbursement differs by program, we cannot determine the Federal share of costs charged to Federal programs.

A similar finding was included in the prior year single audit report as finding 07-14 on page 60.

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III. Agency Response:

The Office of Children and Family Services (OCFS) files plans for both OCFS and OTDA on a timely basis as required by regulation and works diligently with HHS/Division of Cost Allocation to get those plans approved. As noted in the finding, Federal regulations require the filing of cost allocation plans and then allows states to claim against the filed plans. The regulations do not require that Federal agencies to act within a specific timeframe on those plans. HHS/DCA has stated in the past that this approach is acceptable and that OCFS and OTDA are in compliance with the requirements of 45 CFR.

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Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of Temporary and Disability Assistance
Single Audit Contact:	Christine Unson
Title:	Coordinator for External Audit
Telephone:	(518) 402-0128
E-mail:	Christine.Unson@otda.state.ny.us
Federal Program(s) (CFDA # [s]):	State Administration Matching Grants For Food Stamp Program (10.561) Temporary Assistance for Needy Families (93.558) Child Support Enforcement (93.563) Low-Income Home Energy Assistance (93.568) Social Security – Disability Insurance (96.001)
Audit Report Reference:	08-11

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office's Bureau of Contract Management centralizes the daily procurement function for all programs administered by the Office. Personnel at the individual programs award and prepare the contracts, which are then reviewed by the Bureau of Contract Management, Division of Budget, and the Attorney General.

During review of 20 contracts reimbursed with Federal funds from a total population of 80, the auditors noted that 16 did not contain sufficient documentation to identify the Federal program to the subrecipient. All 20 contracts examined contained language informing the subrecipient of the need to have a Single Audit performed under A-133 if Federal funds expended were greater than $500,000. During February of 2008, the Office began identifying the Federal awards, including CFDA number, in the Request For Proposals posted on the State's website and including the information as an appendix to the signed contracts.

A similar finding was included in the prior year Single Audit Report as finding 07-13 on page 58.

The auditors recommend that the Office continue to provide subrecipients with all required information regarding the Federal awards as required by OMB Circular A-133 section 400.

III. Agency Response:

The Office's Bureau of Contract Management (BCM) developed polices and procedures in November 2007 to identify the Federal funding sources, particularly the Catalog of Federal Domestic Assistance (CFDA) title and number, in all contracts reimbursed with Federal funds. In addition, as noted by the auditors, during February 2008, the Office began identifying the federal award information, including CFDA number, in the Request For Proposals posted on the State's website and including the information as an appendix to the signed contracts. The Office will continue to provide subrecipients with all required information regarding the federal awards as recommended.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Housing Trust Fund Corporation
Single Audit Contact:	Frank J. Markowski, Jr.
Title:	Assistant Treasurer
Telephone:	(518) 486-3407
E-mail:	FMarkowski@nysdhcr.gov
Federal Program (CFDA #):	HOME Investment Partnerships Program (14.239)
Audit Report Reference:	08-12

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The auditors reviewed a sample of 13 subrecipient reviews and determined that the Corporation did not follow a number of the procedures it describes in its HOME Program monitoring guide, including a requirement to conduct annual monitoring reviews, that certain supporting documents for the reviews conducted were inadequate or unavailable in the subrecipient files, and that review findings were not adequately followed up.

III. Agency Response:

The Corporation will adopt the auditors' recommendations and review and update the Guide as necessary, and require that the Regional Offices adhere to those updated procedures. We will formulate a standardized selection process for monitoring visits and institute a checklist of required documentation to be maintained in each subrecipient's review file, including a report that indicates how any findings were adjudicated. In addition, we will consider whether a policy of sanctioning subrecipients is appropriate. Finally, the Corporation will insure that all relevant staff are informed of these changes and trained as necessary, and require that monthly compliance reports are provided to Regional Directors and the President of the Office of Community Development.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Housing Trust Fund Corporation
Single Audit Contact:	Frank J. Markowski, Jr.
Title:	Assistant Treasurer
Telephone:	(518) 486-3407
E-mail:	FMarkowski@nysdhcr.gov
Federal Program (CFDA #):	HOME Investment Partnerships Program (14.239)
Audit Report Reference:	08-13

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The auditors determined that the Corporation's HOME Match Report was in error in reporting match liability/credit for the federal fiscal year ended September 30, 2007. However, the auditors acknowledged that the 25% match requirement was met despite the reporting error, and further that the error was corrected in a re-transmitted report immediately upon discovery of the error.

III. Agency Response:

This finding resulted from a minor clerical error discovered and amended during the audit. The correction allowed the Corporation to claim approximately $400,000 in additional match credit for 2007. It should be noted that the Corporation documented $48,343,663 in available match credit against a requirement for 2007 of $3,682,033, as accepted by the New York Regional HUD office as part of their review of the Consolidated Annual Performance Report.

Though a clerical error was in fact made, the Corporation has procedures in place to comply with the HOME match report requirement including maintaining a log of projects claimed as match credit and reviewing project funding applications for potential sources of match credit. The Corporation will continue to ensure that these procedures are followed.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Housing Trust Fund Corporation
Single Audit Contact:	Frank J. Markowski, Jr.
Title:	Assistant Treasurer
Telephone:	(518) 486-3407
E-mail:	FMarkowski@nysdhcr.gov
Federal Program (CFDA #):	HOME Investment Partnerships Program (14.239)
Audit Report Reference:	08-14

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The auditors determined that the Corporation does not have procedures in place to adequately monitor subrecipients' compliance with OMB Circular A-133.

III. Agency Response:

The Corporation will develop a process and applicable procedures to track and monitor subrecipient A-133 audit submissions as required by HUD. The new process will include the development of an annual reporting form where subrecipients will confirm if they are required to conduct an audit for that year; a tracking system that identifies the subrecipients that are subject to the audit requirements and the status of each required audit. Regional Office staff will also provide technical assistance to subrecipients on any corrective actions related to HOME Program administration or compliance.

To ensure the proper tracking and review of submitted audits, the Corporation will provide training for Central Office program staff with responsibility for tracking the audits as well as for Regional Office staff who will have responsibility for review of subrecipient audits.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Housing Trust Fund Corporation
Single Audit Contact:	Frank J. Markowski, Jr.
Title:	Assistant Treasurer
Telephone:	(518) 486-3407
E-mail:	FMarkowski@nysdhcr.gov
Federal Program (CFDA #):	HOME Investment Partnerships Program (14.239)
Audit Report Reference:	08-15

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The auditors determined that the Corporation did not correctly report information to be included in the Schedule of Expenditures of Federal Awards (SEFA), specifically the balance of loans from previous years for which the Federal Government imposes continuing compliance requirements. In addition, certain administrative expenditures were duplicated in the SEFA due to their reporting by two different agencies.

III. Agency Response:

The Corporation acknowledges that it was unknowingly not in compliance with the requirement to report prior years' loan balances and has revised its internal procedures to insure these balances will be reported in the SEFA in the future. It should be noted that the value of new loans made in the current year were always included in the annual disbursements reported in the SEFA.

The Corporation will make every reasonable effort to coordinate the reporting of information related to the administrative portion of expenditures paid to other agencies which are included in the SEFA. However, the SEFA is a document which is compiled and submitted on behalf of the State of New York outside the control of the Corporation and the Corporation cannot assume responsibility for ensuring that the SEFA does not report information which the Corporation did not provide.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Housing Trust Fund Corporation
Single Audit Contact:	Frank J. Markowski, Jr.
Title:	Assistant Treasurer
Telephone:	(518) 486-3407
E-mail:	FMarkowski@nysdhcr.gov
Federal Program (CFDA #):	Section 8 Housing Choice Vouchers (14.871)
Audit Report Reference:	08-16

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The auditors determined that the Corporation did not retain supporting documentation which agreed with some information reported on Form HUD-52681 – Voucher for Payment of Annual Contributions and Operating Statement (OMB No. 257-0169) (also referred to as the "VMS Report") for the quarter ended March 31, 2008. The auditors also indicated that while most differences were less than 1%, there were two instances where the documentation exceeded the reported amounts by approximately 20%. The auditors also noted that the Program was in transition to the Corporation from another State agency which was initiated by HUD effective January 1, 2008, and that due to difficulties in setting up banking services, the Corporation was forced to utilize the bank accounts of the former agency until after March 31, 2008 to process payments in order not to interrupt services to the Program's recipients.

III. Agency Response:

The Corporation acknowledges that it encountered some minor problems in transitioning the Program during the first six months of 2008. However, the Corporation believes that the initial steps taken to resolve those problems have had beneficial results which have already reflected in more accurate reporting of subsequent financial data. The Corporation also acknowledges that some supporting documentation for certain adjustments may not have been adequately maintained. However, upon

reflection, the Corporation's staff also believes that they may have inadequately responded to auditors' inquiries concerning the differences the auditors noted in the supporting documentation and the various line items in the "VMS Report". The Corporation's staff now believes that certain information in the supporting documentation aggregated information reported on several lines of the VMS report, and had it not been so aggregated, the correlation of the documentation to the Report would have been evident.

The Corporation has proceeded to identify the information in its supporting documentation to more clearly correspond to the specific lines items of the VMS Report.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Housing Trust Fund Corporation
Single Audit Contact:	Frank J. Markowski, Jr.
Title:	Assistant Treasurer
Telephone:	(518) 486-3407
E-mail:	FMarkowski@nysdhcr.gov
Federal Program (CFDA #):	Section 8 Housing Choice Vouchers (14.871)
Audit Report Reference:	08-17

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The auditors determined that the Corporation does not have procedures in place to adequately monitor subrecipients' compliance with OMB Circular A-133. However, the auditors have noted that the Corporation does not consider the entities in question to be subrecipients, but instead considers these entities to be vendors. The auditors acknowledge that if the entities were vendors rather than subrecipients, the provisions of OMB Circular A-133 upon which this finding is based would not apply. The auditors recommend that the Corporation should seek a management decision from the U.S. Department of Housing and Urban Development (HUD) as to this issue.

III. Agency Response:

The Corporation acknowledges that it does not have in place adequate procedures to monitor these entities if they are determined to be subrecipients. However, as noted, the Corporation believes that these entities act in the capacity of vendors in relation to the Corporation's Programmatic responsibility since no Program funds pass to the entities and the entities receive a fee from the Corporation for the services provided to the Corporation and to the Program's constituents. Further, Program Management has canvassed several other Public Housing Agencies (PHAs) in New York State and elsewhere in the Country, and there appears to be no consensus as to the proper treatment of these entities where similar arrangements exist.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
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The Corporation is committed to properly administering this and all other federal programs it manages and will ultimately establish any required monitoring procedures. In this regard, the Corporation will seek a management decision from HUD as recommended by the auditors.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	New York State Department of Labor
Single Audit Contact:	Timothy Burleski
Title:	Director Internal Audit
Telephone:	(518) 457-9016
E-mail:	Timothy.Burleski@Labor.State.NY.US
Federal Program(s) (CFDA #[s]):	Unemployment Insurance (17.225) WIA Adult Program (17.258) WIA Youth Activities (17.259) WIA Dislocated Workers (17.260)
Audit Report Reference:	08-18

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

During examination and interviews with Department personnel and the New York State Office of Technology, the auditors determined that a formalized disaster recovery and continuity of operations plan has not been written. Also, personnel within the Department are unaware of any such plan(s) existence. Since the Department does not have a formalized disaster recovery or continuity of operation plan, testing of full backups and restores to the many Department enterprise systems in use cannot be performed.

Additionally, documentation standards of new development work or for the maintenance of existing systems, including application and physical controls did not meet accepted industry information technology standards during the period covered by our examination. If standards of sufficient form did exist, they are not disseminated to the Department Technical Staff as the systems have not been documented, nor were any of the analysts interviewed aware of such standards. The lack of standard documentation for information technology (IT) policies and procedures places the IT systems in use by the Department at risk, and, therefore, the Department does not meet acceptable practices and professional and regulatory standards.

The auditors noted that the Department is in the process of updating its enterprise and project management systems, which include the management of application design, development and change management, including application documentation.

The auditors also noted that an alternative data processing site (hot site) has not been identified in the Department's informal disaster recovery and continuity of operation plans.

III. Agency Response:

The Agency is in the midst of a Business Continuity/Disaster Recovery (BC/DR) project which is scheduled for completion by the end of 2008. At the finish of this project, we will have a BC/DR plan for use when a BC/DR site can be established. The Agency is in the midst of considering BC/DR site possibilities.

The Department of Labor's Comprehensive Emergency Management/Continuity of Operations Plan (EM/COoP) project is on schedule with a projected completion date of July 2009.

There is a well established and documented process for requesting and implementing new development work and for the maintenance of existing systems. Mainframe system changes require the submittal of forms days in advance which have been signed by both the developer and the first line supervisor. This process has been in place for dozens of years. The Agency will look to reeducate the staff who are unaware of these procedures. In regards to open systems implementation, the Agency agrees that documentation standards need to be enhanced and we are in the process of developing those standards as the audit recommends.

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State Agency:	New York State Department of Transportation
Single Audit Contact:	Tina Kim
Title:	Director, Audit and Civil Rights Division
Telephone:	(518) 457-1590
E-mail:	tkim@dot.state.ny.us
Federal Program (CFDA #):	Highway Planning and Construction (20.205)
Audit Report Reference:	08-19

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[X]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

As part of their pass-through entity responsibilities, the Department is responsible for ensuring that subrecipients have an audit performed in accordance with OMB Circular A-133. The Contract Audit Bureau maintains an active database tracking system for the submission of subrecipient OMB Circular A-133 audit reports. Due to inherent timing differences between the expenditures by the State and that of subrecipients, a questionnaire is used to determine when the subrecipient has expended the Federal funds. When the Contract Audit Bureau receives an audit report, the report is logged into the database and reviewed by Department staff.

The review included examining a sample of 40 subrecipients OMB Circular A-133 Single Audit Reports. The audit procedures noted that two of 40 reports sampled were received after the nine-month deadline, or the approved extension date. Seven of 40 subrecipients selected for testing were granted extensions. Of the seven extensions granted, four did not have documentation from a federal agency that the extension had been approved.

The Department did not have a sanctioning policy in place for subrecipients who were not in compliance. Effective August of 2008, a formal sanction policy has been established.

A similar finding was included in the prior year Single Audit Report as finding 07-16 on page 65.

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III. Agency Response:

The Contract Audit Bureau will continue to diligently follow up with subrecipients to ensure timely submission of their single audit reports and will work to ensure that subrecipients who are granted extensions have documentation from a federal agency that the extension has been approved. As discussed in the finding summary, the Department instituted a sanctioning policy during the fiscal year ending March 31, 2009. Past due notices sent out by the Contract Audit Bureau after September 1, 2008 will include reference to the sanctioning policy and will state that failure to file will result in the payment processing suspension until the report or approved extension is filed. In keeping with this policy, the first wave of letters went out on October 17, 2008 for all subrecipients who had not filed their report or approved extension as required for their 2007 fiscal year.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	State University of New York
Single Audit Contact:	Michael Abbott
Title:	University Auditor
Telephone:	(518) 443-5533
E-mail:	Michael.Abbott@suny.edu
Federal Program(s) (CFDA #[s]):	Federal Supplemental Educational Opportunity Grants (FSEOG) (84.007) Academic Competitiveness Grants (ACG) (84.375) National Science and Mathematics Access to Retain Talent (SMART) Grants (84.376)
Audit Report Reference:	08-20

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal control with related noncompliance	[X]
Internal control only (no noncompliance cited)	[ ]
Other reportable noncompliance (finding only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The audit noted that the University did not disburse all the FSEOG, ACG and SMART Grants within three-business days following the receipt of funds. A sample of 60 disbursements was tested, 30 each for the fall 2007 and spring 2008 semesters. Seven of 30 spring 2008 semester disbursements tested were found to have been held longer than the allowable three business days. All fall 2007 semester disbursements tested were executed properly.

The audit recommends that the University strengthen its procedures to ensure that the disbursement of FSEOG, ACG and SMART Grant funds to students are within the three business day period as allowed by the regulations.

III. Agency Response:

The University agrees with the recommendation and has strengthened its procedures to ensure that FSEOG, ACG and National SMART Grants are disbursed to students within the three business day

period. The Financial Aid Office will voucher grant amounts and the Accounting Office will not draw down funds until the entire amount is available.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	State University of New York
Single Audit Contact:	Michael Abbott
Title:	University Auditor
Telephone:	(518) 443-5533
E-mail:	Michael.Abbott@suny.edu
Federal Program(s) (CFDA #[s]):	Federal Supplemental Educational Opportunity Grants (FSEOG) (84.007) Federal Family Education Loans (FFEL) (84.032) Federal Work-Study Program (FWS) (84.033) Federal Perkins Loan Program (FPL) (84.038) Federal Pell Grant Program (PELL) (84.063) Academic Competitiveness Grants (ACG) (84.375) National Science and Mathematics Access to Retain Talent (SMART) Grants (84.376)
Audit Report Reference:	08-21

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal control with related noncompliance	[ ]
Internal control only (no noncompliance cited)	[X]
Other reportable noncompliance (finding only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

An incident pertaining to a security breach over protected student personal information occurred during the fiscal year ended March 31, 2008. The incident occurred through the theft of a consultant's laptop computer on which the student protected private information was stored. The computer was in the possession of a consultant working on implementation of a student software application for SUNY at the time the theft occurred.

The student personal information affected 26 institutions of higher education, including five SUNY institutions.

The University followed proper procedures and protocols in notifying appropriate parties and taking action to mitigate potentially disastrous effects of the incident.

The audit recommends that SUNY and all of its related organizations enhance policies and procedures and take appropriate measures to protect data that is released to vendors/contractors. Specifically, procedures should be enhanced to protect data that is transferred to removable media storage or stored on mobile computing devices. Access, transfer, storage and disposal of data should be controlled and safeguarded. Additionally, private information should be protected through encryption.

III. Agency Response:

The instance cited by the auditors is an isolated incident and not an example of the University's non-compliance with a specific data security control that is required by law or regulation. It is important to note the vendor was given the data for authorized purposes and was responsible for minimizing the risk of loss or misuse of the data.

The University has implemented a number of controls to minimize the risk of damage, theft, and loss of data and information technology assets, and is continuously looking for cost-effective ways to further improve controls.

In January 2008, the University issued procedures that define campus information security programs and requires these programs to be used, at a minimum, to protect the confidentiality of legally defined categories of sensitive information and systems. In regard to data that is released to vendors or stored on mobile devices, the University procedure requires campus programs to conduct risk analyses that address the confidentiality of information. These analyses must include campus practices that monitor third parties that handle sensitive information and sensitive systems or require them to adhere to standards of good practice.

In addition, our current contracts require that the vendor assume liability for security breaches where they are responsible.

Best practices in this area are continually evolving, and we will continue to follow and address any new Federal law, regulation, or best practice to minimize the risk of loss or misuse of data. The University's Office of Information Security will continue to assist campuses in reviewing existing controls and assessing the need for additional measures to secure campus and University information.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	State University of New York
Single Audit Contact:	Michael Abbott
Title:	University Auditor
Telephone:	(518) 443-5533
E-mail:	Michael.Abbott@suny.edu
Federal Program (CFDA #):	Federal Family Education Loans (FFEL) (84.032)
Audit Report Reference:	08-22

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal control with related noncompliance	[ ]
Internal control only (no noncompliance cited)	[ ]
Other reportable noncompliance (finding only)	[X]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The College did not refund the SFA accounts or lenders on a timely basis for 1 of 46 student withdrawals tested. The refund in question occurred 77 days after the student had withdrawn from the University, or 32 days after the 45 day return period.

A similar finding was included in the prior year Single Audit Report as finding 07-24 on page 81.

The audit recommends that the College strengthen its procedures to ensure all Title IV refunds are returned to the SFA account within 45 days of a student's withdrawal.

III. Agency Response:

The University agrees with the recommendation and has reassigned responsibilities for processing the Title IV refunds to help ensure compliance with this requirement. This was done in September 2008.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	State University of New York
Single Audit Contact:	Michael Abbott
Title:	University Auditor
Telephone:	(518) 443-5533
E-mail:	Michael.Abbott@suny.edu
Federal Program (CFDA #):	Federal Family Education Loans (FFEL) (84.032)
Audit Report Reference:	08-23

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal control with related noncompliance	[X]
Internal control only (no noncompliance cited)	[ ]
Other reportable noncompliance (finding only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The audit noted that the University did not report student status changes to the National Student Clearinghouse (NSC) within the required 60 day time frame for 6 of 30 students tested. The status of the six students had changed from full time to withdrawn.

The audit recommends that the University redesign its controls for reporting student status changes, including enrollment issues, to comply with this requirement.

III. Agency Response:

The University agrees with the recommendation and has modified its Withdrawal form and Leave of Absence form to include a sign-off for reporting such status to the National Student Loan Clearinghouse. In addition, the Office of the Registrar has modified its file transmission schedule to the Clearinghouse to reporting once every month. This will help ensure compliance with the 60 day reporting requirement.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	State University of New York
Single Audit Contact:	Michael Abbott
Title:	University Auditor
Telephone:	(518) 443-5533
E-mail:	Michael.Abbott@suny.edu
Federal Program (CFDA #):	Federal Family Education Loans (FFEL) (84.032)
Audit Report Reference:	08-24

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal control with related noncompliance	[ ]
Internal control only (no noncompliance cited)	[ ]
Other reportable noncompliance (finding only)	[X]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The audit noted that the University did not use the correct withdrawal date to calculate the Title IV refund for 1 of 30 student withdrawals tested out of a population of 339. The student in question was a medical withdrawal.

The audit recommends that the University develop a more formalized process for the Department of Judicial Affairs to report medical withdrawals to the Registrar's Office.

III. Agency Response:

The University agrees with the recommendation and has revised its procedures to ensure that the correct date is used in medical withdrawal cases. In the one case cited by the audit team, the Registrar's Office incorrectly recorded the last date of attendance for the student, which is used by the Financial Aid Office for the return of Title IV funds calculation. Upon being made aware of this error, the University immediately performed the necessary recalculation and returned the funds as appropriate on June 27, 2008.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	State University of New York
Single Audit Contact:	Michael Abbott
Title:	University Auditor
Telephone:	(518) 443-5533
E-mail:	Michael.Abbott@suny.edu
Federal Program (CFDA #):	Federal Family Education Loans (FFEL) (84.032)
Audit Report Reference:	08-25

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal control with related noncompliance	[X]
Internal control only (no noncompliance cited)	[ ]
Other reportable noncompliance (finding only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The auditors noted that the University did not report the status change of 1 of 30 students tested to the National Student Clearinghouse (NSC) within the required 60 day time frame. The status of the student had changed from full time to withdrawn.

The audit recommends that the University enhance its existing controls for reporting student status changes, including enrollment issues, to comply with this requirement.

III. Agency Response:

The University agrees with the recommendation, and has controls in place for reporting student status changes, including enrollment issues, in compliance with applicable regulations. In the single case cited by the audit team, the Clearinghouse did not show a timely update because personnel in the Registrar's Office checked only a portion of the entries on an exception report received from the Clearinghouse. To be certain that the Clearinghouse is updated within the timeframe specified in the regulations, the Registrar's Office will ensure that each entry on every exception report received from the Clearinghouse is checked and that appropriate and timely action is taken to address each exception.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	State University of New York
Single Audit Contact:	Michael Abbott
Title:	University Auditor
Telephone:	(518) 443-5533
E-mail:	Michael.Abbott@suny.edu
Federal Program (CFDA #):	Federal Family Education Loans (FFEL) (84.032)
Audit Report Reference:	08-26

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal control with related noncompliance	[X]
Internal control only (no noncompliance cited)	[ ]
Other reportable noncompliance (finding only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The audit noted that the University did not report the status change of 10 of 30 students tested to the National Student Clearinghouse (NSC) within the 60 day required time frame.

The audit recommends that the University enhance its existing controls for reporting student status changes, including enrollment issues, to comply with this requirement.

III. Agency Response:

The University agrees with the recommendation. The University will revise its procedures to report student status changes, including enrollment issues, to the Clearinghouse within 60 days by modifying its software to report any student in the system that has a withdrawal date since the last Clearinghouse report, and also developing manual procedures by which retroactive withdrawals may be immediately reported to the Clearinghouse via their on-line update process.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	New York State Education Department
Single Audit Contact:	Theresa E. Savo
Title:	Deputy Commissioner for the Office of Management Services
Telephone:	(518) 474-2547
E-mail:	tsavo@mail.nysed.gov
Federal Program (CFDA #):	Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126)
Audit Report Reference:	08-27

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The auditors reviewed a sample of 40 case files, in the Manhattan District VESID VR Office, to determine if the eligibility status was determined within the timetable required. In 12 of 40 cases tested, the individual's eligibility was not determined within 60 days and an eligibility extension was not filed to note a reason for additional time needed to process the determination.

A similar finding, from the Syracuse District VESID VR Office, was included in the prior year's single audit report as finding 07-26 on page 85.

The Department should strengthen its procedures over the review of the eligibility of individuals to ensure compliance with the requirement.

III. Agency Response:

VESID procedures for the application and eligibility process are clearly defined in VESID policies with regard to the determination within 60 days of the application date. The procedures also describe the requirement to notify the consumer and file the reason when an extension of time is necessary.

These requirements were reinforced with District Office Supervisors in November 2007 and all District Office staff received additional training by the Supervisors in early 2008.

As a result of prior audit findings, VESID formed an Application Policy Development Work Team to review the policy and procedures related to the referral, application and the eligibility process. The charge of this Team is to assure that VESID is implementing the standards in policy for a prompt and equitable application and eligibility process. The Team will issue a clarification memo by the end of 2008 which will further reinforce the procedures related to the review of eligibility, including timeliness. When the determination of eligibility is delayed due to unforeseen circumstances, the process for noting the reason for additional time in the record of service and obtaining the agreement of the individual will be reiterated to ensure compliance with the requirement.

Statewide training will be completed in March 2009 to support the memo implementation. Additional local training in the Manhattan Office will further implement the process.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	New York State Education Department
Single Audit Contact:	Theresa E. Savo
Title:	Deputy Commissioner for the Office of Management Services
Telephone:	(518) 474-2547
E-mail:	tsavo@mail.nysed.gov
Federal Program (CFDA #):	Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126)
Audit Report Reference:	08-28

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The auditors reviewed a sample of 40 case files, in the Manhattan District VESID VR Office, to determine if an individual was eligible for VR services. In one of 40 cases tested, the individual's eligibility determination was not signed or dated by the counselor.

A similar finding, from the Syracuse District VESID VR Office, was included in the prior year's single audit report as finding 07-25 on page 83.

The Department should strengthen its procedures over the review of the eligibility of individuals to ensure compliance with the requirement.

III. Agency Response:

In this finding, a sample of 40 case files was reviewed in the VESID Manhattan District VR Office to determine if an individual was eligible for VR services. In one of 40 cases tested, although the consumer was eligible, the individual's eligibility determination was not signed or dated by the Counselor. While important to make sure all eligibility certificates are signed, we found that the issue was a somewhat isolated incident and has been rectified with the Counselor.

VESID monitors this issue across the State. In the summer of 2008, VESID conducted an internal case review of 350 cases statewide. There were only a few cases that showed issues with signature which have already been clarified.

However, to make sure this is clarified in the Manhattan District Office, an in-service training session will be conducted by management staff to make sure there is a clear understanding of the requirement. Additional case monitoring by the Manhattan Office will assure compliance.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	New York State Education Department
Single Audit Contact:	Theresa E. Savo
Title:	Deputy Commissioner for the Office of Management Services
Telephone:	(518) 474-2547
E-mail:	tsavo@mail.nysed.gov
Federal Program (CFDA #):	Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126) Reading First State Grants (84.357)
Audit Report Reference:	08-29

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The auditors reviewed a sample of 25 subrecipient files, at the Reading First State Grants Office, to determine that all subrecipients had completed all parts of the application, including the certification that they are not suspended or debarred. In one of 25 files tested, the application was not completed and an appropriate official of the subrecipient did not sign the suspension and debarment certification.

The auditors reviewed a sample of 40 Rehabilitation Services vendor contract files at the Contracts Administration Office to determine that all vendors had completed all parts of the contract, including the certification that they are not suspended or debarred. In five of 40 contracts tested, the suspension and debarment certification was not present.

The Department should strengthen its procedures over the review of its review of applications to ensure compliance with the requirement.

III. Agency Response:

As stated in the Reading First 'Process Memo: Eligibility', the Department uses a review checklist that is completed by staff for each incoming application prior to review and award. The purpose of the review checklist process is to assure that each application is complete. If required certifications are missing from an application, the applicant is contacted and requested to supply the missing signed suspension and disbarment certification. In this case, the Department requested the missing signed suspension and disbarment certification. However, the signed form was not received and entered into the files.

In the future, the Department will verify that all required certifications are appropriately signed and entered into the files prior to grant award. An additional step will be added by agency staff to complete a final review checklist prior to grant award. This extra step should assure that all eligibility records are complete and the Department is in compliance with this requirement.

The Department agrees with the recommendation regarding the suspension and debarment certifications, but wishes to clarify as follows:

Per the auditors notes to the contract administration unit, there were four contracts which had missing suspension and debarment certifications and one missing vendor responsibility certification. The Department has followed up with the four contractors to obtain replacement suspension and debarment certifications and has requested a copy of the vendor responsibility certification from The New York State Office of the State Comptroller (OSC). As noted at the exit conference, the contract would not have been approved by OSC if the vendor responsibility forms were not obtained and submitted to OSC. The Department is revising the contract boilerplate to embed the noted certifications in the contract document. This should help to alleviate the potential for the misplacement of these forms over the term of the contract.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office for the Aging
Single Audit Contact:	Sheela Rowland
Title:	Assistant Director, Finance & Administration
Telephone:	(518) 473 -4808
E-mail:	Sheela.Rowland@OFA.State.NY.US
Federal Program(s) (CFDA #[s]):	Special Programs for the Aging - Title III, Part B – Grants for Supportive Services and Senior Centers (93.044) Special Programs for the Aging - Title III, Part C - Nutrition Services (93.045) Nutrition Services Incentive Program (93.053)
Audit Report Reference:	08-30

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

During the period under audit, the Office collected single audit reports from local Area Agencies on Aging (AAAs), which include local districts, non-profit agencies, and Indian tribes, primarily related to the fiscal year ended December 31, 2006. The Office had adequate policies and procedures to identify AAAs that are required to submit an OMB Circular A-133 Single Audit report, track delinquent single audit reports, follow-up on outstanding reports and findings to ensure that such audits were being performed, and track whether the audit reports were submitted to the Office within the required due date (within the nine-month requirement from the end of the AAA's fiscal year end).

The auditors reviewed the submitted single audit reports and noted that four of 16 selected audit reports we selected for review were submitted late and no sanctions were levied on the AAAs. The Office's tracking log was accurate based on our sample of 16; therefore, based on the Office's total population of AAAs seven of 59 OMB Circular A-133 Single Audit Reports were late. The Office did not have policies or procedures in place to sanction subrecipients for late filing of the required OMB Circular A-133 reports. A sanction policy was completed and placed into effect in August 2008.

A similar finding was included in the prior year Single Audit Report as finding 07-28 on page 89.

III. Agency Response:

The Office accepts the finding of the Toski, Schaefer & Co., P.C. auditors that seven of fifty-nine OMB Circular A-133 Single Audit Reports were late. As the auditor's noted in their finding a sanction policy was issued to the AAAs in August 2008 and will be applied to AAAs that continue to be unwilling or unable to submit an OMB Circular A-133 single audit report.

The Office has implemented a sanction policy where once the OMB Circular A-133 required submission date, including all approved extensions, has passed, payment will be withheld for all grantee claims submitted under federally funded programs until the required OMB Circular A-133 submission is received.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office for the Aging
Single Audit Contact:	Sheela Rowland
Title:	Assistant Director, Finance & Administration
Telephone:	(518) 473-4808
E-mail:	Sheela.Rowland@OFA.State.NY.US
Federal Program(s) (CFDA #[s]):	Special Programs for the Aging - Title III, Part B – Grants for Supportive Services and Senior Centers (93.044) Special Programs for the Aging - Title III, Part C - Nutrition Services (93.045) Nutrition Services Incentive Program (93.053)
Audit Report Reference:	08-31

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

During the period under audit, the Office performed both Annual Evaluations and Fiscal Field Visits on various AAAs, which include local districts, non-profit agencies, and Indian tribes. The Annual Evaluations are a programmatic review conducted annually for each AAA. Fiscal Field Visits are performed at least every two years for each AAA and alternate between a review of financial transactions and a comprehensive review of the entire financial management system.

The Office had adequate policies and procedures which established the following:

- Timeline for reporting.
- Identification of AAAs that were being evaluated and visited.
- Follow-up on outstanding reports and findings required to ensure that such evaluations and visits were being performed.
- Tracking of whether the audit reports were submitted within the required due date.

The auditors reviewed both the Annual Evaluation and Fiscal Field Visit reports and noted that six of 16 reports selected for review for the Annual Evaluations and six of eight reports selected for review for Fiscal Field Visits were not completed within the time period stipulated in the Office's policies and procedures. The auditors also noted that the Office had identified which Fiscal Field Visit final reports were not submitted timely. The Office's tracking log for the Fiscal Field Visits was accurate based on our sample of eight; therefore based on the Office's total population of AAAs visited, 20 of 30 AAA's which had fiscal field visits did not have the final reports completed in a timely basis.

During the review of the Fiscal Field Visits, the Financial Assessment Guide did not have a cover page with the agency information, date of visit, the names of the staff involved in performing the evaluation, or a summary and sign-off page at the end of the guide.

During the review of the Office's procedures regarding Annual Evaluations and Fiscal Field Visits, the auditors' noted that the Office took appropriate action (management decisions) for findings that required their attention.

III. Agency Response:

The Office accepts the finding of the Toski, Schaefer & Co., P.C. that six of 16 Annual Evaluation Reports and six of eight Fiscal Field Visit reports were not completed within the time period stipulated in the Office's policies and procedures. We also accept the finding that the Financial Assessment Guide does not have a cover page with the agency information, date of visit, the names of the staff involved in performing the evaluation, or a summary and sign-off page at the end of the guide.

As noted in audit finding 07-29 for this Office fiscal monitoring of each of our 59 Area Agencies on Aging was not being conducted at least once every two years. During the period covered by this audit the Office fiscal staff conducted 29 field visits, however due to the increase in field visits the Fiscal Field Visit reports were not able to be completed within 30 days as stipulated in the Office's policies and procedures. During the current year staff will be more diligent in the completion of the Fiscal Field Visit reports.

The Fiscal Field Visit procedure will be changed to reflect that the fiscal visit report will be issued to the local AAA within 45 days after the conclusion of the field visit. This will be consistent with the amount of time that program field staff have to complete the Annual Evaluation report and the period of time that AAAs have to submit responses to findings noted in Fiscal Field Visit reports. The Financial Assessment Guide will be revised to include a cover page with the agency information, date of visit, the names of staff involved in performing the evaluation and a summary and sign-off page at the end of the guide.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office for the Aging
Single Audit Contact:	Sheela Rowland
Title:	Assistant Director, Finance & Administration
Telephone:	(518) 473-4808
E-mail:	Sheela.Rowland@OFA.State.NY.US
Federal Program(s) (CFDA #[s]):	Special Programs for the Aging - Title III, Part B – Grants for Supportive Services and Senior Centers (93.044) Special Programs for the Aging - Title III, Part C - Nutrition Services (93.045) Nutrition Services Incentive Program (93.053)
Audit Report Reference:	08-32

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office grants approximately 95% of its grant awards from the Title III B and C to local Area Agencies on Aging (AAA). The Office requires AAAs to submit quarterly financial and demographic data within 20 days after the end of the quarter. The AAAs report this information to the Office electronically through the Consolidated Area Agency Reporting System (CAARS). If this information is not received by the due date, the Office has controls in place to withhold reimbursement requests until the AAA submits the required data. The Office has implemented this control to ensure timely and accurate submission of semi-annual financial reports.

The Office must use budgets and estimates from prior quarters to determine the amount of funds spent on Aging programs when the AAA does not submit this data in a timely manner.

During the period April 1, 2007 through March 31, 2008, the Office's CAARS report indicated that 10 AAAs had submitted the required information past the 20-day requirement. The sample of seven AAAs revealed that the Office did not enforce the withholding of reimbursement for one AAA.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

III. Agency Response:

The Office accepts the finding of Toski, Schaefer & Co., P.C. that the Office did not enforce the withholding of reimbursement for one AAA that failed to submit the CAARS report within the 20-day requirement. The Office notes that only one voucher was processed to the AAA that failed to submit the CAARS report within the 20-day requirement. The CAARS report in question was received on 8/13/07 and the voucher that was processed was signed on 8/9/07 and paid on 8/15/07, two days after the report was received.

The Office will strictly enforce its established controls to ensure that all CAARS reports are submitted within established timeframes and that letters are issued to AAAs indicating that CAARS reports haven't been submitted and that vouchers will not be processed.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office for the Aging
Single Audit Contact:	Sheela Rowland
Title:	Assistant Director, Finance & Administration
Telephone:	(518) 473-4808
E-mail:	Sheela.Rowland@OFA.State.NY.US
Federal Program(s) (CFDA #[s]):	Special Programs for the Aging - Title III, Part B – Grants for Supportive Services and Senior Centers (93.044) Special Programs for the Aging - Title III, Part C - Nutrition Services (93.045) Nutrition Services Incentive Program (93.053)
Audit Report Reference:	08-33

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[X]
Questioned Costs	Cannot be determined

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office submits the "Certification of Maintenance of effort for Title III" annually by the required due date. This certification claims that "State Resources expended to meet the maintenance of effort requirement …" were a stated amount. The amount of this certification that the Office submits to AoA is equal to the average that it certified in the previous three Federal fiscal years.

The current procedure used by the Office does not meet the above requirements and does not provide evidence that the State has spent funds at least equal to the amount the State spent in the previous three years. We cannot determine if the State is in compliance with this requirement as the amount expended in the prior three years is not readily available for review.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

III. Agency Response:

The Office has been certifying its Maintenance of Effort (MOE) expenditures to the Administration on Aging (AoA) in accordance with AoA procedures and guidance. The AoA has accepted the Office's certifications without questions. The Office believes that Toski, Schaefer & Co. P.C. is interpreting the requirement incorrectly in that every state dollar spent and reported to the AoA does not have to go toward the three year calculation used for meeting the maintenance of effort requirement. Attention is called to the federal guidance cited in the finding: "State Resources expended to meet the maintenance of effort requirement" does not mean all state resources expended and reported on the SF 269 Financial Status Report. The Office operated under a literal reading of federal guidance and considered only the portion of state resources necessary to meet the average of the last three years MOE. The Office does spend more State resources but considers those expenditures not necessary to meet the MOE requirement.

Under most programs where there is maintenance of effort, that MOE is a defined dollar amount based on a base year expenditure level which is the amount spent on like services funded under the program in the year before program funding became available. Those programs do not increase the MOE every year when a grantee voluntarily contributes more than is required and the Office does not believe that this is the intent of this federal MOE requirement.

Since the Office disputes this finding no corrective action is being listed. Our principal contact at AoA New York Regional Office, P. Jerome Perlman, affirmed in a telephone call November 6, in the presence of personnel of the Single Audit Team, that the Office's interpretation was correct. If based upon further discussions with AoA it is determined that the Office has been calculating the MOE incorrectly a corrective action will be developed at that time.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of Children and Family Services
Single Audit Contact:	Ralph Timber
Title:	Management Specialist 2
Telephone:	(518) 473-0796
E-mail:	Ralph.Timber@ocfs.state.ny.us
Federal Program(s) (CFDA #[s]):	Temporary Assistance for Needy Families (93.558) Child Care and Development Block Grants (93.575) Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596) Foster Care – Title IV-E (93.658) Adoption Assistance (93.659) Social Services Block Grant (93.667)
Audit Report Reference:	08-34

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

During the period under audit, the Office collected single audit reports from local districts and non-profit agencies related to the fiscal years ending December 31, 2006 and June 30, 2007. The Office had adequate policies and procedures to identify subrecipients, track delinquent Single Audit reports, follow-up on outstanding reports and findings to ensure that such audits were being performed, and track whether the audit reports were submitted to the Office within the required period.

During the review of the Office's subrecipient monitoring procedures, the auditors noted that the Bureau of Audit and Quality Control sent audit reports that had findings to the appropriate program officials for review and follow-up. The Office did issue management decisions with regard to local district and non-profit agencies' OMB Circular A-133 audit reports that had findings relevant to their Federal programs.

The review included examining 12 of 58 local districts' and 17 of 68 not-for-profit subrecipients' OMB Circular A-133 Single Audit Reports. Eight out of the sample of 29 were received late and the Office did not proceed with their sanction policy for six of these eight subrecipients.

A similar finding was included in the prior year Single Audit Report as finding 07-32 on page 97.

III. Agency Response:

The Office has developed procedures to enforce sanctions regarding untimely or deficient A-133 audit report filings. The Office will continue to develop, utilize and enforce sanctions as deemed appropriate. The Office is committed to continuous improvement and refinement of the internal controls associated with A-133 audit reports.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of Children and Family Services
Single Audit Contact:	Ralph Timber
Title:	Management Specialist 2
Telephone:	(518) 473-0796
E-mail:	Ralph.Timber@ocfs.state.ny.us
Federal Program(s) (CFDA #[s]):	Temporary Assistance for Needy Families (93.558) Child Care and Development Block Grants (93.575) Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596)
Audit Report Reference:	08-35

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The New York State Office of Temporary and Disability Assistance (OTDA) administers the Temporary Assistance for Needy Families (TANF) program, and the New York State Office of Children and Family Services (OCFS) administers the Child Care and Development Block Grant (CCDF). In accordance with Federal requirements, the State transfers TANF funds to CCDF. The total transfer for a given grant award year is usually transferred in several installments.

The auditors reviewed both the CCDF ACF-696 financial report and TANF ACF-196 financial report for the quarter ended March 31, 2008. The ACF-696 did not report a transfer from TANF to CCDF for the 2008 grant. The ACF-196 reported the total transferred amount of TANF funds to CCDF was $8,154,000 for the 2008 grant.

Line 5, column C of the ACF-696 reports the amount of funds awarded by the Federal government for "Discretionary Funds" and line 6 reports the amount of funds transferred from TANF. For the quarter ended March 31, 2008, the ACF-696 "Discretionary Funds" awarded did not agree to the Federal grant award letter by $4,154,000. OCFS personnel stated that this amount was the TANF transfer and was reported on the wrong line of the report. Additionally, the $4,154,000 did not agree to the amount of the transfer reported on the ACF-196. Therefore, there is a $4,000,000 unaccounted difference for the transfer.

III. Agency Response:

There is a timing difference between the TANF Report and CCDF report filing deadline with DHHS. The CCDF Report is filed 30 days after the quarter and the TANF Report is filed 45 days after the quarter (OCFS does not have the TANF Report by the time we file the OCFS report).

OTDA staff advised that the amount included on the TANF report is based on the amount transferred to OCFS via Certificate of Approval. OTDA utilizes the ASC 220 Report to compile the data. Since this report is available to both agencies, OCFS will also utilize this report at the end of each quarter to facilitate the reporting of its' CCDF Report.

Additionally, the discrepancies noted in the audit finding were corrected in the April-June 2008 CCDF report and the corrections were reflected in the subsequently submitted reports.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of Children and Family Services
Single Audit Contact:	Ralph Timber
Title:	Management Specialist 2
Telephone:	(518) 473-0796
E-mail:	Ralph.Timber@ocfs.state.ny.us
Federal Program(s) (CFDA #[s]):	Temporary Assistance for Needy Families (93.558) Child Care and Development Block Grants (93.575) Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596) Foster Care – Title IV-E (93.658) Adoption Assistance (93.659) Social Services Block Grant (93.667)
Audit Report Reference:	08-36

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]

Questioned Costs $192,304 – Temporary Assistance for Needy Families

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office conducted 48 on-site audits of subrecipients for various Federal programs during the period of April 1, 2007 through March 31, 2008. During these audits, the Office is primarily selecting case files to review for Federal eligibility determinations and evidence of adequate supporting documentation for amounts claimed for Federal reimbursement. The Office also maintains an annual audit plan for their review of local districts.

The Office uses two methods of recapturing funds. For local districts which electronically submit claims monthly through the Automated Claiming System (ACS), the Office relies on the local districts to include adjustments to their monthly claims. The other method used is primarily for subrecipients paid through contracts. For these subrecipients, the Office will request a check be sent to the Office of Audit and Quality Control (A&QC) with the Office.

The auditors selected 14 of 48 audit reports issued by the Office during the fiscal year ending March 31, 2008 to review the findings, recommendations and follow-up activity. Findings and recommendations made by the Office for the recapture of Federal funds were included in 11 of 14 audit reports. However, four reports were in draft form at the time of our audit and, therefore, no corrective action plans were available for the review.

Five of seven final audit reports which contained the recapture of Federal funds are for local districts that contained findings and requested funds be recovered through the ACS. The Office relies on the local districts to determine the questioned costs based upon the audit findings. In three instances, the Office could verify that funds were recovered through adjustments in the ACS. However, for two reports the Office could not verify that the ACS determined the questioned costs or that any questioned costs were recovered or that alternative allowable costs were provided to support their claims.

Two of seven final audit reports which contained the recapture of Federal funds were for the same contract subrecipient. Correspondence requesting the remittance of questioned costs amounting to $192,304 were sent to the subrecipient. However, this sub-recipient did not submit a check for the questioned costs, and no follow-up correspondence requesting payment was available. The questioned costs stated below are from these two audit reports. These audit reports were for contracts ending in the third quarter 2005 and recommended that the contractor revise procedures to ensure future claims are appropriate.

The Office does not have formal policies and procedures to adequately follow-up on questioned costs identified in the audits performed by AQC to ensure that local districts adjust their ACS claims appropriately or that refund checks are received timely.

III. Agency Response:

The Office will review and, as warranted, revise policies and procedures involving the recapture of Federal funds for questioned costs identified during subrecipient audits. This review will include an examination of practices associated with how alternative allowable costs are claimed and how funds are to be recovered from subrecipients in a timely manner.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of the State Comptroller
Single Audit Contact:	Thomas J. Mahoney
Title:	Director, Bureau of Accounting Operations
Telephone:	(518) 474-4017
E-mail:	tmahoney@osc.state.ny.us
Federal Program(s) (CFDA #[s]):	Temporary Assistance for Needy Families (93.558) Child Support Enforcement (93.563) Child Care and Development Block Grant (93.575) Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596) Foster Care - Title IV-E (93.658) Adoption Assistance (93.659) Social Service Block Grant (93.667)
Audit Report Reference:	08-37

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[X]
Questioned Costs	Cannot be determined

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office of the State Comptroller is responsible for the draw down of Federal funds on behalf of most of the State agencies, which deal with the Federal programs. For PSC-272 reporting purposes, each Federal letter of credit from which the State is authorized to draw down funds has its unique identification number and required report. The auditor's review of the twelve PSC-272 reports required for each of the quarters in the State's fiscal year ended March 31, 2007 revealed that three of the DPM's twelve cash balances were not in agreement with those of the State. In December 2007, the DPM agreed to adjust its reported advances to the State for three PAN accounts. As a result, two of the PAN's are now in agreement with the State's records. The DPM variance for PAN U009P at March 31, 2008 was a negative cash balance of $22,494,549 representing a potential receivable from the Federal government.

The Office has controls and procedures in place to demonstrate that all current/active awards remain reconciled each quarter resulting in no change to DPM's stated variance. The Office continuously monitors this variance and has indicated that they have done everything within their power over the course of several years to try and get the U.S. Treasury's DPM to resolve this issue through journal entries posted to DPM's accounting system.

A similar finding was included in the prior year Single Audit Report as finding 07-27 on page 87.

This finding has been reported for the last three years and no management decision has been issued by the Federal government.

The auditors recommend that officials at the Office of the State Comptroller and DPM continue working to resolve the difference in the cash balance that is contained in DPM's PMS 272 reports for PAN U009P.

III. Agency Response:

As the auditor's report notes, the discrepancy resides exclusively in the Payment Management System (PMS) operated by the Division of Payment Management within the Department of Health and Human Services. New York is in full compliance with Federal rules and regulations governing the drawdown of federal funds to fund immediate cash needs and our accounting system records and quarterly reconciliations indicate that all grant award disbursements have been funded by drawdowns from the US Treasury. On numerous occasions we have formally asked DPM officials to adjust their PMS records to align them with New York's reconciled balances.

Since the 'net' discrepancy in the records of the Federal DPM indicates that $22,494,549 million is due to New York State, all payments made by the State have already been financed with drawdowns from the US Treasury, and New York does not require these funds; we will again request that DPM cancel this liability in their PMS.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of Temporary and Disability Assistance
Single Audit Contact:	Christine Unson
Title:	Coordinator for External Audit
Telephone:	(518) 402-0128
Federal Program (CFDA #):	Temporary Assistance for Needy Families (93.558)
Audit Report Reference:	08-38

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Form ACF-204 is the State's Annual Report on MOE programs, which is derived from the data in the Q5i system. Items on the report are used to give an accurate representation of the State's MOE based on Federal requirements. The auditors selected this report for the Federal fiscal year ending September 30, 2007 and verified the information reported.

For the "Work Related/Expenses" benefit type, the State calculated the families served based on the total served over the fiscal year. However, when examining the Form ACF-204, it was noted that the "X" was placed on the "average monthly number of families being served" line. Accordingly, due to a clerical error, the Form ACF-204 incorrectly reported "total families served" as "average families served."

The auditors recommend that the Department establish and implement procedures to ensure the Form ACF-204 report is prepared in accordance with reporting instructions and that the Form is adequately reviewed and approved.

III. Agency Response:

Review of the ACF-204 form for each MOE related program is currently circulated to the person responsible for the report overall, the program area person responsible for the program in question, the persons responsible for compiling families served data and supervisory staff. There is also a

formal review process that requires sign off from Office of Temporary and Disability Assistance divisions involved in the report.

This review process will be expanded beyond generic approval to include a written statement from the analyst doing the families served calculation and the program person responsible for the program that the designation of families served as monthly average or total is correct.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of Temporary and Disability Assistance
Single Audit Contact:	Christine Unson
Title:	Coordinator for External Audit
Telephone:	(518) 402-0128
Federal Program(s) (CFDA #[s]):	Temporary Assistant for Needy Families (93.558) Medical Assistance Program (93.778)
Audit Report Reference:	08-39

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office was in compliance with the IEVS requirements until November 2000. The verification of unearned income information from the IRS was discontinued as a result of an IRS Security audit and the costs of implementing the necessary changes identified by the security audit. In September 2004, the Office submitted a corrective action plan to the Federal government, including certification from the Governor, which expressed the State's commitment to complying with the IRS unearned income matching requirement and a proposed timeline for compliance.

The 1099 unearned income computer-matching component of the IEVS is currently operational in New York State, however 1099 Federal tax information is not being processed as the State is in the process of implementing the new IRS electronic data transmission process. On July 27, 2004, a $43 million sanction was imposed against the State for noncompliance with this component of IEVS. The Office has received approval from the Department of Health and Human Services for the entire sanction to be forgiven under a Corrective Action Plan (CAP) approved in January of 2005. The CAP required the Office to have its 1099 computer matching re-instituted by October 1, 2005. As a result of documented delays in IRS approval of the State's timely Computer Matching Agreement (CMA) submission, approval of the CMA was delayed until March 9, 2006. On August 21, 2008 the Office received approval on the new CMA for the period of July 1, 2008 through December 31, 2009. The 1099 matching component was initiated in July of 2006 when the Office was first legally able, under its March 2006 approved CMA, to submit a tape of its TANF recipients to the IRS.

Processing of data began in September 2006. However, due to data errors the monthly updates were suspended in October 2006. As a result, income eligibility information was not available for local districts to utilize in making eligibility determinations. In November 2007, the program made corrections and successfully implemented the Tumbleweed process for electronic income verification. As a result of the implementation, the Office began receiving monthly income eligibility information and made it available to the local districts as appropriate.

A similar finding was included in the prior year Single Audit Report as finding 07-31 on page 95.

The auditors recommend that the Office continue to monitor its compliance with this requirement.

III. Agency Response:

Income Eligibility Information has been received by the Office on a monthly basis since November 2007 via the Tumbleweed electronic transmission process. The matches have been processed and made available to local districts as appropriate. In addition a new Computer Matching Agreement has been submitted to the Internal Revenue Service and has been approved for the period of July 1, 2008 to December 31, 2009. The Office has participated in the 1099 IEVS program on an on-going basis since November 2007. The program has been fully operational and running successfully. The Office has completed the corrective action plan and came in to full compliance during the review fiscal year which ended March 31, 2008.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of Temporary and Disability Assistance
Single Audit Contact:	Christine Unson
Title:	Coordinator for External Audit
Telephone:	(518) 402-0128
Federal Program (CFDA #):	Child Support Enforcement (93.563)
Audit Report Reference:	08-40

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	Cannot be determined

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The auditors selected the December 31, 2007 OCSE-34A quarterly report of collections to determine if reported amounts were adequately documented. The Automated Claiming System (ACS) allows local districts to electronically submit Federal and State reimbursement requests and report other data to the State of New York. According to the ACS, total collections received during the fourth quarter of 2007 amounted to $416,875,070. For the same quarter, the total amount of collections reported to the Federal government on Form OCSE-34A (Line 2) amounted to $406,949,514.

The difference between the amount reported in the ACS and the OCSE-34A is $9,925,556. The entire difference is categorized in line 2(g) "From Other Sources." This occurs each quarter and the amount varies. The Office has been aware of the difference and has analyzed the problem, however, specific solutions have not yet been determined.

The difference is largely due to the net amount of collections and disbursements of non-Title IV-D funds. Local courts have ordered that certain non-Title IV-D funds be remitted to the State. The Office's Child Support Management System (CSMS) is currently unable to provide sufficient detail on these non-Title IV-D funds.

The non-Title IV-D funds are included with Title IV-D funds reported on line 1 "Balance Remaining Undistributed from Previous Quarter" and line 9 "Gross Undistributed Collections." In order to reconcile the report, the Office includes the net amount of non-Title IV-D funds in line 2(g). The

Office systematically identifies the non-Title IV-D cases and excludes them from Federal reimbursement relative to the total caseload. The auditors were not able to verify the percentage of cases removed from Federal reimbursement.

The auditors recommend that the Office use the information gathered in their previous analysis to modify the reports generated by CSMS to adequately identify Child Support Enforcement collections and disbursements. In addition, the Office should take the necessary steps to implement policies and procedures to identify and reconcile the differences of other sources of collections and disbursements.

III. Agency Response:

As indicated by the auditors, the Office has already started the analysis. To clarify, the preliminary results of our analysis indicate that all collections, including certain non IV-D collections are an inherent and historical part of total collections received by the State Disbursement Unit (SDU). These collections are properly accounted for on CSMS and subsequent A-1 schedules, but therein is the essence of this finding. These non IV-D collections are not reportable on the federal form 34a, which overtime has been reviewed by several federal child support entities and proven to be accurate with respect to reportable title IV-D collections and disbursements. We would therefore like to make it clear and to remove any question about the overall process, we plan to enhance schedule A-1 reporting to breakout the non IV-D payments in question, which in effect will be the difference between total collections and those title IV-D collections reported on the federal form 34a.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of Temporary and Disability Assistance
Single Audit Contact:	Christine Unson
Title:	Coordinator for External Audit
Telephone:	(518) 402-0128
Federal Program (CFDA #):	Low-Income Home Energy Assistance (93.568)
Audit Report Reference:	08-41

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office designates local districts to administer the Low-Income Home Energy Assistance program (LIHEAP) and monitors these districts by obtaining their annual OMB Circular A-133 single audit report and by monitoring financial and programmatic processes.

During the 2007-2008 LIHEAP season, the Office conducted 22 reviews of local districts. The auditors selected six of 22 reviews to examine the reports issued and documents maintained by the Office. Documents maintained by the Office were not consistent between the various reviews conducted. Three of six reviews did not contain documentation to show that a comparison of applicant information and benefits to local district records was performed.

Additionally, one of six review checklists was incomplete and not signed by the reviewer and none of the six reviews were reviewed by a supervisor. According to the Office, the final reports are all reviewed by an appropriate official. The documentation is only reviewed in instances where there are questions about the final report.

Based on the Office's policies, vendor invoices should be examined to determine if the LIHEAP reimbursed expenditure was properly billed and the vendor exists. The Office did not review vendor files for 2007-2008 as the responsibility for these reviews has shifted between bureaus within the Office.

The auditors recommend that the Office enhance its procedures to ensure that all local district review documentation is reviewed and adequately supervised. They also recommend that the Office resume the reviews of vendors during their local district monitoring.

III. Agency Response:

The Office's LIHEAP Bureau staff will develop a checklist for the monitoring files. Information will be filed in accordance with the checklist.

Reviews of the monitoring forms will be conducted to ensure each form is complete. Supervisory review of the findings letter will continue.

Vendor reviews will be conducted by the Bureau of Audit & Quality Improvement (A&QI). LIHEAP Bureau staff will be in contact with A&QI staff to develop procedures and establish a schedule.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of Temporary and Disability Assistance
Single Audit Contact:	Christine Unson
Title:	Coordinator for External Audit
Telephone:	(518) 402-0128
Federal Program (CFDA #):	Low-Income Home Energy Assistance (93.568)
Audit Report Reference:	08-42

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office prepares an "allocation worksheet" which details the amount of the Low-Income Home Energy Assistance program (LIHEAP) grants received, calculates the maximum allowable administrative, weatherization, and carryforward amounts, and details expenditures by these same categories. Office personnel use this worksheet to monitor the Office's compliance with LIHEAP regulations.

The amounts obligated to New York State Division of Housing and Community Renewal (DHCR) and New York State Office for the Aging (OFA) were greater than the amounts on this worksheet, which resulted in LIHEAP expenditures for weatherization being greater than 15% of the LIHEAP grants. The expenditures on the allocation worksheet were not equal to the amount segregated by the New York State Division of the Budget (DOB) or the quarterly expenditures reports submitted by DHCR and OFA. The allocation worksheet was not updated when adjustments were made to LIHEAP allocations. Based on the allocation worksheet and corrected amounts for DHCR and OFA, actual expenditures amounted to $41,064,164. For the 2006-2007 grants, the 15 percent maximum allowable expenditures for weatherization activities amounted to $41,022,758. The difference of $41,406 ($41,064,164 - $41,022,758) represented the difference between the actual expenditures and the maximum amount allowable. According to the approved 2007-2008 State Plan, furnace replacement expenditures may be applied to the emergency or weatherization categories. The office transferred furnace replacement expenditures from the weatherization category to emergency category and therefore, remained in compliance with the 15% weatherization earmark.

Adequate supporting documentation should be updated as changes occur and reviewed by an appropriate official to ensure that the Office remains in compliance with Federal regulations.

The auditors recommend that the allocation worksheet be reviewed by a supervisor each time changes are made.

III. Agency Response:

The Office of Temporary and Disability Assistance's Office of Budget Finance and Data Management (OBFDM) will strengthen our review process as it relates to the HEAP allocation/carryforward summary. We will ensure that a supervisory review of the HEAP allocation worksheet is completed on a quarterly basis.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of Children and Family Services
Single Audit Contact:	Ralph Timber
Title:	Management Specialist 2
Telephone:	(518) 473-0796
E-mail:	Ralph.Timber@ocfs.state.ny.us
Federal Program(s) (CFDA #[s]):	Child Care and Development Block Grants (93.575) Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596) Foster Care – Title IV-E (93.658) Adoption Assistance (93.659) Social Services Block Grant (93.667)
Audit Report Reference:	08-43

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office conducted on-site audits of subrecipients for the Adoption Assistance, Child Care, and Foster Care programs during the period of April 1, 2007 through March 31, 2008. During these audits, the Office is primarily selecting case files to review for Federal eligibility determinations and evidence of adequate supporting documentation for amounts claimed for Federal reimbursement. The Office adequately follows up on all findings and requires appropriate action from the local districts. The Office also maintains an annual audit plan for their review of local districts.

The Office uses a risk-based approach to determine which subrecipients to audit. For the past three years, the Office focused on Title IV-E Foster Care audits due to the number of errors found during Federal audits. Out of 59 local districts, the Office performed 37 Foster Care audits, 18 Child Care audits, four Adoption Assistance audits, and no Social Service Block Grant audits between the fiscal years ending 2003 through 2008. Therefore, many local districts have not been audited by the Office in several years. However, the Office appears to have appropriately focused their efforts and available resources on those local districts that represent the highest degree of risk.

A similar finding was included in the prior year Single Audit Report as finding 07-33 on page 99.

III. Agency Response:

The Office of Audit and Quality Control (AQC) at the Office continues to evaluate a variety of factors when determining which entities will be audited. The Office will review its current approach and incorporate, as practicable, expanded audit criteria when selecting programs and entities to audit.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of Children and Family Services
Single Audit Contact:	Ralph Timber
Title:	Management Specialist 2
Telephone:	(518) 473-0796
E-mail:	Ralph.Timber@ocfs.state.ny.us
Federal Program(s) (CFDA #[s]):	Foster Care – Title IV-E (93.658) Adoption Assistance (93.659)
Audit Report Reference:	08-44

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[X]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office requires the receipt of financial data submitted by local districts in order to complete the Foster Care and Adoption Assistance Financial Report (Form ACF-IV-E-1). The local districts submit their claims through the Automated Claiming System (ACS) managed by the Office of Temporary and Disability Assistance. Currently, the reports from the ACS are generated approximately 30 days after the end of the quarter in order to give the local districts time to submit claims.

During the audit, the auditors noted that each quarterly report is submitted approximately four to five weeks late due to the inability of the State to compile the required financial data on a timely basis.

A similar finding was included in the prior year Single Audit Report as finding 7-34 on page 101.

NEW YORK STATE CORRECTIVE ACTION PLAN

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III. Agency Response:

The Office of Children and Family Services (OCFS) files plans for both OCFS and the Office of Temporary and Disability Assistance (OTDA) on a timely basis as required by regulation and works diligently with the HHS/Division of Cost Allocation to get those plans approved. As noted in the finding, Federal regulations require the filing of cost allocation plans and then allows states to claim against the filed plans. The regulations do not require the Federal agencies to act within a specific on those plans. HHS/DCA has stated in the past that this approach is acceptable and that OCFS and OTDA are in compliance with the requirements of 45 CFR.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	Office of Children and Family Services
Single Audit Contact:	Ralph Timber
Title:	Management Specialist 2
Telephone:	(518) 473-0796
E-mail:	Ralph.Timber@ocfs.state.ny.us
Federal Program(s) (CFDA #[s]):	Foster Care – Title IV-E (93.658) Adoption Assistance (93.659)
Audit Report Reference:	08-45

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[X]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office semi-annually submits data for Adoption and Foster Care Analysis and Reporting System (AFCARS) to the U.S. Department of Health and Human Services, Administration for Children and Families (ACF). Despite continuous effort to develop the Statewide Automated Child Welfare Information System (SACWIS), the Office has repeatedly failed the standards for several data elements.

The audit noted that for the period of April 1, 2007 through September 30, 2007 and October 1, 2007 through March 31, 2008, three of the 37 data elements for Adoption Assistance data and 27 of the 66 data elements for Foster Care had error rates which exceeded the 10% error rate allowed by Federal regulations.

A similar finding was included in the prior year Single Audit Report as finding 07-35 on page 103.

III. Agency Response:

The Office continues to make improvements in the submission of data to the AFCARS report. New York's rate of compliance with AFCARS requirements continues to increase. These improvements continue, despite the Federal government's current moratorium on penalties for non-compliance in this area.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	New York State Department of Health
Single Audit Contact:	Stephen Abbott
Title:	Director, DOH Audit Unit
Telephone:	(518) 473-3920
E-mail:	sca02@health.state.ny.us
Federal Program (CFDA #):	State Children's Insurance Program (93.767)
Audit Report Reference:	08-46

I. Type of Finding: [Check one to identify the nature of the particular audit finding.]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	Cannot be determined

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

During the review of the State Children's Health Insurance Program (SCHIP), the auditors noted that the Department has consistently estimated unallowable abortion costs based on established policies and procedures to ensure that the costs were not charged to the SCHIP. The Department developed a methodology to estimate the cost of abortions incurred each quarter and the State proposed the methodology to the Center for Medicare and Medicaid Services; however, no confirmation of the policy's acceptance by the Federal awarding agency has been received by the Program.

The Department used the method developed to reduce Federal fiscal year 2007 claims by $470,195.

A similar finding was included in the prior year Single Audit Report as finding 07-36 on page 105.

III. Agency Response

It is the Department's position that it is compliant with the relevant federal requirement, as it has developed an interim process that fairly and equitably removes the costs attributable to this service from federal claiming. While the Center for Medicare and Medicaid Services (CMS) has not specifically approved this methodology, the Department has not been requested to modify it.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	New York State Department of Health
Single Audit Contact:	Stephen Abbott
Title:	Director, DOH Audit Unit
Telephone:	(518) 473-3920
E-mail:	sca02@health.state.ny.us
Federal Program(s) (CFDA #[s]):	State Children's Insurance Program (93.767) Medical Assistance Program (93.778) Maternal and Child Health Services Block Grant to the States (93.994)
Audit Report Reference:	08-47

I. Type of Finding: [Check one to identify the nature of the particular audit finding.]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Information System Health Statistics Group (ISHSG) does not provide for adequate physical protection of IT hardware and network infrastructure assets at the ISHSG data center. This data center contains production servers, web servers, and key IT infrastructure for the Department of Health.

The auditors observed that exposed fiber optic cabling was loosely suspended from the ceiling throughout the main data center. Additionally, they observed that the data center does not have a fire suppression system in operation.

Proper protection of cabling and an operational fire suppression system reduces the risk of accidental and intentional damage of equipment and prevents disruptions to information and communication network services to users.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

III. Agency Response:

ISHSG initiated a project in 2005 to improve the computer room infrastructure and the office areas on the Empire State Plaza Concourse (C148). Computer room improvements implemented include installation of a new feed for chilled water; a new ceiling & lights; insulation under raised floors; overhead raceways for data cabling; and a Power Study of the electrical infrastructure. Additionally, this past summer the New York State Office of General Services recommended installation of a fire suppression system in the computer rooms, which was added to the project in September 2008. The project is currently scheduled for completion by March 31, 2009, and is expected to address the issues identified by this finding.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	New York State Department of Health
Single Audit Contact:	Stephen Abbott
Title:	Director, DOH Audit Unit
Telephone:	(518) 473-3920
E-mail:	sca02@health.state.ny.us
Federal Program (CFDA #):	State Children's Insurance Program (93.767)
Audit Report Reference:	08-48

I. Type of Finding: [Check one to identify the nature of the particular audit finding.]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

During the examination and interviews with the Department's Information System Health Statistics Group (ISHSG) personnel, it was noted that ISHSG's disaster recovery plan was incomplete or not updated on at least an annual basis. The plan references obsolete servers and does not address new hardware and software used by the Department for current applications. Additionally, ISHSG has not performed full backup and restore tests pursuant to the plans.

The auditors also noted that an alternate data processing site (hot site) has not been establish by ISHSG, further calling for the need to ensure that full backups and recoveries are tested on at least on an annual basis.

III. Agency Response:

The Department will update the disaster recovery plan on an annual basis, and take steps to ensure that the plan is implemented.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	New York State Department of Health
Single Audit Contact:	Stephen Abbott
Title:	Director, DOH Audit Unit
Telephone:	(518) 473-3920
E-mail:	sca02@health.state.ny.us
Federal Program (CFDA #):	Medical Assistance Program (93.778)
Audit Report Reference:	08-49

I. Type of Finding: [Check one to identify the nature of the particular audit finding.]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[X]
Questioned Costs	Cannot be determined

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Department, acting through its fiscal agent, on March 24, 2005 implemented eMedNY, New York State's electronic Medicaid system, an automated payment and information reporting system to process Medical Assistance claims and pay providers for medical services rendered to eligible Medicaid recipients.

The Office of the State Comptroller (OSC) maintains staff (Medical Claims Unit) on site to conduct continuous audits of the eMedNY claims processing activity, including weekly examinations of the accuracy of the Medicaid claims that are processed. The Unit's weekly review of Medicaid payments enables errors and unreasonable transactions to be detected and investigated. However, the volume of transactions subject to review, about 1 million claims daily, requires OSC to perform post-audits of the Medicaid program. The post-audit function complements OSC's weekly reviews of Medicaid payments with on-site inspections of health care providers' medical records, and in-depth reviews of the Department's policies and procedures relating to the Medicaid program. The Medical Claims Unit's post-audit activities provide OSC with reasonable assurance that the procedures and practices used by the Department to control Medicaid payments are adequate. These activities include attending weekly eMedNY

evolution meetings and identifying new risks, and using advanced data analysis techniques and data mining to detect inappropriate payments. As a result of this process, OSC issued 37 audit reports during the fiscal year ended March 31, 2008, 26 that were original audits and 11 that were follow-ups from previously issued audit reports.

During the audit, the auditors reviewed the OSC procedures and working papers to ensure the established procedures were adequate to accomplish the objectives of their audits. The audit found that OSC's procedures accomplished those objectives.

As a result of the above procedures, OSC identified approximately $49.8 million in potential overpaid claims for the year ended March 31, 2008. The Department and the Office of the Medicaid Inspector General (OMIG) have initiated recovery of those that they determine are appropriate for recovery. These potential overpaid claims represent approximately .2% of the total Medicaid program, which amounted to $22.7 billion for the year ended March 31, 2008. The OSC audits also include numerous recommendations to improve controls over Medicaid payments, as well as the investigation and recovery of claim overpayments.

A similar finding was included in the prior year Single Audit Report as finding 07-41 on page 115.

III. Agency Response

The Department thoroughly evaluates all OSC recommendations; where appropriate and feasible, existing policies and procedures are modified and systems projects initiated. In addition, the OMIG also evaluates all OSC recommendations and initiates corrective and other actions as warranted. This includes OMIG review of OSC findings to validate their validity, and where appropriate: investigations and/or reviews to recover inappropriate Medicaid payments; initiation of similar Medicaid audits; implementation of procedural changes; initiation of requests for systems edits; and making fraud referrals. OMIG tracks its activities associated with OSC recommendations, including the status of corrective actions and final disposition of the OSC findings.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	New York State Department of Health
Single Audit Contact:	Stephen Abbott
Title:	Director, DOH Audit Unit
Telephone:	(518) 473-3920
E-mail:	sca02@health.state.ny.us
Federal Program(s) (CFDA #[s]):	Medical Assistance Program (93.778)
Audit Report Reference:	08-50

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

Manufacturers are invoiced quarterly, no later than 60 days after the end of the quarter, based on the number of units from eMedNY and the RAPU provided by CMS. Prior period adjustments to the quarterly RAPU's are made by the drug manufacturers, following initial invoicing by the Department. These RAPU adjustments result from the impact of changes to the prior period AMP and BP amounts that are not available to the Department. These adjustments are made by the drug manufacturers through the payment process as reported on the Reconciliation of State Invoice (ROSI). The Department has not designed a procedure to determine the appropriateness of those adjustments.

From the quarter ended September 30, 2007, in which invoices were mailed November 28, 2007, the auditors selected a sample of 40 Labelers invoiced totaling $48,046,181 from a population of 410 labelers that were invoiced totaling $246,268,156. This sample represented approximately 20% of the rebates invoiced. From the sample, payments from the Labelers received exceeded initial invoiced rebates by $3,987 for a total of $48,050,168. There were also a total of eight adjustments made by the Labelers netting to an increase in payments totaling $73,481 or .153% of the sample.

Labelers also adjust their payments to the State for disputed items, such as quantity and other reported variances. A total of 10 disputes totaling $69,494, representing .145% of our sample, were made by the labelers, five of which totaling $40,203 were resolved as of August 28, 2008. The Department continues to address the remaining disputed items.

A similar finding was included in the prior year Single Audit Report as finding 07-38 on page 109.

III. Agency Response:

The Department expects to conduct a risk assessment to determine the risk associated with prior period adjustments. It has historically prioritized projects that would generate guaranteed savings for the State and the federal government, which has resulted in significant progress in maximizing rebate revenues. In addition, the Department is currently procuring new data mining capabilities that are expected to provide new resources for projects such as historical RAPU reconciliation.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	New York State Department of Health
Single Audit Contact:	Stephen Abbott
Title:	Director, DOH Audit Unit
Telephone:	(518) 473-3920
E-mail:	sca02@health.state.ny.us
Federal Program (CFDA #):	Medical Assistance Program (93.778)
Audit Report Reference:	08-51

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

New York State participates in the National Medicaid Pooling Initiative (NMPI), a multi-state pool established to provide participating states with supplemental rebates from drug manufacturers, which is administered under the State's contract with First Health Services Corporation (FHSC). Rebate information is protected under Federal law and by specific terms in the NMPI agreements, which do not allow release of information that can expose certain cost information. New York State does have the right to conduct an audit of the supplemental drug rebate process, which includes full access to its rebate related information maintained by FHSC.

During the year ended March 31, 2008, the Department received $147,083,024 under this supplemental rebate program. The Department is not provided with the information to analyze adjustments or disputed changes made by the drug manufacturers and relies heavily on the internal controls of FHSC.

The Department has received a Service Auditor's Report for the period July 1, 2006 through June 30, 2007 regarding supplemental drug rebate processing for the New York State Department of Health from FHSC. The Department has also conducted site monitoring at FHSC.

The Department also maintains a unit that administers the primary drug rebate program as required by CMS. This unit monitors the actual invoices of labelers. Both rebate programs (primary and supplemental) use the same claim utilization information as the source of the rebates. The Department has not completely coordinated the monitoring of the FHSC contract (supplemental rebate program) with the unit charged for administering the primary rebate program.

III. Agency Response:

The Department will continue to conduct site monitoring and auditing of FHSC, as necessary, to ensure the State is maximizing its rebate revenue. These activities will include use of information maintained by the primary drug rebate unit if it determines the use of this data leads to auditing improvements.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	New York State Department of Health
Single Audit Contact:	Stephen Abbott
Title:	Director, DOH Audit Unit
Telephone:	(518) 473-3920
E-mail:	sca02@health.state.ny.us
Federal Program (CFDA #):	Medical Assistance Program (93.778)
Audit Report Reference:	08-52

I. Type of Finding: [Check one to identify the nature of the particular audit finding.]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[X]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Department, acting through its fiscal agent, on March 24, 2005 implemented eMedNY, New York State's electronic Medicaid system, an automated payment and information reporting system to process Medical Assistance Claims and pay providers for medical services rendered to eligible Medicaid recipients.

The Office of the State Comptroller (OSC) maintains staff (Medical Claims Unit) on site to conduct continuous audits of the eMedNY claims processing activity, including weekly examinations of the accuracy of the Medicaid claims that are processed.

During the audit, the auditors reviewed the OSC procedures and workpapers to ensure the established procedures were adequate to accomplish the objectives of their audits. The audit found that OSC's procedures accomplished those objectives.

As a result of their procedures, OSC identified several areas where additional edits to the eMedNY program would reduce incorrect or duplicate payments in the following areas:

- Edits to verify the validity of certain third party insurance information recorded by Medicaid providers on their claims.

- Edits to prevent overpayments for durable medical equipment while the recipient is residing in a nursing home.

- Edits to prevent Medicaid overpayments of Medicare Part B deductibles in the eMedNY claims processing system to track Medicare deductible claims and prevent excessive double billing.

- Edits to eMedNY controls to validate the miles recorded by transportation providers on the Medicaid claims.

- Edits to prevent duplicate payments when providers neglect to include procedure codes on claims submitted into the eMedNY system.

OSC also identified computer edits within the eMedNY system that have been not been implemented due to a lack of testing and analysis. Edit control No. 759 and No. 760 existed in the eMedNY system, however, these controls have not been implemented.

Subsequent to the period under examination and prior to the issuance of our report, the Department in conjunction with its fiscal agent, implemented a series of evolution projects to correct or address the issues in the OSC report. The application modifications are in various stages of design, testing or implementation as of the date of our report.

III. Agency Response:

A Workgroup composed of staff from the Department's Office of Health Insurance Programs and the Office of the Medicaid Inspector General (OMIG) has been established to address various systems issues, including those identified by this finding. The Workgroup's activities will include examining overall controls and post implementation activities relative to edit management, as well as exploring areas for improving existing controls. They will additionally include addressing the format, prioritization, approval and documentation of edit change requests, the monitoring of edits after changes have been made and the development of written guidelines.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	NYS Office of Alcoholism and Substance Abuse Services
Single Audit Contact:	Douglas Rosenberry
Title:	Bureau Director, Workforce Development & Fiscal Evaluation
Telephone:	(518) 485-2260
E-mail:	dougrosenberry@oasas.state.ny.us
Federal Program (CFDA #):	Block Grants for the Prevention and Treatment of Substance Abuse (93.959)
Audit Report Reference:	08-53

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[ ]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[X]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office performs fiscal reviews of not-for-profit providers. The review consists of reviewing fiscal policies and procedures, financial, budget and reporting records, expenditures, and requirements specific to the Block Grant for Substance Abuse Prevention and Treatment (SAPT). The Office determines which subrecipients to review based on a risk assessment. Subrecipients' risk is evaluated based on budget, complexity of their program, self-questionnaire, the last time the subrecipient was reviewed and the results of the review, fiscal viability, and amount of Federal funding.

During the audit, design flaws were noted in the risk assessment process. The Office assesses a higher risk if the subrecipient is deemed to be "Federally funded" with SAPT funds. For risk assessment purposes, the Office does not consider subrecipients that receive funds passed through a local government unit (LGU) from the Block Grant for Prevention and Treatment of Substance Abuse as "Federally funded." Therefore, these subrecipients of the LGUs are not given a proper risk assessment. The Office has notified the LGUs of their responsibility to monitor these subrecipients, however, the Office also has responsibility to monitor these subrecipients as if they were funded directly from the Office.

A similar finding was included in the prior year Single Audit Report as finding 07-46 on page 125. In accordance with the corrective action plan for finding 07-46, the Office implemented an updated risk assessment policy effective April 1, 2008.

The auditors recommend that the Office continually monitor the risk assessment process for fiscal reviews in accordance with its updated policy.

III. Agency Response:

The Office agrees with the finding that during the audit period (April 1, 2007 to March 31, 2008), the risk assessment process for fiscal reviews did not consider subrecipients that received funds passed through an LGU from the Block Grant for Prevention and Treatment of Substance Abuse as "Federally Funded." However, in accordance with the Office's corrective action plan, submitted in response to the previous audit (07-46), starting with the listing prepared for the Quarter beginning April 1, 2008, the risk assessment process for prioritizing and scheduling fiscal reviews was modified to include providers that receive pass through Federal funding via LGUs.

The Office will continue to monitor the risk assessment process for fiscal reviews in accordance with the updated policy.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	NYS Office of Alcoholism and Substance Abuse Services
Single Audit Contact:	Douglas Rosenberry
Title:	Bureau Director, Workforce Development & Fiscal Evaluation
Telephone:	(518) 485-2260
E-mail:	dougrosenberry@oasas.state.ny.us
Federal Program (CFDA #):	Block Grants for the Prevention and Treatment of Substance Abuse (93.959)
Audit Report Reference:	08-54

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Office of Alcoholism and Substance Abuse Services awards Federal funds to local government units (LGUs) and not-for-profit providers by advancing funds in equal monthly amounts based on the annual budget. Actual expenditure claims at mid-year are compared to half the annual budget. When expenditures are less than 10% of half the annual budget (40% of the total), the Office decreases the following month's advance.

The Office did not enforce the policy of withholding future advances if the subrecipient could not prove that they were timely spending the prior advances. For two of 12 not-for-profit mid-year reports examined, the expenditures claimed were 38% of the total budget. For one of 15 LGU mid-year reports, the expenditures claimed were 30% of the total budget. Based on the Office's cash management policies, these three subrecipients should have had their advance for the following month decreased. The total amount of Federal expenditures that was under 40% of the budget and subject to the Office's withholding policies amounted to $46,095. The primary reason that the Office did not withhold future advances was because the review of the expenditures was not conducted timely.

A similar finding was included in the prior Single Audit Report as finding 07-45 on page 123.

The Office should conduct their review of the mid-year reports on a timely basis in order to determine if the subrecipient has not been over-advanced. The Office should also monitor the cumulative advances of the LGUs, specifically the Federal funds, and adjust future advances of Federal funds accordingly.

III. Agency Response:

The Office's failure to complete its review of all of the 2007 mid-year reports in a timely manner was due to a shortage of staff, the continued implementation and upgrading of its new State Aid Budget and Reporting System (SABRS) and the additional time needed to train staff in the use of SABRS. Although the 2007 mid-year reports were reviewed late, they were all reviewed as were all of the 2007 final reports. In addition, the Office is now in the process of reviewing all of the 2008 Mid-year reports, and expects them to be completed timely.

The Office has integrated the review of LGU claims into the daily workload of all staff who work on Aid to Localities claims/payments; LGU claims are no longer treated as a separate task. This will help to ensure that claims will be processed timely and that adjustments to subsequent advances will occur when necessary due to identified under spending.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	New York State Department of Health
Single Audit Contact:	Stephen Abbott
Title:	Director, DOH Audit Unit
Telephone:	(518) 473-3920
E-mail:	sca02@health.state.ny.us
Federal Program (CFDA #):	Maternal and Child Health Services Block Grant to the States (93.994)
Audit Report Reference:	08-55

I. Type of Finding: [Check one to identify the nature of the particular audit finding.]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

The Maternal and Child Health Services Block Grant uses New York State standard vouchers. State internal controls require that authorized personnel of the payee sign the vouchers. Additionally, Department personnel are also required to sign the standard vouchers prior to processing and payment.

The auditors selected 40 vouchers totaling $1,588,644 for test work, two of 40 vouchers, amounting to $184, were not signed by the payee and were also missing the authorized signature required to approve payment.

III. Agency Response:

The Department has implemented changes to its processing operations strengthening internal controls over review and authorization of payments, including verification that all vouchers contain the appropriate signatures.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2008

State Agency:	New York State Emergency Management Office
Single Audit Contact:	John A. Agostino
Title:	Deputy Director for Administration
Telephone:	(518) 292-2321
E-mail:	john.agostino@semo.state.ny.us
Federal Program(s) (CFDA #[s]):	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (97.036) Hazard Mitigation Grant (97.039)
Audit Report Reference:	08-56

I. Type of Finding: [Check one to identify the nature of the particular audit finding]

Internal Control with related noncompliance	[X]
Internal Control Only (no noncompliance cited)	[ ]
Other reportable noncompliance (Finding Only)	[ ]
Questioned Costs	None

II. Summary of Finding (including any Internal Control Recommendation(s), if applicable):

5 of 104 subrecipients did not submit or have an approved extension to submit an OMB Circular A-133 audit report and 17 of 99 subrecipient OMB Circular A-133 reports were submitted late. Also 2 subrecipients were not included in the Office's database of subrecipients and therefore did not submit OMB Circular A-133 reports.

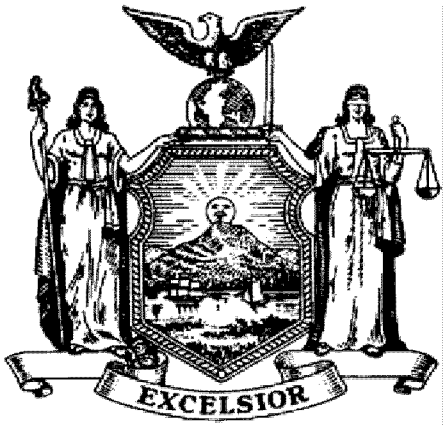
A similar finding was included in the prior year Single Audit Report as finding 07-47 on page 127.

III. Agency Response:

The State Emergency Management Office will recommend sanctions for those municipalities who demonstrate continued inability or unwillingness to have a required Circular A-133 audit. Sanctions will comply with OMB Circular A-133 Subpart B §___.225 Sanctions. The Office will update its database to include all subrecipients.

STATE OF NEW YORK

David A. Paterson, *Governor*
Laura L. Anglin, *Budget Director*



PRIOR YEAR FINDING SUMMARY

FOR THE YEAR ENDED MARCH 31, 2008

Status of State Fiscal Year 2006-2007 Single Audit Findings
For the State Fiscal Year Ended March 31, 2008

Compiled in November 2008 by the New York State Division of the Budget

Pursuant to U.S. Office of Management and Budget (0MB)
Circular A—133 entitled "Audits of States, Local Governments, and Non—Profit Organizations"

STATE OF NEW YORK
Status of State Fiscal Year 2006-2007 Single Audit Findings
For the State Fiscal Year Ended March 31, 2008

Prior Year Page # and Finding Reference #	Program Name and CFDA	Summary of Finding	Status
Page 30-31 #07-01	Food Stamps (10.551) State Administrative Matching Grants for Food Stamp Program (10.561)	The Office prepares the Financial Status Report (SF-269) from various sources, such as other state agencies' claims, the Automated Claiming System (ACS), and the Central Office Cost Allocation Claim (COCAC). Once the report is completed and reviewed, it is submitted online to the United States Department of Agriculture (USDA). Errors were noted in the financial report for the fiscal year 2006 fourth quarter report, which was reviewed and certified on December 28, 2006. There were two keying errors when entering the amounts into the online submission form. This resulted in overstating total outlays by $71 million. The Office corrected the error during the next revision, which was submitted on February 2, 2007. The "total federal share of the outlays" (Line G) was not allocated based on ACS expenditures. The Office contends that it uses claiming data from the ACS as a basis for allocating the administrative costs. Review of the supporting documentation revealed that this method was not followed. The percentages used to allocate these costs were not supported by the actual cumulative claims for the year. This allocation affects columns one, eight, seventeen, and twenty-seven on the SF-269 by up to $15 million per column. A similar finding was included in the prior year Single Audit Report as finding 06-05 on page 40.	As noted in the Corrective Action Plan, the keying error was isolated and required no additional corrective action. We also stated in the Corrective Action Plan that we had combined the allocation methodologies utilized to allocate ACS and COCAC costs. We further advised that a step was added to the methodology to reallocate any costs that exceed claims for a given category back over the remaining categories. This has ensured that one methodology is able to be used on a consistent basis.
Page 32-33 #07-02	Food Stamps (10.551) State Administrative Matching Grants for Food Stamp Program (10.561) Temporary Assistance for Needy Families (93.558) Child Support Enforcement (93.563) Low-Income Home Energy Assistance (93.568) Social Security - Disability Insurance (96.001)	There are insufficient standards for the documentation of new development work or for the maintenance of existing systems. Where such standards exist, they are not always disseminated to OTDA Technical Staff. A familiar relationship has developed between OTDA-Policy and OTDA-Technical such that new developments or updates to existing systems are discussed in advance of the work request being received from OTDA-Policy. Documentation is created specific to the changes requested with the primary intent being a mutual understanding between Policy and Technical of the work to be accomplished. The lack of sufficient standards poses risk for the systems like Benefits Issuance Control System (BICS) and budget calculation subsystems like Automated Budget and Eligibility Logic (ABEL) and Medicaid Automated Budget and Eligibility Logic (MABEL) on Legacy mainframe systems. Of the systems reviewed, Welfare Reporting and Tracking System (WRTS) was the only one with a single repository of updated documentation. No other systems use the Welfare Document System (WDOCS) at this time.	Documentation Workgroup continues to work on development of formal Legacy system documentation standards. Documentation standards will be presented to all Legacy programming staff when published, and made available through e-mail and Share Point posting. Currently information is shared with employees through distribution of a newsletter, which provides updates on available utilities, best practices, process changes and other information relative to out PTS migration and documentation systems. Employee performance programs for most development staff generally include a standard for compliance with programming and documentation standards. This will be a requirement of the formal documentation standards and will be implemented for all Legacy development staff. While formal written standards are still under development, employees are aware of requirements for in-line code documentation and PTS system documentation requirements. New employees are routinely trained on the PTS

STATE OF NEW YORK
Status of State Fiscal Year 2006-2007 Single Audit Findings
For the State Fiscal Year Ended March 31, 2008

Prior Year Page # and Finding Reference #	Program Name and CFDA	Summary of Finding	Status
		A similar finding was included in the prior year Single Audit Report as finding 06-02 on page 34.	migration and documentation systems. All employees are currently undergoing training on a new release of the PTS system. Ensuring that application developers comply with programming and documentation standards is included in performance programs for supervisory staff. Measurement mechanisms will be developed as part of the Documentation Standards workgroup effort. Bureau of Information Technology (BIT) is proceeding with implementation of Rational ClearQuest and ClearCase. Upstate and Downstate Customer Support Help Desks have implemented use of the tool to track defects. A Workload Management Request workgroup has drafted a process and related screens for a project request and tracking component. The draft is currently undergoing internal review and will be presented to the user community for review and comment over the next few months. Other Initiatives: 1. Eclipse Workgroup continues to evaluate use of Eclipse software, a product which will enable mainframe Java development and provide capability for editing and compiling COBOL programs off of the mainframe system. Use of this Eclipse would also provide mainframe developers functionality to use the same life cycle tools (Rational) as open system developers (both Java and .NET) 2. Enterprise Architecture group is exploring options for development of an SDLC prototype for BIT legacy and open system development. Software documentation would be a required component of the SDLC. 3. BIT COBOL programming standards have been developed. Draft standards are currently being reviewed and updated by BIT management.
Page 34-35 #07-03	Food Stamps (10.551) State Administrative Matching Grants for Food Stamp Program (10.561) Temporary Assistance for Needy Families (93.558) Child Support Enforcement (93.563) Low-Income Home Energy Assistance (93.568) Social Security - Disability Insurance (96.001)	The Office of Temporary and Disability Assistance (OTDA) development staff has update capability within the Office for Technology production environment. Although OTDA development staff may be prevented from promoting code through an existing automated configuration management system, they may access production code and make updates directly. The auditors noted that the Office identified these issues and have developed policies and procedures that were implemented after the period covered by the report. A similar finding was included in the prior year Single Audit Report as finding 06-06 on page 42.	OTDA BIT completed all corrective action (as follows) and is in full compliance: -Feb 2007: OTDA released a vetted and approved document outlining the *Recertification and Review Process for WMS Production System Access (Update) for OTDA Development and Agency Staff.* -March 2007: Oct 2007: BIT implemented the recertification process and completed all modifications required. -Sept 2008: Schedule for initiating next annual recertification review by BIT.

STATE OF NEW YORK
Status of State Fiscal Year 2006-2007 Single Audit Findings
For the State Fiscal Year Ended March 31, 2008

Prior Year Page # and Finding Reference #	Program Name and CFDA	Summary of Finding	Status
Page 36-37 #07-04	Food Stamps (10.551) State Administrative Matching Grants for Food Stamp Program (10.561) Temporary Assistance for Needy Families (93.558) Child Support Enforcement (93.563) Low-Income Home Energy Assistance (93.568) Social Security - Disability Insurance (96.001)	Although individual files are recovered safely and with great frequency, the Office For Technology does not have a plan in place that tests for a complete data system restore. To date, the Office For Technology has never performed a test to ensure that a complete and error free recovery of system data is possible. The Office of Temporary and Disability Assistance and the Office For Technology perform risk assessment reviews together and individually, which form the basis for identifying and prioritizing risks to critical systems and the related potential impacts on business continuity. Based on the internal assessments, they are of the opinions that present policies and practices mitigate the risks of substantial impacts associated with business interruption as the result of the inability to read and recover the Welfare Management System (WMS) system data file set. A similar finding was included in the prior year Single Audit report as a finding 06-07 on page 44.	WMS mainframe disk data is fully replicated between two sites. Any modifications to the WMS disk data at one location are synchronously replicated to the alternate location through the vendor's replication software. A complete system restore would be performed using this replicated disk data. Backup tapes are still created in order to provide an alternate recovery source, if needed. Since December 2006 CIO/OFT has successfully validated the disk replication process by moving one production partition from the primary site to the back-up site and running the system for several weeks. Additional verification/validation tests have been run at the alternate site for all three of OTDA's partitions as part of ongoing disaster recovery testing plans with OTDA. Testing dates include: - 5/19/07 - 7/14/07 End User (EU) partition was run at the alternate site (Executive Park Plaza). - 12/8/07 - 1/26/08 New York Production (NP) partition was run at the alternate site. - 3/8/08 - 4/12/08 Albany Production (AP) partition was run at the alternate site. - 5/19/08 - 6/07/08 NP Partition was run at the alternate site. - 5/30/08 WMS ran a schema swap and a WMS monthly while being run at the alternate site.
Page 38-39 #07-05	School Breakfast Program (10.553) National School Lunch Program (10.555) Special Milk Program for Children (10.556) Summer Food Service Program for Children (10.559) Title 1 Grant to Local Educational Agencies (84.010) Special Education - Grants to States (84.027) Vocational Education - Basic Grants to States (84.048) Special Education - Preschool Grants (84.173) Twenty-First Century Community Learning Centers (84.287) Reading First State Grants (84.357) English Language Acquisition Grants (84.365) Improving Teacher Quality State Grants (84.367)	The Office of Audit Services (OAS) has automated the receipt and review process of the A-133 reports by using an electronic control log system. The Department has procedures in place to remind subrecipients of their obligation to submit A-133 reports and procedures to follow up on late reports. A letter is sent to all subrecipients in November stating that the A-133 report must be submitted within nine months subsequent to the subrecipient's fiscal year end. In March, a follow up letter is sent to all subrecipients with June fiscal year ends who have yet to submit the A-133 report, reminding them of their obligation to submit the report by March 31. The Department also sends out dunning letters to subrecipients that are past the submission deadline, reminding them that Federal awards may be suspended if they fail to submit the report. Late submissions are also followed up on with phone calls and faxes. The audit noted that 142 of the A-133 reports required corrective action, which required the Department to issue a management decision within six months. For eight of 142 reports, the Department had not issued the management decision within the six-month time frame and in two of the eight reports, the corrective action plans had not been received by the Department as of August 2007. A similar finding was included in the prior year Single Audit Report as finding 06-08 on page 46.	For fiscal years ending in 2008, in addition to using the payments to entities by the Department as a criterion for identifying entities that require an A-133, the following steps will again be taken: 1. Letters will be sent to all entities that receive between $100,000 and $499,999 in payments from the Department requesting that the entities certify that they had less than $500,000 in expenditures for Federal programs. To assist entities in filling out the form, details regarding federal agency, state pass-through agency (i.e., NYSED), pass-through identifying number, CFDA #, and amounts per each individual CFDA # will be attached. 2. A download of total Federal expenditures from the Federal Clearinghouse will be done as soon as the information is available and will be periodically downloaded after that. The Department is constantly looking at ways to ensure compliance with OMB Circular A-133.

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Page 40-41 #07-06	Special Supplemental Nutrition Program for Women, Infants, and Children (10.557) Child and Adult Care Food Program (10.558) State Children's Insurance Program (93.767) Medical Assistance Program (93.778)	The Department has established an audit clearinghouse whose responsibilities include monitoring subrecipients to ensure that required audits were performed and submitted to the Department within the required time period. The audit clearinghouse has a system in place to follow up on findings contained in the audit reports and to impose sanctions upon subrecipients who do not provide the Department with an A-133 audit within the specified time frame. It was noted that the Department had 162 audit reports with findings that were required to have management decisions rendered within six months. Of these, only 87 had been completed in a timely manner, 75 required more than six months to complete. A similar finding was included in the prior year Single Audit Report as finding 06-09 on page 49.	The Department is in compliance for current 07-08 year.
Page 42-47 #07-07	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (10.557) WIA Adult Program (17.258) WIA Youth Activities (17.259) WIA Dislocated Workers (17.260) Highway Planning and Construction (20.205) Child Support Enforcement (93.563) Low-Income Home Energy Assistance (93.568) Child Care and Development Block Grant (93.575) Foster Care - Title IV-E (93.658) Social Services Block Grant (93.667) Medical Assistance Program (93.778) Block Grants for Prevention and Treatment of Substance Abuse (SAPT) (93.959)	In New York State, County governments are reimbursed for administration and other direct Medical Assistance program expenditures on a cost reimbursement basis. These funds are reimbursed to the County based on claims submitted. These cost reimbursements are Federal awards for reporting on the County's Schedule of Expenditures of Federal Awards. Counties are also charged for their share of direct patient care services. Payments are made by the State directly to providers. The County pays the State a "weekly share" based upon State law. These payments, known as MMIS payments, are among the largest budgetary line items for each County. It was noted that 9 of 57 Counties and the City of New York included these MMIS payments as Federal expenditures in the Data Collection Form for the year ended December 31, 2005. Also noted that two of 57 counties did not report any Medical Assistance administrative expenditures on their Schedule of Expenditures of Federal Awards. These significant MMIS costs have an effect on the determination of major programs, as the threshold required by OMB Circular A-133 is dependent upon the total amount of Federal awards expended. A similar finding was included in the prior year Single Audit Report as finding 06-40 on page 113.	The issue has resolved itself based on HHS clarification that due to the complexity of the Medicaid program throughout the country and the differences on how various aspects of the program are handled at each level of government, reliance should be on the opinion of the individual auditors regarding the presentation of medical assistance on the schedule of expenditures of federal awards and the determination of the proper audit coverage. This means that some governmental organizations (counties / NYC) may report the expenditures on the SEFA, while others may not.
Page 48-49 #07-08	Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)	The audit noted that the central office did not follow up on the corrective action plans that are filed with the regional office. The Department developed a new policy that was put into effect October 1, 2006. Until then the central office allowed the regional office to handle all	The Department is in compliance now.

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		corrective action plans and related follow up without review. As of October 1, 2006, the central office began follow up with the regional office to determine whether corrective action plans were put into effect and were operating effectively. The audit noted that 37 of 40 providers required corrective action plans; however, no follow up documentation was found for 20 of 37 in the subrecipient's file at the central office because the management evaluation was completed before October 1, 2006. A similar finding was included in the prior year Single Audit Report as finding 06-10 on page 51.	
Page 50-51 #07-09	Special Supplemental Nutrition Program for Women, Infants, and Children (10.557) Child and Adult Care Food Program (10.558) State Children's Insurance Program (93.767)	The audit noted that the Department's policy and procedures did not adequately record, track and provide for the safeguarding of program assets in order to reduce the risk of loss, damage or misappropriation of assets. Additionally, there was no evidence of a physical inventory of assets taken by the Department at least once every two years. Additionally, it was noted the Department's failure to consistently tag and track assets by type and physical location. Also specific instances were noted where assets located did not appear on the asset listings provided by the Department and/or instances where items appearing on Department's asset listings could not be located. There was no evidence of a policy or procedure in place to insure proceeds from the sale or disposal of the assets could be identified and returned to the Federal program, if necessary. A similar finding was included in the prior year Single Audit Report as finding 06-12 on page 55.	The Department has acquired the technology necessary (scanners and barcode labels) to conduct a physical inventory of its equipment and to update its central inventory record, with the Department-wide physical inventory of equipment underway.
Page 52-53 #07-10	Child and Adult Care Food Program (10.558)	In the audit of the Child and Adult Care Food Program's annual participation update documents between the State and local agencies and providers there was no reference to the appropriate Federal agency and/or regulations under which the program is governed. Additionally, 40 of 40 annual participation materials examined did not include sufficient references to meet the requirement. Based on the error rate of 100%, all 1,429 award documents likely do not contain the required award-identification information. During July 2007, the Department modified the annual participation update documents to specifically identify the required award-identification information to subrecipients.	The Department has already corrected this situation.

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		A similar finding was included in the prior year Single Audit Report as finding 06-13 on page 57.	
Page 54-55 #07-11	Child and Adult Care Food Program (10.558)	The Child and Adult Care Food Program (CACFP) did not provide adequate segregation of duties and access control between updates to subrecipient profiles controlling application edits and claim processing. During the data and control testing performed on the CACFP claims processing system, it was noted that staff authorized to input and process subrecipient claims also had authorization to update subrecipient profiles that control the applications edit and verification processes. Additionally, the application neither provides a history of user updates to subrecipient profiles, nor produces a profile change report that is reviewed by program administration. The program currently relies on supervisory review of all claims processed prior to submission to the Fiscal Management Group and the Office of the State Comptroller for payment. This control does not provide an efficient method of identifying ineligible claims and by-pass controls that would normally be inherent in the software application if effectively designed. The lack of adequate controls over edit profiles and claims processing has the potential to allow users to change profiles of subrecipients enabling them to by-pass edits and allowing ineligible claims to be processed.	The Program will be instituting a new computer program and additional controls.
Page 56-57 #07-12	Child and Adult Care Food Program (10.558)	It was disclosed that there was an incident of fraud pertaining to the diversion of program funds by a subrecipient. The program administration identified the misappropriation through its subrecipient monitoring process and controls and notified the United States Department of Justice (DOJ). The DOJ and Federal Bureau of Investigation are currently in the process of prosecuting the party involved. The amount of Federal funds granted to the subrecipient amounted to $525,000. The program subrecipient monitoring process and administrative controls resulted in the Department taking appropriate action and mitigating further misuse of the Federal awards by the subrecipient. The incident appears in this finding solely as a questioned cost and by nature of the incident is a reportable condition.	The Program will continue to monitor their subrecipients as recommended.
Page 58-59 #07-13	State Administrative Matching Grants for Food Stamp Program (10.561) Temporary Assistance for Needy	The Office's Bureau of Contract Management centralizes the daily procurement function for all programs administered by the Office. Personnel at the individual programs award and write the	OTDA's Bureau of Contract Management (BCM) has developed policies and procedures to ensure all contracts reimbursed with Federal funds clearly identify the Federal award information. The

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	Families (93.558) Child Support Enforcement (93.563) Low-Income Home Energy Assistance (93.568) Social Security - Disability Insurance (96.001)	contracts and are then reviewed by the Bureau of Contract Management, Division of Budget, and the Attorney General. In the review of 40 contracts reimbursed with Federal funds, it was noted that 26 did not contain sufficient documentation to identify the Federal program to the subrecipient. Ten of 40 contracts identified the funds were from the Federal Child Support Enforcement program, but did not identify the Federal CFDA number. All 40 contracts examined contained language informing the subrecipient of the need to have a Single Audit performed under A-133 if Federal funds expended were greater than $500,000.	Director of BCM sent two memos dated November 6, 2007 to the pertinent BCM staff and affected program staff notifying them of the new procedures and the requirement to identify the Federal funding sources, particularly by citing the Catalog of Federal Domestic Assistance (CFDA) title and number. As stated in the agency corrective action plan (CAP), this required information was included in the Requests for Proposals (RFPs) issued after November 16, 2007, to which the requirement applied, and will continue to be included in accordance with the CAP.
Page 60-62 #07-14	State Administrative Matching Grants for Food Stamp Program (10.561) Temporary Assistance for Needy Families (93.558) Child Support Enforcement (93.563) Low-Income Home Energy Assistance (93.568) Child Care Development Block Grant (93.575) Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596) Foster Care-Title IV-E (93.658) Adoption Assistance (93.659) Social Services Block Grant (93.667) Medical Assistance Program (93.778) Social Security - Disability Insurance (96.001)	The Offices and the Department of Health, on a quarterly basis, create Central Office Cost Allocation Claims (COCACs), which accumulate direct costs and allocated indirect costs through allocation accounts. All central office and certain local district costs are assigned to an accumulator code. The COCACs contained approximately $1.3 billion in allocated costs covering 82 separate allocation methodologies during the period April 1, 2006 through March 31, 2007. The methodologies were established to allocate overhead costs related to the programs formerly administered by the Department of Social Services (DSS). Effective October 1, 1996, the Department of Health (DOH) became the Single State Agency for Medicaid, with DSS submitting other State agencies' claims to DOH for Medicaid reimbursement based on the DSS COCACs. Effective with the January 1, 1998 reorganization of DSS to create the Office of Children and Family Services (OCFS) and the Office of Temporary and Disability Assistance (OTDA), OCFS and OTDA revised and implemented cost allocation methodologies regarding the programs, which they then administered to reflect the current organizational structure of the two Human Service agencies. It was noted that there were 29 separate allocation methodologies with $139 million in allocated costs related to the Office of Children and Family Services and $131 million related to the Office of Temporary and Disability Assistance that had not yet been approved by the Federal government as of the State fiscal year ended March 31, 2007. Federal regulation allows the Offices to submit claims derived from cost allocation methodologies that have been submitted to the Federal government but are pending approval. A similar finding was included in the prior year single audit report as finding 06-14 on page 59.	The Office of Children and Family Services (OCFS) files plans for both OCFS and the Office of Temporary and Disability Assistance (OTDA) on a timely basis as required by regulation and works diligently with the HHS/Division of Cost Allocation (DCA) to get those plans approved. As noted in the finding, Federal regulations require the filing of cost allocation plans and then allows states to claim against the filed plans. Federal regulations 45 CFR 95.511, "Approval of the cost allocation plan or plan amendment", state that the DCA is to notify the State within 60 days of receipt of the cost allocation plan or amendment advising as to whether the plan is approved or disapproved; advise the State as to changes that must be made to the plan or amendment to make it acceptable; or request the State provide additional information for evaluation purposes. HHS/DCA has stated in the past that the current approach is acceptable and that OCFS and OTDA are in compliance with the requirements of 45 CFR.

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Page 63-64 #07-15	Workforce Investment Act Adult Program (17.258) Workforce Investment Act Youth Activities (17.259) Workforce Investment Act Dislocated Workers (17.260)	As part of their pass-through entity responsibilities, the Department was responsible for ensuring that Local Workforce Investment Areas (LWIAs) had an audit performed in accordance with OMB Circular A-133. The Department required that all audit reports be received by the Department one month after completion of the audit report and no later than nine months after the end of the period being audited. The Department maintained a control listing, which identified the population of the LWIAs and whether the appropriate audit report was received. In June 2006, the Department put into place a sanctioning policy. When findings are included in the A-133 report, the subrecipient is required to submit a corrective action plan along with the A-133 reporting package. If the Department received no corrective action plan, follow-up is required until the corrective action plan is received. When the LWIA submits a corrective action plan, the Department reviews the plan and management decisions are made within six months. During the examination of the A-133 reports, it was noted that two of 33 LWIAs had findings contained in their audit reports which required the Department to issue management decisions within six months. One of the management decisions was issued timely. There was no management decision issued as of August 15, 2007 for the other audit report. The A-133 audit report was received by the Department on November 1, 2006, the management decision was required to be issued by the Department on May 1, 2007. A similar finding was included in the prior year Single Audit Report as finding 06-15 on page 61	The Department of Labor has instituted procedures to ensure the timely issuance of management decisions within six months. To date, we have issued all management decisions within six months of receipt of the A-133 audit reports.
Page 65-66 #07-16	Highway Planning and Construction (20.205)	As part of their pass-through entity responsibilities, the Department was responsible for ensuring that subrecipients had an audit performed in accordance with OMB Circular A-133. The Contract Audit Bureau maintains an active database tracking system to follow the submission of subrecipient OMB Circular A-133 audit reports. Due to inherent timing differences between the expenditures by the State and that of subrecipients, a questionnaire is used to determine when the subrecipient has expended the Federal funds. When the Contract Audit Bureau receives an audit report, the report is logged into the database and reviewed by Department staff. The audit procedures noted that six of 118 reports required to be submitted during the period under audit were submitted after the nine-month deadline or the approved extension	During the fiscal year ending March 31, 2008, to help ensure subrecipient audit reports were submitted within allowable time frames, the Department's Contract Audit Bureau sent out reminder letters during the month prior to the report being due. All subrecipients were also advised of the importance of filing an extension request with their cognizant Federal agency if reports could not be completed within the initial nine-month period. The Department's Contract Audit Bureau also made follow-up phone calls to those subrecipients that had not filed a single audit report or provided an approved extension. Frequently the call itself provided the push that the subrecipient needed to provide the report or the extension to file. As a result, through its ongoing communication efforts, the Department's Contract Audit Bureau has made significant progress to ensure that subrecipients had an audit performed in accordance with the Office of Management and Budget (OMB) Circular A-133 or

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		date. The Department does not have a sanctioning policy in place for subrecipients who are not compliant. A similar finding was included in the prior year Single Audit Report as finding 06-16 on page 63	that the appropriate extension was obtained. Additionally, the Contract Audit Bureau drafted a comprehensive sanctioning policy for those sub-recipients that fail to file their federal single audit report when due. The draft sanctioning policy was distributed on July 14, 2008 to the affected program areas for clearance. The sanctioning policy will be implemented by September 1, 2008.
Page 67-68 #07-17	Special Education-Grants to States (IDEA, Part B) (84.027) Special Education-Preschool Grants (IDEA Preschool) (84.173)	One of 40 formula subgrants tested was incorrectly awarded to an Local Education Agency (LEA). Three districts were merged and the resulting December 1, 1998 child count was computed incorrectly, which resulted in the child count being overstated by 107 children. Because of this, the LEA received a total of $166,199 in excess funds over the past three years. The three school districts merged on July 1, 2004 using a child count of 604 for the newly merged district. The SED should have used the correct child count of 497.	The recommendation is part of our normal procedures and all recalculations required for merged districts are specifically referenced in each year's directions for updating the allocation table. In this instance, the recommended practice was followed. However, there was a unique merge of two districts into three and then three into one and there were additional complications related to grade configurations and students sent to districts not included in the merger. Should we encounter a similarly complicated merger, we will follow the methodology used in correcting this error.
Page 69-70 #07-18	Special Education-Grants to States (IDEA, Part B) (84.027) Special Education-Preschool Grants (IDEA Preschool) (84.173)	Two of 40 formula subgrants to LEAs tested were incorrectly awarded. The State Aid Unit provides the relative numbers of children living in poverty for each of the school districts to the Strategic Evaluation Data Collection Analysis and Reporting Unit (SEDCAR). The SEDCAR Unit determined that the relative number of children living in poverty in District 1 to be 82. District 2 had zero children living in poverty. When the SEDCAR unit transferred the data, District 2 was miscoded and resulted in District 2 receiving a child poverty count of 82 and District 1 receiving a child poverty count of zero. District 2 received an allocation of $6,719 for IDEA Part B and $22 for IDEA Preschool Grant Program when the funds should have gone to District 1; District 2 should have not have received any funds.	The software referred to is a query that was developed for the 2007-08 allocations that, had it been in place for the 2006-07 allocations, would have prevented the errors. The recommendation had already been implemented before the audit.
Page 71-72 #07-19	Federal Family Education Loan Program (FFEL) (84.032)	Test work at SUNY Albany, regarding disbursement of Student Financial Aid (SFA) funds to student accounts, noted that the University had disbursed Federal Family Education Loans (FFEL) more than the allowable 10 days before the start of the semester. A sample of 40 students for all award disbursements received during both the fall 2006 and spring 2007 semesters. During the fall 2006 semester, 36 of 40 students received FFEL funding, 23 of those students received disbursements of FFEL funding more than the allowable 10 days before the start of the semester. In the spring 2007 semester, 36 of 40 students received FFEL funding, 10 of those students received funding more than the allowable 10 days before the start of the semester. The early disbursements occurred due to a misinterpretation of the SFA regulations.	The Office of Financial Aid has set up disbursement systems that ensure no funds are received by the University prior to 10 days before the beginning of classes. The Office of Financial Aid is aware of this regulation and selects date ranges for disbursement no earlier than 10 days prior to classes. Review for the March 31, 2008 Single Audit found there were no findings pertaining to this issue. The University considers this finding resolved.

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Page 73-74 #07-20	Federal Family Education Loan Program (FFEL) (84.032)	Test work at SUNY Albany of return of the Title IV funds, noted that the University did not refund the SFA accounts or lenders on a timely basis for two of 40 student withdrawals tested. Both of the refunds issued were 48 days after withdrawal and the requirement is 45 days. For the 2007-2008 school year, the University at Albany Financial Aid Department is taking over responsibility for performing the Title IV refund calculation from the Billing and Account Maintenance Office. The same department will conduct the refund calculation and the actual refund so it will be easier to return the Title IV funds with in the 45-day window.	The Office of Financial Aid runs lists weekly to identify students who have withdrawn and require a Title IV refund calculation. Adjustments to awards are immediately made following Title IV calculations, whenever appropriate. Review for March 31, 2008 Single Audit found there were no findings pertaining to this issue. The University considers this finding resolved.
Page 75-76 #07-21	Federal Family Education Loan Program (FFEL) (84.032)	Test work at SUNY Fredonia of the Student Status Changes, noted that the University updates the National Student Loan Data System (NSLDS) six times a year. When a student who is a FFEL loan borrower graduates, withdraws or drops out, SUNY Fredonia has 60 days to report the status change to the NSLDS. SUNY Fredonia's policy is to report the student status changes six times a year, leaving a gap of 122 days during the summer where the NSLDS is not updated. Students whose status changes during the first 61 days of this period will not have their status change updated in the NSLDS within the 60-day time limit. Also, the gap between the November 1st transmission and the January 1st transmission is 61 days; so if there is a student status change, it may not be reported to the NSLDS with in the 60-day time limit. For the 2007-2008 school year, SUNY Fredonia has added two transmissions to the NSLDS; one on July 15th and one on February 15th.	The Registrar's Office revised its *enrollment reporting schedule* for the National Student Clearinghouse for the 2007-2008 academic year. Enrollment data was reported to the Clearinghouse eight times throughout the year in order to provide timely reporting of any status changes. In May 2008, a follow-up visit to SUNY Fredonia to revisit this finding, and found the University reported its student status changes in a timely manner. The University considers this finding resolved.
Page 77-78 #07-22	Federal Family Education Loans (FFEL) (84.032) Federal Pell Grant Program (PELL) (84.063)	Test work at SUNY Fredonia of the return of the Title IV funds, noted that the School did not refund the SFA accounts or lenders on a timely basis for four of 20 student withdrawals tested. Student No. 1 withdrew on September 11, 2006. The Pell grant was not returned until October 27, 2006. This is 46 days after the student withdrew from SUNY Fredonia; this is one day late. Student No. 2 withdrew from the SUNY Fredonia on September 25, 2006. The Pell grant was not returned until November 22, 2006. This is 58 days after the student withdrew form SUNY Fredonia; this is 13 days late. Student No. 3 withdrew on September 26, 2006. The Pell grant was not returned until November 22, 2006 and the Stafford loan was not returned until June 18, 2007. The Pell grant was returned 57 days after withdrawal and the Stafford loan was returned 265 days after withdrawal. The Pell grant was returned 12 days late and the Stafford loan was returned 220 days late. Student No. 4 withdrew from SUNY Fredonia on February 15, 2007. The Pell grant was not returned until April 4, 2007 and the Stafford loan was not returned until April 3, 2007. The	Both the Office of Student Accounts and the Financial Aid Office streamlined and strengthened procedures for the timely return of Title IV funds. In May 2008, a follow-up visit to SUNY Fredonia to revisit this finding, and determined that Title IV funds were returned in a timely manner. The University considers this finding resolved.

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		Pell grant was returned three days late and the Stafford loan was returned two days late.	
Page 79-80 #07-23	Federal Perkins Loan Program - Federal Capital Contributions (FPL) (84.038) Federal Pell Grant Program (PELL) (84.063)	Test work at Buffalo State College (the College), regarding cash management of PELL Grants and Perkins Loans to student accounts, noted that the College did not disburse all PELL Grants and Perkins Loans within three-business days following the receipt of funds. A sample of 80 disbursements was tested, 40 each for the fall 2006 and spring 2007 semesters. Nine of 40 fall 2006 semester disbursements tested were found to have been held longer than the allowable three business days. All spring 2007 semester disbursements tested were executed properly. The College held $2,119,796 of PELL money from September 22, 2006 to September 28, 2006, a total of four business days, before disbursing it to student accounts. The $2,119,796 was 22.2% of prior-year drawdowns and therefore also exceeded the three percent total of prior-year drawdowns an institution can hold during a peak period of enrollment. The College also held a total of $573,945 of Perkins Loan money longer then the three business day period. There were two instances where Perkins Loan money was not distributed within the three business day window, $448,615 was held from September 27, 2006 to October 10, 2006, nine business days, and $125,330 was held from October 4, 2006 to October 18, 2006, nine business days. At no point during the period from September 27, 2006 to October 18, 2006 was the excess cash held by the institution under three percent ($48,635) of the total prior-year Perkins drawdowns of $1,621,151.	The College modified its procedures to ensure better inter-office coordination of the disbursement process, and implementation of a new integrated student data base system in Fall 2007 to help ensure compliance. In May 2008, a follow up visit to Buffalo State College to revisit this finding, determined the College disbursed its Pell Grants and Perkins Loans within the required timeframes. The College considers this finding resolved.
Page 81-82 #07-24	Federal Pell Grant Program (PELL) (84.063)	Test work at Buffalo State College (the College) of return of the Title IV funds, noted that the College did not refund the SFA accounts or lenders on a timely basis for one of 40 student withdrawals tested. The student withdrew September 20, 2006 but the Title IV funds were not returned until March 1, 2007. This is 162 days after the student had withdrawn from the College. The Title IV funds should have been returned by November 5, 2006, 45 days after the student had withdrawn. A similar finding was included in the prior year Single Audit Report as finding 06-18 on page 67.	Buffalo State College has procedures in place to ensure Title IV refunds are completed in a timely manner. However, based on the follow up review in May 2008, the College will reassign responsibility for processing refunds to another individual.
Page 83-84 #07-25	Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126)	In a sample of 40 case files reviewed, in the Syracuse District VESID VR Office, to determine if an individual was eligible for VR services, three of 40 cases tested, the individual's eligibility determination was not signed or dated by the counselor. A similar finding, from the Buffalo District	This finding has been addressed with the District Office Management Team in 2008. A review of select cases has been conducted to insure that signatures appear on individual eligibility determinations this year (2008). In addition to the training that took place on this topic at the Statewide Supervisory Institute in

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		VESID VR Office, was included in the prior year's single audit report as finding 06-22 on page 75.	December of 2007, the Syracuse District Office has provided recent training to all professional staff. At the April 2008 Professional Staff Meeting, training program on Eligibility and Significance of Disability was presented. This training allowed for CRC Credits from the Commission on Rehabilitation Counselor Certification.
Page 85-86 #07-26	Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126)	In a sample of 40 case files reviewed, in the Syracuse District VESID VR Office, to determine if the eligibility status was determined within the timetable required, nine of 40 cases tested, the individual's eligibility was not determined within 60 days and an eligibility extension was not filed to note a reason for additional time needed to process the determination. A similar finding, from the Buffalo District VESID VR Office, was included in the prior year's single audit report as finding 06-21 on page 73.	This finding has been addressed with the District Office Management Team in 2008. The Senior Vocational Rehabilitation Counselors have also addressed the finding with their respective units. The Syracuse District Office will continue to provide training and supervisory oversight around the 60-day requirement for transition files received from high schools The Management Team has implemented a procedure whereby applications received by the intake unit that contain all the necessary information for applicant status from high schools will be assigned to the Vocational Rehabilitation Counselor in status 02 (Applicant). This will require that a decision of eligibility be made within the required 60 day period. Central Office has also convened a Policy Workgroup to address conflicting policy and procedure requirements regarding applicant status.
Page 87-88 #07-27	Special Programs for the Aging Title III, Part B - Grants for Supportive Services and Senior Centers (93.044) Special Programs for the Aging Title III, Part C - Nutrition Services (93.045) Nutrition Services Incentive Program (93.053) Temporary Assistance for Needy Families (93.558) Child Support Enforcement (93.563) Child Care and Development Block Grant (93.575) Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596) Foster Care - Title IV-E (93.658) Adoption Assistance (93.659) Social Service Block Grant (93.667)	The Office of the State Comptroller (OSC) is responsible for the draw down of Federal funds on behalf of most of the State agencies, which deal with the Federal programs. For PSC-272 reporting purposes, each Federal letter of credit from which the State is authorized to draw down funds has its unique identification number and required report. Review of the twelve PSC-272 reports required for each of the quarters in the State's fiscal year ended March 31, 2007 revealed that three of the Division of Payment Management's (DPM's) twelve cash balances were not in agreement with those of the State. The combined DPM variance at March 31, 2007 was a negative cash balance of $22,494,549 representing a potential receivable from the Federal government. Some of these variances have existed since June 1997. The OSC has controls and procedures in place to demonstrate that all current/active awards remain reconciled each quarter resulting in no change to DPM's stated variances. The OSC continuously monitors these variances and has confirmed that it has provided DPM the necessary financial information to correct the variances. OSC has indicated that they have done everything within their power over the course of several years to try and get the U.S. Treasury's DPM to resolve this issue through journal entries posted to DPM's accounting system. Numerous attempts were made in the	In December 2007, a journal entry was made in the HHS - Payment Management System (PMS) to adjust 'advances' made to New York State; thereby bringing the PMS-reported cash-on-hand balances for PAN's 6340G and 7785G equal to the State's reported balances. No adjustment was necessary to adjust the State's records. New York continues to be in full compliance with Federal rules and regulations governing the drawdown of Federal funds to fund immediate cash needs and our accounting system records indicate that all grant award disbursements have been funded by drawdowns from the U.S. Treasury. As of March 31, 2008, the PMS report for PAN U009P continues to include a fixed credit balance of ($22,494,911.32) in the cash on hand balance, which is indicative of a Federal liability to New York. DPM officials have been advised that all State payments financed by drawdown from the U.S. Treasury have been requested and received. Therefore, we cannot process a drawdown request for this amount since any such drawdown would result in excess cash on hand in NY's accounts. Since this would put New York out of compliance with Federal rules and regulations governing cash management of Federal funds, corrective action must be initiated by DPM to cancel this liability to New York State.

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		past year by OSC to contact DPM. Thus far, OSC has not received a response that has aided in the reconciliation of this issue. A similar finding was included in the prior year Single Audit Report as finding 06-31 on page 93.	
Page 89-90 #07-28	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services (93.044) Special Programs for the Aging - Title III, Part C - Nutrition Services (93.045) Nutrition Services Incentive Program (93.053)	During the period under audit, the Office collected single audit reports from Area Agencies on Aging (AAAs), which include local districts, non-profit agencies, and Indian tribes, primarily related to the fiscal year ended December 31, 2005. The Office had adequate policies and procedures to identify AAAs that are required to submit an OMB Circular A-133 Single Audit report, track delinquent single audit reports, follow-up on outstanding reports and findings to ensure that such audits were being performed, and track whether the audit reports were submitted to the Office within the required due date (within nine-months from the end of the AAA's fiscal year end). Review of the Office's subrecipient monitoring procedures noted that the Office took appropriate action (management decisions) for findings that required their attention. Review of the submitted single audit reports noted that three of 20 selected for review were submitted late and no sanctions were levied on the AAAs. Also noted that the Office had identified which subrecipients did not submit timely reports or had requested extensions. The Office's tracking log was accurate based on the sample of 20; therefore, based on the Office's total population of AAAs five of 59 OMB Circular A-133 Single Audit Reports were late. The Office does not have policies or procedures in place to sanction subrecipients for late filing of the required OMB Circular A-133 reports.	The Office implemented a Single Audit Sanction Policy issued on August 5, 2008 via Program Instruction 08-PI-15.
Page 91-92 #07-29	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (93.044) Special Programs for the Aging - Title III, Part C - Nutrition Services (93.045) Nutrition Services Incentive Program (93.053)	The Office's internal controls require that a review is performed at least once every two years for each of the 59 Area Agencies on Aging (AAAs). The reviews alternate between a voucher verification review and a financial assessment. The financial assessment is an all-inclusive review of the AAAs' financial processes and includes a voucher verification review. Regular reviews are required in order to monitor the AAAs of the Federal Aging Cluster, as the OMB Circular A-133 Single Audit Reports of AAAs do not typically include the Aging Cluster as a major program. The Office conducted 20 reviews during the State's fiscal year ended March 31, 2006 and 18 reviews during the State's fiscal year ended March 31, 2007. Review of six of 18 reviews conducted during the fiscal year ended March 31, 2007 indicated that the reviews were	During SFY 07-08 Office staff completed 29 field visits of our Area Agencies on Aging (AAA). For SFY 08-09 Office staff have already completed 14 field visits and another 2 have been scheduled. The remaining 14 will be visited by the end of this SFY. As a result of an added emphasis on completing field visits all 59 AAAs will have been visited within two years.

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		properly performed and that the Office follows up on findings in a timely manner. The Office failed to conduct reviews for 21 of 59 AAAs during the two-year period April 1, 2005 through March 31, 2007. For 11 of these 21 AAAs, the Office had reviews performed after March 31, 2007. An additional seven of the 21 have been scheduled for review during the State fiscal year April 1, 2007 through March 31, 2008. Three of the 21 AAAs have not received a review within the two-year period April 1, 2005 through March 31, 2007, nor have reviews been scheduled.	
Pages 93-94 #07-30	Temporary Assistance for Needy Families (93.558)	In order to count the number of months a family has received Federal TANF funds, the Office developed the Welfare Reporting and Tracking System (WRTS). WRTS was designed to identify Federal TANF cases and automatically converted the case to non-federally participating when a particular case exceeded the 60-month limit that did not have a qualifying exception. As part of the audit of WRTS, certain IT controls in place were reviewed to ensure that the data residing in WRTS and used to convert the case to non-federally participating in the Welfare Management System was complete and accurate. The following was noted: WRTS has nine database administrators (DBAs) that have access to the production database. It was noted that the Office does not have policies or procedures in place to know when the database administrators made changes or what changes were made. As a result unauthorized or inappropriate changes could be made to the database and go undetected. User access requests to WRTS did not contain sufficient description of the specific access needed by a new user. As a result, users may be given access that is either inappropriate or insufficient for their duties and may result in inappropriate and unauthorized changes to the data within WRTS. The Office did not conduct a periodic review of user access to the WRTS production environment. In a sample of five users, one user had left the Office and still had an active user ID. As a result, users that undergo a role change with the Office (through promotions, transfer, or separation) may retain access that is not appropriate for their new role and result in inappropriate or unauthorized access. The Office has developed policies and procedures that address this matter, however, they were implemented and became effective after the period covered in our report. A similar finding was included in the prior year	All processes and procedures implemented shortly after the completion of the 2006 Single Audit Review period remain in place (as described below). For the 2008 Single Audit Review period (4/1/07 – 3/31/08), the CAP was fully implemented and the Office was in full compliance. Recertification for all WRTS users has been most recently done in June 2008. Authorized Requestors were provided with listings of WRTS users. Authorized requestors recertified and updated the WRTS users listings. The DBAs made appropriate revisions to the access privileges for the WRTS instances. As a result of this review, several user Ids were deleted. All remaining user Ids have been reauthorized or have been de-activated/locked. A User Recertification Report listing is provided to the Authorized requestors. This document is retained and updated by the DBAs for validating user ID authorizations. Recertification of all WRTS users will be done every six months. In addition, a process has been put in place where DBAs are required to document data changes made by them to production WRTS data using form DOIT-DA-0001. These forms are kept by the bureau secretary in a central location. To date, no data changes have been made to production WRTS data by DBAs.

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		Single Audit Report as finding 06-30 on page 91.	
Page 95-96 #07-31	Temporary Assistance for Needy Families (93.558) Medical Assistance Program (93.778)	The Office was in compliance with the Income Eligibility and Verification System (IEVS) until November 2000. That match was discontinued as a result of an IRS Security audit and the costs of implementing the necessary changes identified by the security audit. In September 2004, the Office submitted a corrective action plan to the Federal government, including certification from the Governor, which expressed the State's commitment to complying with the IRS unearned income matching requirement and a proposed timeline for compliance. The 1099 unearned income computer-matching component of the IEVS is currently operational in New York State, however 1099 Federal tax information is not being processed as the State is in the process of implementing the new IRS electronic data transmission process. On July 27, 2004, a $43 million sanction was imposed against the State for noncompliance with this component of IEVS. The Office has received approval from the Department of Health and Human Services for the entire sanction to be forgiven under a Corrective Action Plan (CAP) approved in January of 2005. The CAP required the Office to have its 1099 computer matching re-instituted by October 1, 2005. As a result of documented delays in IRS approval of the State's timely Computer Matching Agreement (CMA) submission, approval of the CMA was delayed until March 9, 2006 and has since been extended until June 30, 2008. The 1099 matching component was initiated in July of 2006 when the Office was first legally able, under its March 2006 approved CMA, to submit a tape of its TANF recipients to the IRS. Processing of data began in September 2006. However, due to data errors, the monthly updates have not been performed since October 2006. As a result, income eligibility information was not available for local districts to utilize in making eligibility determinations. A similar finding was included in the prior year Single Audit Report as finding 06-29 on page 89.	The Office has completed the corrective action for this finding as proposed in last year's CAP. The Office's ability to resume data matching via the Tumbleweed electronic transmission process was established in November 2007. At that time, the Office was able to access the data of the entire TANF caseload which it submitted to the IRS in late August and which was still available via the Tumbleweed electronic transmission process. Since then, the Office has conducted regular matches of TANF data against the IRS 1099 database to obtain the required resource information. Processing of 1099 data to determine its appropriateness for furnishing to local social service districts has been continuous from November 2007 to the present.
Page 97-98 #07-32	Temporary Assistance for Needy Families (93.558) Child Care Development Block Grant (93.575) Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596) Foster Care - Title IV-E (93.658) Adoption Assistance (93.659) Social Services Block Grant (93.667)	During the period under audit, the Office collected single audit reports from local districts and non-profit agencies related to the fiscal years ending December 31, 2005 and June 30, 2006. The Office had adequate policies and procedures to identify subrecipients, track delinquent Single Audit reports, follow-up on outstanding reports and findings to ensure that such audits were being performed, and track whether the audit reports were submitted to the Office within the required period.	AQC has developed a procedure to enforce sanctions when local districts and non-profit agencies do not submit timely A-133 audit reports or proof of extension approvals. Additionally, AQC continues to refine internal controls with regard to the filing of A-133 audit reports.

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		The auditor's review included examining 10 of 36 non-profit and 15 of 58 local districts' OMB Circular A-133 Single Audit reports and found no exceptions between the date received as stamped on the report and the Office's database. Based on the Office's database, 12 of 36 non-profit and one of 58 OMB Circular A-133 Single Audit reports was received later than nine-months following the subrecipients fiscal year end or after their approved extension date. The Office did not impose sanctions on any of these 13 subrecipients. Review of the Office's subrecipient monitoring procedures, noted that the Bureau of Audit and Quality Control (AQC) sent audit reports that had findings to the appropriate program officials for review and follow-up. The Office did issue management decisions with regard to local district and non-profit agencies' A-133 audit reports that had findings relevant to their Federal programs. The auditor also noted that the Office had identified which local districts and non-profit agencies did not submit timely reports or had requested extensions. However, there were no policies or procedures in place to sanction these grantees during the fiscal year. The Office has since developed sanction policies and procedures and will be able to follow these procedures for Single Audit reports received late during the State fiscal year 2007-2008. A similar finding was included in the prior year Single Audit Report as finding 06-28 on page 87.	
Page 99-100 #07-33	Child Care Development Block Grant (93.575) Child Care Mandatory and Matching Funds of the Child Care and Development Fund (93.596) Foster Care - Title IV-E (93.658) Adoption Assistance (93.659) Social Services Block Grant (93.667)	The Office conducted on-site audits of subrecipients for the Adoption Assistance, Child Care, and Foster Care programs during the period of April 1, 2006 through March 31, 2007. During these audits, the Office primarily selected case files to review for Federal eligibility determinations and evidence of adequate supporting documentation for amounts claimed for Federal reimbursement. The Office adequately follows up on all findings and requires appropriate action from the local districts. The Office also maintains an annual audit plan for their review of local districts. The Office uses a risk-based approach to determine which subrecipients to audit. For the past two years, the Office focused on Title IV-E Foster Care audits due to the number of errors found during Federal audits. Out of 59 local districts, the Office performed 30 Foster Care audits, 16 Child Care audits, four Adoption Assistance audits, and no Social Service Block Grant audits between the fiscal years ending 2003 through 2007. Therefore, many local districts have not been audited by the Office in several years. However, the Office appears to	AQC continues to evaluate its approach to scheduling audits based on a variety of factors. AQC continues to emphasize a risk-based approach to determine which entities will be audited. Efforts continue to augment the approach to allow for a wider range of local district audits.

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		have appropriately focused their efforts and available resources on those local districts that represent the highest degree of risk. During the year April 1, 2006 through March 31, 2007, the Office issued 14 reports (four in process) for local districts that were audited for their Foster Care programs, seven audit reports were in process for their Child Care programs, and four reports (two in process) for their Adoption Assistance programs. Review of the audit reports indicated that the majority of the Foster Care audits were follow-up audits that were originally audited during calendar years 2002 through 2004. Three audits of local districts which had not been audited in recent years were started during the first quarter of 2007. Two of the seven Child Care audits were of local districts that have not been audited in recent years while the remaining five districts have been audited between 2001 and 2004. The Social Services Block Grant program has not been reviewed by the Office in several years.	
Page 101-102 #07-34	Foster Care - Title IV-E (93.658) Adoption Assistance (93.659)	The Office requires the receipt of financial data submitted by local districts in order to complete the Foster Care and Adoption Assistance Financial Report (Form ACF-IV-E-1). The local districts submit their claims through the Automated Claiming System (ACS) managed by the Office of Temporary and Disability Assistance. Currently, the reports from the ACS are generated approximately 30 days after the end of the quarter in order to give the local districts time to submit claims. During the period of audit, it was noted that each quarterly report is submitted late due to the inability of the State to compile the required financial data on a timely basis. Examination of one of four quarterly reports noted that the quarterly financial report for the period January 1, 2007 through March 31, 2007, which was due by April 30, 2007, was submitted on June 1, 2007.	The Office continues to consider efforts to pursue a waiver from HHS relative to the reporting timeframes.
Pages 103-104 #07-35	Foster Care - Title IV-E (93.658) Adoption Assistance (93.659)	The Office semi-annually submits data for Adoption and Foster Care Analysis and Reporting System (AFCARS) to the U.S. Department of Health and Human Services, Administration for Children and Families (ACF). Despite continuous effort to develop the Statewide Automated Child Welfare Information System (SACWIS) the Office has repeatedly failed the standards for several data elements. For the period of April 1, 2006 through September 30, 2006, the submitted data exceeded the standard by more than 10% for three of 37 data elements for Adoption Assistance data and 28 of 66 data elements for	New modules in the "Connections" system now permit workers in LDSS and voluntary agencies to capture data elements related to health conditions associated with a child's removal, foster home composition and adoption. Within Connections, AFCARS data elements are often shown with an asterisk (*) to flag importance to workers. Prior to the March 2008 AFCARS submission, reports were provided to local districts to identify children served with no recorded clinical diagnosis. These reports were extremely successful in supporting local districts in entering needed health data for children. Between the September 2007 submission to the federal government and the March 2008 submission, reported cases with health

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		Foster Care. The ACF has not yet penalized New York State for this repeated failure for accurate data submission.	information increased from 30% to 60%.
Pages 105-106 #07-36	State Children's Insurance Program (93.767)	Review of the State Children's Health Insurance Program (SCHIP), noted that the Department has consistently estimated unallowable abortion costs based on established policies and procedures to ensure that the costs were not charged to the SCHIP. The Department developed a methodology to estimate the cost of abortions claimed each quarter and proposed the methodology to the Center for Medicare and Medicaid Services; however, no confirmation of the policy's acceptance by the Federal awarding agency has been received by the Department. The Department used the method developed to reduce Federal fiscal year 2006 claims by $517,065. The Federal share of this amount was 65% or $336,092. A similar finding was included in the prior year Single Audit Report as finding 06-33 on page 97	The Department continues to utilize an interim procedure to remove costs attributable to this service for Federal claims.
Page 107-108 #07-37	State Children's Insurance Program (93.767)	The review of Information Technology (IT) application controls, business rules, edits and process logic of the Knowledge, Information and Data System (KIDS) identified the system's reliance on "fuzzy logic" and comparison of enrollee demographic data to identify potential ineligible and duplicate enrollees between multiple Child Health Plus plans. Output from the KIDS application is also matched against the Medicaid participant database to identify participants that are enrolled in both State Children's Insurance Program and Medicaid programs. The Program allows participating plans to submit enrollment data for applicants via file transfer protocol to the KIDS application for verification and acceptance. The result of the verification process is then transmitted back to the plan the next day. The KIDS Program was implemented in late 2004 at which time the agency had identified duplicate claims in excess of $20 million dollars for the years 2003 and 2004. Based on the application's duplicate claim output files for the period January 1, 2006 through December 31, 2006, duplicate claims amounted to $13,147,252, which was returned to the Federal government in July 2007. One of the primary purposes of developing and implementing the KIDS application was to create a single master registry of State Children's Insurance Program enrollees, as well as utilizing the data for identifying duplicate plan enrollees. However, based on the data examined in addition to inquiries of management exception reports, identification of	Duplicate payments have been returned to the Federal government.

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		duplicate enrollees and matches against the Medicaid database are time consuming and labor intensive. A similar finding was included in the prior year Single Audit Report as finding 06-35 on page 101.	
Page 109-110 #07-38	Medical Assistance Program (93.778)	Manufacturers are invoiced quarterly, no later than 60 days after the end of the quarter. Prior period adjustments to the monthly invoices are made continuously by the larger drug manufacturers to address changes in the negotiated rates made between the drug industry and Federal Center for Medicare and Medicaid Services (CMS). The Department has not designed a procedure to determine the appropriateness of those adjustments. The Department has not instituted a procedure to sanction those manufacturers who do not pay the rebate or provide a written notice of disputed items after 38 days. The Department records interest income in it's accounting system based upon the voluntary payment from the drug manufacturers. A similar finding was included in the prior year Single Audit Report as finding 06-42 on page 117.	The Department is improving procedures.
Pages 111-112 # 07-39	Medical Assistance Program (93.778)	The State Plan requires the Department to perform desk audits of all cost reports for both inpatient hospitals and long-term care facilities. Facilities are required to submit hard copies of the original signed provider certification and Certified Public Accountant (CPA) certification to the Department of Health. It is the Department's responsibility to ensure that rate calculations are based on the most recent submission of the cost report. The Department has established a checklist to aid with the desk review to ensure that all required materials for the most current version of the cost reports have been submitted. In the review of 20 inpatient hospital desk audits, the following two exceptions were noted: • Three instances where the document control number of the Health Edit Report did not match that of the submitted Institutional Cost Report (ICR). • One instance where the document control number of the Provider Certification and Health Edit Report did not match that of the submitted ICR. A similar finding was included in the prior year Single Audit Report as finding 06-43 on page 119.	The Department has instituted new procedures to eliminate this finding.

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Pages 113-114 #07-40	Medical Assistance Program (93.778)	After an uncashed check is outstanding for a period of 180 days, the Department will credit the outstanding check for the Center of Medicare and Medicaid's Services (CMS). To assist with identification of the checks outstanding, Computer Science Corporation, Inc. will issue a quarterly report. Each quarter the inventory of checks outstanding is routinely reviewed, and adjustments are made in the Quarterly Expenditure Report. On the report for checks previously credited to CMS that were reissued during quarter ended December 31, 2006, there were six occurrences totaling $884 where a date of January 1, 2007 was present. These same six checks also appeared on the report for checks previously credited to CMS that were reissued during quarter ended March 31, 2007. The checks appeared on the December 31, 2006 report based on when the original check was voided. The Department has corrected this error, which has caused the same checks to appear on the March 31, 2007 report. However, the Department has not yet adjusted the CMS-64 report to reflect the duplicate claim of $884. A similar finding was included in the prior year Single Audit Report as finding 06-44 on page 121.	The Department has new procedure in place to prevent this.
Pages 115-116 #07-41	Medical Assistance Program (93.778)	The Department, acting through its fiscal agent on March 24, 2005 implemented eMedNY, New York State's electronic Medicaid system, an automated payment and information reporting system to process Medical Assistance claims and pay providers for medical services rendered to eligible Medicaid recipients. During the year ended March 31, 2007, eMedNY paid 311 million claims totaling $41.4 billion. The Office of the State Comptroller (OSC) maintained audit staff on site to conduct continuous audits of the eMedNY claims processing activity including weekly examinations of the accuracy of the Medicaid claims that are processed. The objective of the OSC audit was to determine whether Medicaid providers had reported third party insurance payments appropriately, whether the Department had accurately updated the eMedNY system to reflect provider rate revisions, and whether the Department had properly monitored the accounts receivable balances of Medicaid providers. As a result of the OSC procedures for the year ended March 31, 2007, OSC identified approximately $16.7 million in potential overpaid claims. Approximately $1.7 million of the $16.7 million had already been returned to the Medicaid program during the audit year and the Department was investigating the remaining $15 million. OSC audits also identified	No status update provided.

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		recommendations to improve controls over verifying the accuracy of provider reported third party insurance and to investigate and recover claim overpayments. A similar finding was included in the prior year Single Audit Report as finding 06-46 on page 125.	
Pages 117-118 #07-42	Medical Assistance Program (93.778)	The Department, as the State Medicaid agency, has delegated the eligibility determination for the Medical Assistance program to the State's 58 local districts. The State maintains the computer systems supporting the eligibility determination process. In tests of eligibility determinations, sample of 160 Medicaid Assistance Program recipients within significant categories of eligibility from four upstate local districts to determine whether the recipient was eligible to receive benefits there were no noted instances of noncompliance. However, during the course of other audit procedures, reports prepared by other auditors identified instances of noncompliance. These reports include: • The financial statement audit report of the State of New York issued on July 23, 2007 by KPMG, LLP which involved recipients who received benefits from April 1, 2006 to March 31, 2007. • The OMB Circular A-133 Single Audit report of the City of New York issued on October 26, 2006 by Deloitte & Touche, LLP, which involved recipients who received benefits from July 1, 2005 to June 30, 2006. A similar finding was included in the prior year Single Audit Report as finding 06-47 on page 127.	The Department is using all available resources to monitor local districts and will continue to explore other avenues to strengthen enrollment processes.
Pages 119-120 #07-43	Medical Assistance Program (93.778)	The State uses the Medicaid Automated Budget and Eligibility Logic (MABEL) system, a subsystem of the Welfare Management System (WMS), to determine if a Medicaid applicant is resource and income eligible to receive benefits. MABEL is configured to take the resource and income information supplied by the applicant and run the information through system logic to determine if the applicant is eligible, and if so, the eligibility category the applicant is eligible for. Caseworkers at the local districts rely on MABEL when making eligibility determinations. Review of the MABEL system technology controls noted the following:	The Department has implemented procedures to address this issue.

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		• Certain of the Department's Office of Medicaid Management (OMM) analysts, testers, and help desk staff have access in MABEL so that they can assist district users with error resolution and can override other system errors which may have resulted due to changes to production that were missed during testing. The changes made were not monitored by Office personnel to ensure that changes that were made were appropriate. • A periodic review of MABEL user access levels is not performed to ensure that staff access levels were maintained at levels that are consistent with user responsibility. It was noted that new user requests or modification to existing user requests were made through email, however, no formal policy, procedure or monitoring method was documented. In September 2006, the program instituted the policy "WMS Production Account Management, Authorization and Access Control Procedures for OTDA-IT Application Development & Answer Center/Help Desk Staff." A similar finding was included in the prior year Single Audit Report as finding 06-48 on page 129.	
Pages 121-122 #07-44	Reimbursement of State Costs for Provisions of Part D Drugs (93.794)	The Schedule of Expenditures of Federal Awards for the fiscal year ended March 31, 2006 did not include expenditures for the *Reimbursement of State Costs for Provisions of Part D Drugs Program* (CFDA Number 93.794). The State's system of internal controls failed to identify the expenditures incurred through March 31, 2006 for the Schedule of Expenditures of Federal Awards to be properly prepared in accordance with generally accepted accounting principles. For the year ended March 31, 2007, there is a total of $117.2 million of expenditures reported which includes expenditures for the fiscal year ended March 31, 2006. This Federal program was initiated in 2006. The costs eligible for reimbursement under this Medicare Demonstration Program were to be incurred by the state(s) related to the provision of Medicare Part D Program drugs to dual eligible and low-income subsidy entitled beneficiaries for prescription drugs provided between January 1, 2006 and February 15, 2006. The Schedule of Expenditures of Federal Awards should include the expenditures related to all Federal awards through the State's fiscal year ended March 31, 2006.	This was a one-time unusual award and the situation should not occur again.

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Pages 123-124 #07-45	Block Grants for Prevention and Treatment of Substance Abuse (93.959)	The Office of Alcoholism and Substance Abuse Services awards Federal funds to local government units (LGU) and not-for-profit providers. The Office advances funds to the LGU and not-for-profit providers by providing equal monthly advances which are based on the annual budget. All subrecipients (LGU and not-for-profit providers) are required to submit mid-year and final expenditure reports. At the fiscal year end of the subrecipient, the total advances are compared to total expenditures claimed. The amount of any over-advances is recouped by decreasing the following month's advance. Actual expenditure claims at mid-year are compared to half the annual budget. When actual expenditures are less than 10% of half the annual budget, the Office will decrease the following month's advance. Mid-year reports were received for all subrecipients, however, LGU reports were not reconciled by the Office staff. A new system was being developed and implemented at the time LGU mid-year reports were received. The State Aid Budget and Reporting System (SABRS) is now being used by the Office to record subrecipient expenditure data, compare to budget, and automatically adjust expenditure claims if necessary. At the time of the audit, eight LGU's final reports were reconciled and completed within SABRS and were reviewed without exception. Review of 28 mid-year reports (13 not-for-profit and 15 LGUs) found four instances (1 not-for-profit and 3 LGUs) where the Office should have decreased the following month's advance and did not. In one of the four instances, an LGU's advance was decreased by $57,000, however, the entire over-advance for that LGU amounted to $149,141. Total amount of Federal dollars over-advanced for these four subrecipients amounted to $173,481.	As previously reported, OASAS was unable to reconcile the 2006 Mid-year expenditure reports for the Local Governmental Units (LGU) due to the Agency's development and implementation of its new State Aid Budget and Reporting System (SABRS). SABRS was first used to reconcile the 2005 Final expenditure reports. However, by the time the 2005 reconciliations were completed, the 2006 Final expenditure reports were due making reconciliation of the 2006 Mid-year reports a pointless exercise. As a corrective action, in the new period, OASAS assigned additional staff to the reconciliation of 2007 Mid-year claims submitted by LGUs. All 2007 Mid-year reconciliations have been completed and July 2008 advance payments have been appropriately adjusted for those providers identified as having been "over-advanced".
Pages 125-126 #07-46	Block Grants for Prevention and Treatment of Substance Abuse (93.959)	The Office performs fiscal reviews of not-for-profit providers. The review consists of reviewing fiscal policies and procedures, financial, budget and reporting records, expenditures, and requirements specific to the Block Grant for Prevention and Treatment of Substance Abuse. The Office determines which subrecipients to review based on a risk assessment. Subrecipients' risk is evaluated based on budget, complexity of their program, self-questionnaire, the last time the subrecipient was reviewed and the results of the review, fiscal viability, and amount of Federal funding. Review of 25 of the 101 fiscal reviews performed by the Office noted three reviews were not completed timely. For these three reviews, the final report was completed 253, 333, and 229 days after the end of the fiscal	The risk assessment process for prioritizing and scheduling fiscal reviews has been adjusted to include those providers that receive "pass through Federal funding via Local Governmental Units." The Risk Assessment Listing prepared for the quarter beginning April 1, 2008 identified all providers which received Federal funding either directly or through Local Governmental Units. In regard to the recommendation to reassess staffing needs for fiscal reviews, the Office acknowledged that the staffing shortfall in the Fiscal Audit and Review Unit (FARU) during the period covered by the 2006-07 audit was a primary reason for noncompliance with the six-month standard for issuing final reports. Since that time, FARU has filled several vacancies and as of January 2008, was only one staff member short of its full complement of staff. Having achieved this, OASAS anticipates

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		review. One was due to subrecipient delay in submitting the corrective action plan. The other two are due to a staffing shortage at the Office. The fiscal reviews are performed partially for determining if the subrecipient is spending Federal funds for allowable activities. The review is more valuable when completed timely. Also noted design flaws in the risk assessment process. The amount of Federal funds to a subrecipient partially determines the level of risk. For risk assessment purposes, the Office does not consider subrecipients that receive funds passed through a local government unit (LGU) from the Block Grant for Prevention and Treatment of Substance Abuse as Federally funded. The Office has notified the LGUs of their responsibility to monitor these subrecipients, however, the Office also has the responsibility to monitor these subrecipients as if they received Federal funds directly from the Office.	that the potential for late follow-up of fiscal reviews has been significantly reduced, and that compliance levels will improve providing that written responses from providers continue to be received on a timely basis.
Pages 127-128 #07-47	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (97.036) Hazard Mitigation Grant (97.039)	The Office had policies and procedures in place to inform subrecipients that a single audit may be required in accordance with OMB Circular A-133 through the Applicant Handbook, Applicant Closeout Letter, and an annual reminder package that included a Subrecipient Single Audit Requirement Fact Sheet and a Single Audit Certification Checklist. Based on the responses to the Single Audit Certification Checklist, the Office determined that for the year ended March 31, 2007 there were 88 subrecipients that were identified as having had an OMB A-133 audit report due. Audit procedures noted that four of 88 subrecipients did not submit an OMB A-133 audit report on time (not within the nine-month requirement from their fiscal year end). The four subrecipients each indicated that their records had been destroyed due to flooding and an A-133 report was not completed. An extension of the due date was not requested. Also noted that 30 of 84 subrecipients submitted their A-133 reports late. No sanctions were imposed nor were funds withheld with regard to these subrecipients. A similar finding was included in the prior year Single Audit Report as finding 06-52 on page 137.	The State Emergency Management Office will recommend sanctions for those municipalities who demonstrate continued inability or unwillingness to have a required Circular A-133 audit. Sanctions will comply with OMB Circular A-133 Subpart B § .225 Sanctions.