

April 22, 2014

To Whom it May Concern:

The New York State Unified Court System (UCS) is soliciting proposals from qualified independent public accounting firms to perform a review of the UCS's internal controls as required by the New York State Governmental Accountability, Audit and Internal Control Act (Article 7-D of the Judiciary Law).

You are invited to submit a written quote pursuant to the enclosed specifications. Quotes must be submitted to my attention at NYS Office of Court Administration, Internal Audit Services Unit, 2500 Pond View, Suite LL01, New York 12033 by May 30, 2014.

George E. Danyluk, CIA
Chief Internal Auditor
Office of Court Administration
2500 Pond View, Suite LL01
Castleton on Hudson, NY 12033

Please prepare your written quotation in conformity with the enclosed specifications.

Sincerely,

George Danyluk

/smw
Enclosure

c: Joan Casazza

INTERNAL CONTROL AUDIT

I. GENERAL INFORMATION

PURPOSE & SCOPE:

The New York State Unified Court System (UCS) is requesting proposals from qualified, independent certified public accounting firms to perform a review of the UCS's internal controls ("Project"), as required by the NYS Governmental Accountability, Audit and Internal Control Act, (Chapter 510 of the Laws of 1999) ("Act"). A copy of the Act is attached to this solicitation as Exhibit A. Accordingly, the NYS Office of Court Administration, Internal Audit Services Unit is soliciting written proposals.

DUE DATE:

Responses to this solicitation must be received at the NYS Office of Court Administration, Internal Audit Services Unit - 2500 Pond View, Suite LL01, Castleton-on-Hudson, NY 12033 to the attention of George Danyluk on or before 11:00AM, May 30, 2014 to receive consideration. Firms wishing to submit *responses* do so entirely at their own risk and their own expense. Under no circumstances will the UCS reimburse any responding firm, whether selected for the Project or not, for any expenses incurred in preparing its response to this solicitation. The proposal may be hand-delivered or mailed to the aforementioned location.

DISCLOSURE:

All firms submitting responses for this Project must disclose any prior or pending lawsuit(s) between the firm and any federal, state or local branch of government, department, agency, board or commission. The nature of the lawsuit and its outcome, if litigation is complete, also should be described briefly.

TERM:

A single contract will be awarded for the period commencing on/about **July 1, 2014 through March 31, 2015**. While it is expected that Project will be completed within the aforementioned period, OCA/IA reserves the right to once **EXTEND** the contract for a period not to exceed ninety (90) days upon expiration of the initial contract term upon the same terms, conditions and pricing. Such **EXTENSION** shall be by written notice to contractor.

COMPLIANCE WITH LAWS:

Contractor(s) shall be compliant with all applicable Federal, State and Local laws, rules and regulations.

INSURANCE REQUIREMENTS:

Bidder's must submit proof of the following comprehensive and general liability insurance coverage (a certificate of coverage is acceptable):

A. Minimum \$1,000,000.00 for bodily injury and property damage per occurrence and \$2,000,000.00 in the aggregate.

B. \$1,000,000 per occurrence of professional liability insurance for all staff involved with delivery of any and all services.

Such insurance shall be maintained and kept current throughout the contract period, or any renewal or extension thereof and shall be at no cost to the UCS.

Liability - Personal Injury:

Awarded contractor(s) shall hold harmless the State of New York, the Unified Court System and the Office of Court Administration with respect to any injuries sustained by contractor's employees, agents, subcontractors, etc. during the contract period.

SILENCE OF THE SPECIFICATIONS:

The apparent silence of the specifications contained as part of this package as to any detail or to the apparent omission of a detailed description concerning any point, shall be regarded as meaning that only the best commercial practices are to prevail. All interpretations of these specifications shall be made on the basis of this statement.

TRAVEL EXPENSES:

All travel deemed necessary and appropriate by the Project Director to the performance of contractor's services shall be approved in advance by the Project Director and be reimbursed pursuant to current UCS non-judicial travel rates and rules (copy available upon request).

NOTE: The UCS reserves the right to retain all responses submitted and to use any ideas therein, regardless of whether that response is selected. Submission of a proposal; indicates acceptance by the firm of the conditions contained in this RFP, unless bidder clearly and specifically notes otherwise in their response.

QUALIFICATIONS:

In addition to such other qualifications as may be presented herein, firms must include the following information with their proposal:

- A. Listing of New York State locations where firm maintains an office or operational base and respective number of audit, clerical and administrative personnel.
- B. Name and title of primary staff person to be assigned to the Project.

Additionally, all other assigned staff is to be listed, noting administrative and operational level of each. Resumes of all key audit personnel assigned which thoroughly describes relevant training and experience.

SUBCONTRACTING:

The subcontracting of all or any portion(s) of the services presented herein is prohibited.

II. GENERAL DESCRIPTION OF THE UCS

The mission of the UCS is to promote the rule of law and to serve the public by providing just and timely resolution of all matters before the courts. As the judicial branch of state government, it is the function of the UCS to provide a forum for the peaceful, fair and prompt resolution of civil claims; family disputes; criminal charges and charges of juvenile delinquency; disputes between citizens and their government; challenges to government actions; the administration of estates of descendants; adoption petitions; divorce and related proceedings; the legal protection for children, mentally ill persons, and others entitled by law to the special protection of the courts. The UCS also regulates the admission of lawyers to the Bar and the conduct of all lawyers practicing in NYS. The UCS has more than 15,360 full-time nonjudicial employees, 1,247 judges of courts of record and 2,098 town and village judges.

A detailed description of the judicial and administrative structure of the UCS is attached hereto as Exhibit B. See also III(F)(2)-(4) below.

III. NATURE OF SERVICES REQUIRED

A. General

The Act requires an audit of the internal controls of the UCS. The audit must be conducted in accordance with generally accepted government auditing standards ("GAGAS") and shall include a report on whether the internal accounting controls and the internal administrative controls of the UCS are established and functioning in a manner that provides reasonable assurance that they meet the specific objectives of internal control as defined in the Act. The firm selected for this Project will audit the internal accounting and

administrative controls used by the UCS for **NYS Fiscal Year 2013 - 2014**. The specific aspects of the UCS that will be audited will be determined by the UCS in consultation with the selected firm. It is assumed that all internal administrative and accounting controls which are necessary for the UCS to effectively achieve its objectives shall be identified and reviewed by the firm.

B. Definitions

For the purposes of this audit, the successful firm will rely upon the definitions for internal control as set forth in the Act.

C. Audit Standards to be Followed

In performing the work contemplated by this RFP, firms must follow "GAGAS", as set forth by the Government Accountability Office. No opinion on the adequacy of the overall internal control systems is required; rather, only a statement as described in Section IV below is required. A Statement on Auditing Standards #2 ("SAS #2") is not required.

D. Documentation

The firm's working papers should contain sufficient written documentation and flow charts to document its findings and final report. Upon request, these working papers must be made available to the UCS. All working papers and reports must be retained by the firm for a minimum of six (6) years after acceptance of the final report by the Chief Judge. If necessary, the firm shall be notified in writing by the UCS of the need to extend this six-year retention period and, in such event, the firm shall comply with the new period.

E. Project Director

The UCS has designated George E. Danyluk, Chief Internal Auditor, as Project Director for the UCS on this Project. **Once the proposed agreement is executed and the audit commences, all questions are to be directed solely to the Project Director.**

F. Internal Control Procedures within the UCS

1. Background

Many internal control procedures followed in the UCS are derived from statutory requirements and rules and regulations of the Chief Administrative Judge. The UCS also has established extensive internal management and administration policies through the following manuals:

- Financial Planning and Control Manual
- Contract & Procurement Procedures Manual
- Operations Manual (various courts)
- Collective Bargaining Agreements

In addition, the UCS has implemented a significant program of internal control review that included:

- Establishment of an internal audit unit;
- Completion by each UCS unit of a “Internal Control Self-Assessment” to survey the general and inherent control environment;
- Issuance of a detailed Internal Controls Manual to guide court activities.

The results of these efforts have been recorded and will be available to the successful firm. The provisions below provide a general description of the significant systems within UCS which the UCS has identified for consideration by the auditor.

2. General Control Environment

To manage and control operations, UCS has a general management system that encompasses both administrative and accounting controls. The system is designed to provide the Chief Administrative Judge and UCS management with a planning and control mechanism for overseeing UCS functions and activities without requiring their direct day-to-day involvement in those activities. As a result, this system places significant responsibility in the hands of the operating staff, i.e., District Administrative Judge’s Offices, OCA unit heads and middle-level managers.

The management structure is designed to encourage innovations in work design and accomplishment. Specific techniques include, but are not limited to, the career ladder design and development system, staff development programs, and employee reward programs, all of which are designed to foster employee morale and commitment to the work of the UCS. Each unit or office of the UCS has divided its operations into a number of sections, functions or programs which may or may not strictly follow traditional organizational lines. Staff within each unit may be used interchangeably at the discretion of the unit head to provide operating flexibility and best use of resources under varying conditions.

3. Internal Administrative Controls

The UCS management structure is the foundation for the overall administrative control environment within the UCS. Basic documents supporting the administrative control system include the following:

- Policy and procedures manuals of various courts, agencies of the UCS.
- Employee Handbook. The Employee Handbook, which is designed to give employees general information concerning employment within the UCS, includes a description of major activities in the UCS and of the organization and structure of the UCS.

Because of the diversity of the operations of the UCS, the various units of the UCS

have developed varying operating procedures to guide and control their specific operations. Some of these procedures address issues applicable to operations of a single unit and other address issues or procedures that apply to several units. All such policies and procedures will be made available to the successful firm to the extent they are considered necessary to accomplish the audit's objectives.

Significant functional areas within the UCS that should be included in the review of the internal administrative controls include:

- Personnel: Including Time and Attendance System
- Procurement: Including Contracts and Professional Services
- Disbursements: Both Payroll and Nonpersonal Services
- Assets and Liability Management
- Administrative Support
- Data Processing Support

4. Internal Accounting Controls

Although a discrete branch of state government, UCS uses the NYS Statewide Financial System (SFS) to account for expenditures and encumbrances against authorized appropriations and to record the collection and transmittal of revenues to the State Treasury.

Basic documents supporting the internal accounting controls of the UCS include:

- Financial Planning and Control Manual
- Bulletins updating the Payroll Process, Accounting System and,
- Contract & Procurement Procedures Manual

Significant functional areas within the UCS that should be included in the review of the internal accounting controls include:

a. Disbursement/Expenditures

- 1) Personnel and Payroll cycle, including hiring of employees, placing them on the payroll, maintaining time and accrual records, and effecting payroll adjustments for instances such as promotion, lost time and separation.
- 2) Vendor payment cycle, including the obligation (encumbrance) and payment of all nonpersonal service transactions. These transactions include travel expenses, utilities, rent, supplies, equipment and contractual services. The process of selecting vendors also should be

reviewed.

b. Accounting System

As already stated, the UCS is included in the NYS SFS. The SFS facilitates the management and flow of information between and among state agencies, state control agencies (the Division of the Budget and the Office of the State Comptroller), the state legislature, vendors doing business with New York state, and the general public. This System records all appropriations made by the Legislature, all encumbrances and expenditures initiated by State agencies and branches of the government, and all revenues collected and transmitted to the State Treasury.

c. Accounting Operations

The UCS's Division of Financial Management maintains the appropriation, fund accounts, and expenditure and revenue data for the UCS.

Significant functional areas within the UCS that should be included in the review of the Internal Accounting Controls are:

- Controls over payroll transactions, vouchers for purchases, contracts, purchase orders, petty cash and employee travel and expense reports.
- Controls over the maintenance of bank accounts that are in the custody of the UCS.
- Operations that affect the recording of adjustments to appropriate accounts (through journal vouchers) and the recording of entries in the general ledger and related subsidiary accounts.

IV. FINAL REPORT

In accordance with the Act and with this RFP, the final product of the audit will be a final report ("Report") on the system of internal administrative and accounting controls in effect during Fiscal Year 2013 - 2014.

A. Required Statements in the Report

1. The scope paragraph of the Report should contain a statement indicating that the internal accounting and administrative controls were reviewed in accordance with GAGAS. It also should indicate that the scope of the Project was limited to internal controls, which were examined separately from the financial statements and indicate that an expanded scope audit of the economy, efficiency and program results was not performed.
2. The Report should identify all the significant internal administrative and accounting controls determined to be relevant for the UCS to effectively achieve its objectives. The Report should describe all the controls reviewed. Insignificant internal controls which were identified but not reviewed also should be described briefly.

3. The Report should contain a statement whether the internal accounting and administrative controls that have been determined to be relevant to the operations of the UCS are established and functioning in a manner that provides reasonable assurance that the objectives of the internal controls are accomplished. In addition, there shall be a statement that the study and evaluation performed included a consideration of the types of errors and irregularities that could occur, a determination of the internal control procedures that should prevent or detect such errors and irregularities, a determination of whether the necessary procedures are prescribed and being followed satisfactorily and an evaluation of any significant or material weaknesses.

B. Findings

1. The findings in the Report should include the following:
 - A determination of the types of errors and irregularities that could occur;
 - A determination of the control procedures that should prevent or detect such errors and irregularities;
 - A determination of whether the necessary procedures are prescribed and are being followed; and
 - An evaluation of any weaknesses.
2. In evaluating the internal accounting controls, materiality of weaknesses should be considered after consideration is given to the flow of transaction and to the amount of dollars handled. In describing the significant and material internal control weaknesses, if any, that have not been corrected, the Report should utilize the following format:
 - A statement of the condition (i.e., what is);
 - The criteria (i.e., what should be);
 - The effect;
 - The cause (if known); and
 - The recommendation for corrective action.
3. The firm also should state in the report that no material matters other than those disclosed in the Report, if any, have become known which would mandate the conclusion that the internal accounting and administrative controls that have been determined to be relevant to the operations of the UCS do not meet the objectives of internal controls or that there has not been compliance with these internal accounting and administrative controls. If no such material matters are disclosed in the Report, this statement should not be included.

4. Each finding in the Report should contain sufficient information to enable UCS officials to initiate timely corrective action. Findings of limited significance should be included in the Report under a caption identifying them as such. All findings should be grouped by applicable UCS unit. Non-significant or immaterial findings should be excluded from the Report and may, if deemed appropriate, be identified in a separate management letter.

C. Ownership and Use of the Report

Any and all reports, findings, and management letters provided to the UCS by the firm shall become the exclusive property of the UCS and shall be subject to its exclusive control and use. The firm will waive any and all rights to such reports, findings and management letters.

The Final Report should be addressed to the Chief Judge of the State of New York. Pursuant to the Act, the Chief Judge shall make the final audit Report available to the public, together with any related management letters.

V. **SCHEDULE OF THE PROJECT**

A. GENERAL

1. Proposals are due on or before **11:00AM May 30, 2014.**
- Agreement to commence on/about **July 1, 2014.**

The UCS will have all records ready for audit by the firm and management personnel will be available to meet with the firms' personnel at a time to be determined.

2. Interim Work Period

The successful firm should have sufficient personnel assigned to the Project to complete its preliminary work plan as set forth in its Proposal by **July 31, 2014**. During this interim work period, the firm will identify all significant internal administrative and accounting controls and shall make its preliminary recommendation to the UCS as to which internal controls are considered relevant and are to be reviewed, evaluated and tested to comply with the objectives of the Act. All interim work should be scheduled for completion by **September 11, 2014**.

3. Detailed Audit Plan and Programs

The successful firm should provide to the UCS its detailed audit plan and programs for reviewing major internal control areas by **September 25, 2014**.

4. Fieldwork

The successful firm should plan to complete the work on all internal control areas by **October 23, 2014**. It is anticipated that audit activity will take place in various locations in New York State.

5. Draft Report

The successful firm should plan to have a draft audit report consisting of a draft of the final Report and all management recommendations available for review by the UCS by **November 13, 2014**. The UCS Internal Control Officer and other UCS management personnel will review the draft report expeditiously. During this period, firm representatives should be available for such meetings as the UCS requests.

6. Final Report

Once the UCS indicates that all open issues in the draft report have been resolved, the final, signed Report should be delivered to the Chief Judge of the UCS within seven (7) working days. It is anticipated that this process should be completed and the final Report delivered by **November 28, 2014**. The original final Report and twenty (20) signed copies of it should be delivered to the Chief Judge at his chambers in Court of Appeals Hall, Albany, New York.

VI. ADMINISTRATIVE MATTERS

A. Staff Assistance Available

The Chief Administrative Judge, the Internal Control Officer and other UCS management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. Various units or offices of the UCS will make professional staff available as needed to provide assistance to the firm.

B. Work Areas, Equipment and Secretarial Services

Reasonable requests by the firm for work areas, desks, chairs, file cabinets, reproduction and printing capabilities in the UCS will be honored by the UCS during the Project. Equipment such as word processors and calculators **are to be provided by the firm**. Arrangements shall be made by the UCS for access to telephones while firm personnel are working at the UCS. To assist the UCS in planning space requirements, the successful firm should advise the UCS by **July 31, 2014** of the maximum number of staff it anticipates having on site during the Project.

Limited secretarial services will be provided for preparation of routine letters and memoranda. Report preparation, editing and printing is the responsibility of the firm. Requests by the firm pursuant to this section shall be made to the UCS Project Director.

C. Meetings During the Project

The firm and the UCS Project Director and such other UCS personnel as the UCS deems necessary shall meet periodically to review audit progress and preliminary findings. Additional meetings may be scheduled by the UCS as needed for effective execution of the Project. In addition, the Exit Conference between the firm and the Chief Administrative Judge and such other UCS personnel as the UCS deems necessary shall be held prior to the completion of the final Report.

VII. PROPOSAL CONTENT AND ORGANIZATION

A. Body of the Proposal

The response submitted by a firm wishing to be considered for this Project must contain, at a minimum, the following information:

- An affirmation that the firm is a Certified Public Accountant licensed to practice in New York State.
- A proposed audit plan describing the recommended technical approach to be used, including tasks and projected timetables.
- A plan showing how the firm intends to manage its activities during the Project.
- A description of how the firm's personnel will be organized to perform the assignments.
- An estimate of the total number of audit hours, broken down by level of staff and hours, that will be committed to the audit and to any other activities required by the audit.
- A thorough description of the firm, including staff capacity to undertake and successfully complete this Project.
- A detailed description of the firm's experience in auditing internal controls in state, local and other governmental and public organizations and how this experience would be applied to this Project. **Names, titles, addresses and telephone numbers of such organizations and individuals who may be contacted as references must be included. A minimum of four (4) are required.**
- The names and titles of the individuals to be designated as managing Partner and Project Manager, as well as other key personnel to be assigned to the Project. Several references from other recent projects by the firm for each such member of the firm must be provided.
- The resumes of the Managing Partner and the Project Manager and other key audit and management personnel that thoroughly describe relevant training and experience that would qualify them for this Project.
- A list of deliverable items and estimated dates when those deliverables will be completed.

- A proposed plan for periodic meetings or reports to brief the UCS Project Director and other UCS management personnel on audit progress and results.
- A description of how the firm's quality assurance program will be applied to the proposed Project.

The proposal must contain one section for each of the items listed above, **IN THE ORDER LISTED ABOVE**. The firm may present any additional information it considers appropriate and pertinent.

B. Cost Proposal

The proposal must include a Cost Proposal, listing all pricing and staffing information concerning the Project (but excluding the expenses incurred in preparing and submitting the proposal as the UCS is not responsible for such expense, and the aforementioned travel expenses,). The Cost Proposal must include all information concerning discounted rates by level of staff participation, total cost for hours of work (broken down by staff level and task), anticipated out-of-pocket expenses and total maximum price for the Project. **The Cost Proposal shall reflect "NET" itemized pricing, with a total (lump sum) amount and include all aspects of performance presented herein - charges not specified in the Cost Proposal will not be allowed.**

C. Notification

The successful firm will be advised by the UCS through a Letter of Intent. An agreement defining the Project and the specific responsibilities of the firm then will be prepared, based on the solicitation of the UCS and the successful firm's proposal, both of which will be incorporated into the final agreement.

ORAL PRESENTATION:

OCA/IA reserve the right to request firms submitting a response to make an oral presentation as part, and in support of, their respective submission.

VIII. **PROPOSAL REQUIREMENTS**

The proposal submitted by the successful firm will serve as the basis for the agreement with UCS.

Important information affecting proposers which should be carefully examined is contained in the following appendices:

- The "NYS/UCS Standard Clauses for all New York State Contracts - Appendix A" (Attachment I) will be included as an appendix to the contract to be entered into between the selected firm and UCS.

In addition to the provisions in these appendices, the contracting firm will be bound by the

following:

A. General Requirements

1. The relationship of the contracting auditor to UCS shall be that of an independent contractor. In accordance with such status as an independent contractor, the contracting auditor covenants and agrees to act consistent with such status; to neither hold itself out as, nor claim to be, an officer or employee of NYS by reason hereof; and not to, by reason hereof, make any claim, demand, or application to or for any right or privilege applicable to an officer or employee of NYS, including but not limited to, worker's compensation coverage, unemployment insurance benefits, social security coverage, or retirement membership credit.
2. With respect to any contract or employment as an independent contractor or employee of NYS, or any New York public corporation as defined in section 66 of the New York State General Construction Law, or any agency or department of either, pursuant to the terms of any other present or future Agreement, expressed, implied, entered into with such entity, if any, the contracting auditor hereby covenants and represents that there is no conflict as to hours required to be worked or duties required to be performed pursuant to the terms of this proposal and the aforesaid contract or employment.
3. UCS may, at any time, by written notice, make changes in or additions to work or services within the general scope of this contract. If any such change or addition causes an increase or decrease in the cost of, or in the time required for, performance of this contract, an equitable adjustment shall be made in the price using the billing rates set forth in the contract, or time of performance, or both, and the contracting auditor shall be notified in writing accordingly. Any claim by the contractor for adjustment under this clause must be asserted within 30 days from the date of receipt by the contractor of the notification of change; provided however, that UCS, if it decides that the facts justify such action, may receive and act upon such claim as asserted at any time. Nothing in this clause shall excuse the contractor from proceeding with this contract as modified.

B. Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement in accordance with the schedule of discounted hourly rates presented in the firm's proposal. Interim billing shall cover a period of not less than a calendar month. From each billing, 10 percent will be withheld pending delivery of the firm's final report.

C. Additional Work

1. If the contracting auditor is of the opinion that any work it has been directed to perform is beyond the scope of the contract and constitutes additional work, it shall promptly notify UCS, in writing, of this fact prior to beginning any of the work. UCS shall be the sole judge as to whether or not such work is in fact beyond the scope of the agreement and constitutes additional work. In the event that UCS

determines that such work does constitute added work, using the billing rates included in the agreement, UCS shall provide extra compensation to the agreement or in a fair and equitable manner. If necessary, a supplemental agreement providing the compensation and describing the work authorized shall be entered into between UCS and the contractor.

2. In the event of any claims being made or any actions being brought in connection with the agreement, the contractor agrees to render to UCS all assistance required by UCS. Compensation for work performed and costs incurred in connection with this requirement shall be made in a fair and equitable manner pursuant to the rates included in the agreement. In all cases provided for in the contract for the additional services described above, UCS's directions shall be exercised by the issuance of a separate agreement, if necessary.

D. Provision for Equal Employment Opportunity

UCS recognizes the need to take affirmative action to ensure that minority- and women-owned business enterprises and minority and women employees and principals are given the opportunity to participate in the performance of UCS contracts. Accordingly, it is the policy of UCS to foster and promote the participation of such individuals and business firms in the contracts of this office.

E Freedom of Information Law (FOIL)

Freedom of Information Law (FOIL) and Bidder's Proposals: The purpose of New York State's Freedom of Information Law, which is contained in Public Officers Law sections 84-90, is to promote the public's right to know the process of governmental decision making and to grant maximum public access to governmental records. After formal contract approval by the New York State Comptroller's Office, the proposal of the successful bidder and the proposals of unsuccessful bidders are subject to disclosure under FOIL.

However, pursuant to section 87(2)(d) of FOIL, a State agency may deny access to those portions of proposals or portions of a successful bidder's contract which "are trade secrets or submitted to an agency by a commercial enterprise or derived from information obtained from a commercial enterprise and which if disclosed would cause substantial injury to the competitive position of the subject enterprise." Please note that information which you may claim as proprietary, copyrighted or rights reserved is not protected from disclosure under FOIL.

If there is information in your proposal which you claim meets the definition set forth in section 87(2)(d), you must so inform us in a letter accompanying your proposal.

This letter must contain the following information:

- Identification by page, line or other appropriate designation of that specific portion of the proposal which contains the information; and
- A detailed justification of why disclosure of such information to the public

under FOIL would cause substantial injury to your competitive position. Please note that the courts have ruled that mere conclusory statement that certain information is a trade secret and that disclosure would cause injury to your competitive position is insufficient to protect it from disclosure under FOIL.

Failure to identify the information which you believe should be protected by section 87(2)(d) may result in such information being disclosed if a request is received.

It is your responsibility to contact an attorney should you have any questions about New York State's Freedom of Information Law."

F. Reports and Findings

Any and all reports and findings rendered to UCS by the contracting auditor shall be the exclusive property of UCS and subject to its exclusive use and control. The contracting auditor herewith waives any and all rights to such reports and findings and the control thereof.

CONFIDENTIALITY

Proposer acknowledges that any and all information, records, files, documents or reports contained in any media format provided to the contractor(s) in the performance of the contractual services, or which may be otherwise encountered by bidder shall be considered extremely confidential and shall be handled accordingly at all times. Neither the bidder nor any of its employees, servants, contractors, agents or volunteers shall at any time be permitted to utilize such confidential information for any purpose outside the scope of any resulting agreement(s) without the express prior written authorization of the UCS/IA. Any breach of this confidentiality by the bidder, by any of its employees, servants, subcontractors, agents or volunteers may result in the immediate termination of any resulting agreement by the UCS and may subject the bidder to further penalties.

G. Termination

1. The performance of work under this contract may be terminated, in whole, or in part, by UCS whenever for any reason UCS shall determine that such termination is in its best interest. Termination of work herewith shall be effected by delivery to the contractor of a notice of termination specifying the extent to which performance or work under the contract is terminated and the date upon which such termination becomes effective.
2. After receipt of the notice of termination, the contractor shall exercise all reasonable diligence to accomplish the cancellation or diversion of its outstanding commitments covering personal services and extending beyond the date of such termination, to the extent that they relate to the performance of any work terminated by the notice.
3. The contractor shall submit its termination claim to UCS promptly after receipt of a notice of termination, but in no event later than 30 days from the effective date

thereof, unless one or more extensions in writing are granted by UCS, upon written request of the contractor within such 30 day period or authorized extension thereof. Upon failure to the contractor to submit its termination claim within the time allowed, UCS may determine on the basis of information available to it, the amount, if any, due to the contractor by reason of termination, and shall thereupon pay to the contractor the amount so determined.

4. If the termination is brought about as a result of unsatisfactory performance on the part of the contractor, the value of the work performed by the contractor prior to termination shall be established by UCS.
5. The contractor agrees to transfer title to UCS and deliver in the manner, at the time, and to the extent, if any, directed by the UCS, such information and items which, if the contract had been completed, it would have been required to be furnished to UCS.

H. Contractor's Liability

The contractor shall be responsible for all damage to life and property due to the negligent acts, errors or omissions of the contractor, its subcontractors, agents or employees, in the performance of its service under the contract. Further, it is expressly understood that the contractor shall indemnify and save harmless UCS from claims, suits, actions, damages and costs of every name and description resulting from the negligent performance of the services of the contractor under the contract, and such indemnity shall not be limited by reasons of enumeration of any insurance coverage herein provided. Negligent performance of service, within the meaning of this article, shall include, in addition to negligence founded upon tort, negligence based upon the contractor's failure to meet professional standards, which results in obvious or patent errors in the progression of its work. Nothing in the contract shall create or give to third parties any claim or right of action against the contractor or UCS beyond such as may legally exist, irrespective of this article or agreement.

I Disputes and Dissatisfaction

In the event UCS or the contracting auditor is dissatisfied with the other's performance under the contract, either party must so notify the other in writing. The other party must then make every good faith effort to solve the problem or settle the dispute amicably, including meeting with a party's representatives to make a diligent attempt to reach a satisfactory result.

J. Notices

All notices, demands, instructions, claims, approvals and disapprovals required to be given to either party hereto shall be deemed to have been given properly if sent by mail addressed to the party at the address set forth in the contract or to such other address as either party shall have notified the other, in writing, to be the proper mailing address.

K. Waiver, Modification, Execution, or Severability

1. No waiver or modification of the contract or of any covenant, condition, or limitation herein contained shall be valid unless in writing and executed by the parties hereto, and no evidence of any waiver or modification shall be offered or received in evidence in any action between the parties hereto, arising out of or affecting the contract, or the rights or obligations of any party hereunder, unless such waiver or modification is in writing, duly executed as aforesaid, and the parties further agree that the provisions of the paragraph may not be waived except as herein set forth.
2. The written contract shall contain the sole and entire agreement between the parties and shall supersede any and all other agreements between the parties.
3. The parties hereto shall execute such other documents as may be required to effectuate the terms of the contract.
4. The terms, clauses and provisions of the contract are intended to be severable, and the unconstitutionality, illegality of any terms, clause or provision shall in no way affect the enforcement of any other term, clause or provision.

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McKINNEY'S 1999 SESSION LAW NEWS OF NEW YORK
222nd Legislature

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Additions are indicated by <<+ Text +>>; deletions by <<- Text ->>.
Changes in tables are made but not highlighted.

CHAPTER 510

S. 4927-B

NEW YORK STATE GOVERNMENTAL ACCOUNTABILITY, AUDIT AND INTERNAL CONTROL ACT

Approved Sept. 28, 1999

Deemed effective Jan. 1, 1999

AN ACT to amend the state finance law, the executive law, the legislative law, the judiciary law, the public authorities law and the public officers law, in relation to systems of internal control for state agencies, certain authorities, the legislature and the judiciary

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

§ 1. Short title. This act shall be known and may be cited as the "New York state governmental accountability, audit and internal control act".

§ 2. Legislative findings. The legislature hereby finds that the scope, size and complexity of state government make it necessary to assure that the state's systems of internal control provide reasonable control over all state operations, and provide the public, the governor, the state legislature, the judiciary and the heads of state agencies and authorities with assurance that state assets and resources, including but not limited to, cash, investments, facilities, inventories, supplies, equipment, and personal and contractual services are being utilized consistent with the requirements of law and duly established managerial policies and in an effective, economical and efficient manner.

The legislature further finds that the public has a right to know the extent to which state agencies and authorities, the legislature and the judiciary are achieving the objectives of internal control described herein and consequently to be fully informed of weaknesses identified through the conduct of external audits of internal controls.

The legislature further finds that prudent management of state government requires controls in all aspects of state government designed to assure that assets are properly safeguarded, that accounting entries and data are accurate and reliable, and that prescribed managerial policies are adhered to, including assurances that such assets and resources are used only for proper purposes. Therefore, this act requires systems of internal control throughout state government as well as the external audit thereof.

The legislature finds that the adequacy and effectiveness of existing state government internal control and internal audit functions can be improved by the implementation of a more comprehensive system of internal

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control and internal audit that encompasses all of state government and will foster the effective and efficient use of government resources and ensure the integrity of accounting systems.

The legislature further finds that it is responsible for the generation of revenue and the appropriation of funds; and, in keeping with the constitutional principle of the separation of powers and the fact that it is directly chosen by the people, the legislature is itself directly responsible to the public for the proper use and application of the resources necessary for its operation; and the operational requirements of the legislature, which is a lateral, collegial institution rather than a hierarchical organization and is constitutionally charged with determining the rules of its own procedures, differ in many respects from those agencies charged with the delivery of goods and services to the people of the state.

The legislature previously enacted the New York state governmental accountability, audit and internal control act of 1987. The 1987 act required a system of internal controls and internal audits of funds, materials, and workforce performance. In 1993, the 1987 act was extended to January 1, 1999.

The legislature finds that the existing systems of internal control and internal audit should be reaffirmed. The legislature further finds that it is desirable to coordinate existing internal control efforts and provide a continuing statutory foundation for a comprehensive system that will foster the effective and efficient use of government resources and ensure the integrity and reliability of accounting systems.

§ 3. The state finance law is amended by adding a new section 2-a to read as follows:

<< NY STATE FIN § 2-a >>

<<+§ 2-a. Additional definitions. As used in subdivisions two-b and two-c of section eight of this chapter, the following terms shall have the following meanings:+>>

<<+1. "Internal control". A process that integrates the activities, plans, attitudes, policies, systems, resources and efforts of the people of an organization working together, and that is designed to provide reasonable assurance that the organization will achieve its objectives and mission. The objectives of an internal control system include, but are not limited to: the safeguarding of assets; checking the accuracy and reliability of accounting data and financial reporting; promoting the effectiveness and efficiency of operations; ensuring compliance with applicable laws and regulations; and encouraging adherence to prescribed managerial policies.

Internal control review processes are used periodically to evaluate the ongoing internal control system and to assess and monitor the implementation of necessary corrective actions.+>>

<<+2. "Internal audit". An appraisal activity established by the management of an organization for the review of operations as a means of assuring conformance with management policies and the effectiveness of internal control, and conducted in conformance with generally accepted standards for internal auditing.+>>

<<+3. "State agency". Any state department, state university of New York, city university of New York, board, bureau, division, commission, committee, council, office or other governmental entity performing a governmental or proprietary function for the state, or any combination thereof as provided in subdivision two of section nine hundred fifty-one of the executive law, except any public authority or public benefit corporation, the judiciary or the state legislature.+>>

<<+4. "Judiciary". The courts and court-related programs, including the office of court administration, of the state-funded portion of the unified court system and all components thereof as provided in subdivision two of

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section two hundred forty-nine-a of the judiciary law.+>>

<<+5. "State legislature". The legislature of the state of New York, including all components thereof as provided in subdivision two of section ninety of the legislative law.+>>

<<+6. "Covered authority". Any public authority or public benefit corporation, other than a bi-state authority or public benefit corporation, a majority of whose members are appointed by the governor or serve as members by virtue of holding state offices to which they were appointed by the governor, or any combination thereof.+>>

§ 4. Subdivision 2-a of section 8 of the state finance law is amended by adding a new paragraph d to read as follows:

<< NY STATE FIN § 8 >>

<<+d. which is subject to such internal control as the comptroller deems necessary.+>>

§ 5. Section 8 of the state finance law is amended by adding two new subdivisions 2-b and 2-c to read as follows:

<< NY STATE FIN § 8 >>

<<+2-b. For the purposes of the New York state governmental accountability, audit and internal control act, assist in the development and implementation of an audit program for the state by:+>>

<<+a. Either as part of one or more audits, or separately, conducting periodic audits of internal controls and operations of state agencies (other than those state agencies for which an audit is required pursuant to sections nine hundred fifty-three and nine hundred fifty-four of the executive law) and of covered authorities. All such audits shall be performed in accordance with generally accepted government auditing standards. Nothing in the New York state governmental accountability, audit and internal control act shall be deemed to diminish or impair the comptroller's power to audit and authority to supervise accounts under articles V and X of the state constitution and this chapter. The audits shall identify internal control weaknesses that have not been corrected and actions that are recommended to correct these weaknesses. If any such internal control weaknesses are significant or material with respect to the operations of the agency that is the subject of the audit, the comptroller shall so state. The comptroller shall make available to the public the results of any such audits.+>>

<<+b. Providing technical assistance to state agencies and covered authorities and, upon request, to the state legislature and the judiciary in the implementation of internal audit functions, which shall be consistent with generally accepted standards for internal auditing and, upon request, interpreting such standards.+>>

<<+2-c. Provide technical assistance, including the issuance of internal control standards, to state agencies and covered authorities and, upon request, to the state legislature and the judiciary in the implementation and periodic evaluation of internal controls, which shall be consistent with generally accepted standards for internal control and, upon request, interpret such standards.+>>

§ 6. Section 112 of the state finance law is amended by adding a new subdivision 1-a to read as follows:

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<< NY STATE FIN § 112 >>

<<+1-a. The system of accounting prescribed by the comptroller pursuant to the provisions of subdivision one of this section shall be subject to such internal control as the comptroller deems necessary.+>>

§ 7. The executive law is amended by adding a new article 45 to read as follows:

<<+ARTICLE 45 INTERNAL CONTROL RESPONSIBILITIES OF STATE AGENCIES+>>

Section

950. Definitions.

951. Internal control responsibilities.

952. Internal audit responsibilities.

953. Independent audits of the executive chamber and the division of the budget.

954. Independent audits of the department of audit and control and the department of law.

<< NY EXEC § 950 >>

<<+§ 950. Definitions. As used in this article, the following terms shall have the following meanings:+>>

<<+1. "Internal control". A process that integrates the activities, plans, attitudes, policies, systems, resources and efforts of the people of an organization working together, and that is designed to provide reasonable assurance that the organization will achieve its objectives and mission. The objectives of an internal control system include, but are not limited to: the safeguarding of assets; checking the accuracy and reliability of accounting data and financial reporting; promoting the effectiveness and efficiency of operations; ensuring compliance with applicable laws and regulations; and encouraging adherence to prescribed managerial policies. Internal control review processes are used periodically to evaluate the ongoing internal control system and to assess and monitor the implementation of necessary corrective actions.+>>

<<+2. "Internal audit". An appraisal activity established by the management of an organization for the review of operations as a means of assuring conformance with management policies and the effectiveness of internal control, and conducted in conformance with generally accepted standards for internal auditing.+>>

<<+3. "State agency". Any state department, state university of New York, city university of New York, board, bureau, division, commission, committee, council, office or other governmental entity performing a governmental or proprietary function for the state, or any combination thereof as provided in subdivision two of section nine hundred fifty-one of this article, except any public authority or public benefit corporation, the judiciary or the state legislature.+>>

<<+4. "Judiciary". The courts and court-related programs, including the office of court administration, of the state-funded portion of the unified court system and all components thereof as provided in subdivision two of section two hundred forty-nine-a of the judiciary law.+>>

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<<+5. "State legislature". The legislature of the state of New York, including all components thereof as provided in subdivision two of section ninety of the legislative law.+>>

<<+6. "Covered authority". Any public authority or public benefit corporation, other than a bi-state authority or public benefit corporation, a majority of whose members are appointed by the governor or serve as members by virtue of holding state offices to which they were appointed by the governor, or any combination thereof.+>>

<< NY EXEC § 951 >>

<<+§ 951. Internal control responsibilities. 1. The head of each state agency shall:+>>

<<+a. establish and maintain for the agency guidelines for a system of internal control that are in accordance with this article and internal control standards;+>>

<<+b. establish and maintain for the agency a system of internal control and a program of internal control review. The program of internal control review shall be designed to identify internal control weaknesses, identify actions that are needed to correct these weaknesses, monitor the implementation of necessary corrective actions and periodically assess the adequacy of the agency's ongoing internal control;+>>

<<+c. make available to each officer and employee of the agency a clear and concise statement of the generally applicable management policies and standards with which the officer or employee of such agency shall be expected to comply. Such statement shall emphasize the importance of effective internal control to the agency and the responsibility of each officer and employee for effective internal control;+>>

<<+d. designate an internal control officer, who shall report to the head of the agency, to implement and review the internal control responsibilities established pursuant to this section;+>>

<<+e. implement education and training efforts to ensure that officers and employees within such agency have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques; and+>>

<<+f. periodically evaluate the need for an internal audit function.+>>

<<+2. In order to identify all state agencies and their responsibilities for the purposes of implementing the provisions of this article, the director of the division of the budget shall issue and update as necessary a schedule which lists all covered state agencies.+>>

<< NY EXEC § 952 >>

<<+§ 952. Internal audit responsibilities. 1. The director of the division of the budget, after reviewing the evaluation of the head of each state agency as to the need for an internal audit function, shall issue and, at the director's discretion, periodically revise a schedule of state agencies (other than the department of audit and control and the department of law) which are required to establish and maintain an internal audit function. The comptroller and the attorney general or their designees shall determine, and periodically review such

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determination of, whether an internal audit function within their respective departments is required. Establishment of such function shall be based upon an evaluation of exposure to risk, costs and benefits of implementation, and any other factors that are determined to be relevant. The head of each state agency listed in the budget director's schedule, and the comptroller and the attorney general if they or their designees so determine, shall establish an internal audit function which operates in accordance with generally accepted professional standards for internal auditing. Any such internal audit function shall be directed by an internal audit director who shall report directly to the head of such state agency. Notwithstanding any other provision of law, each internal audit director shall be appointed by the head of the state agency based on appropriate internal auditing credentials of the proposed appointee, consistent with generally accepted standards for internal auditing, including internal auditing education and experience. The position of internal audit director shall be an exempt position and except in the case of the department of audit and control and department of law, such appointment shall be subject to the approval of the director of the budget. For agencies for which an independent audit is not required pursuant to sections nine hundred fifty-three and nine hundred fifty-four of this article, the internal audit function shall evaluate the agency's internal controls and operations. The internal audit function shall also identify internal control weaknesses that have not been corrected and make recommendations to correct these weaknesses.+>>

<<+2. In the event the head of a state agency does not establish an internal audit function pursuant to subdivision one of this section, he or she shall nevertheless establish and maintain the program of internal control review required by section nine hundred fifty-one of this article.+>>

<< NY EXEC § 953 >>

<<+§ 953. Independent audits of the executive chamber and the division of the budget. 1. At least once every three years, the independent certified public accountant or accountants selected pursuant to this section shall conduct audits of the internal controls of the executive chamber and the division of the budget, either as a single audit or separately. Such audits shall be performed in accordance with generally accepted government auditing standards and shall include a report on whether the executive chamber and division of the budget's internal controls are established and functioning in a manner that provides reasonable assurance that they meet the objectives of internal control as defined in section nine hundred fifty of this article. The report shall identify the internal controls both evaluated and not evaluated and shall identify internal control weaknesses that have not been corrected and actions that are recommended to correct these weaknesses. If any such internal control weaknesses are significant or material with respect to the entity, the independent auditor shall so state. The governor and the director of the budget shall make available to the public the results of such audits, including any related management letters. The governor and director of the budget and any officer or employee of the executive chamber and the division of the budget shall make available upon request to such independent certified public accountants all books and records relevant to such independent audits.+>>

<<+2. The governor and the director of the budget, either separately or jointly, shall request proposals from independent certified public accountants for audits of the internal controls of the executive chamber and the division of the budget. The requests for proposals shall include a reference to the requirements for audits conducted pursuant to subdivision one of this section. The governor and the director of the budget shall select such independent auditor or auditors in accordance with a competitive procedure including an evaluation, based on quality and price factors, of those proposals received in response to such requests for proposals.+>>

<< NY EXEC § 954 >>

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<<+§ 954. Independent audits of the department of audit and control and the department of law. 1. At least once every three years, the independent certified public accountants selected pursuant to this section shall conduct audits of the internal controls of the department of audit and control and the department of law, respectively. Such audits shall be performed in accordance with generally accepted government auditing standards and shall include a report on whether the departments' internal controls are established and functioning in a manner that provides reasonable assurance that they meet the objectives of internal control as defined in section nine hundred fifty of this article. The report shall identify the internal controls both evaluated and not evaluated and shall identify internal control weaknesses that have not been corrected and actions that are recommended to correct these weaknesses. If any such internal control weaknesses are significant or material with respect to such departments, the independent auditors shall so state. The comptroller and the attorney general shall make available to the public the results of such audits, including any related management letters. The comptroller and attorney general and any officer or employee of such departments shall make available upon request to such independent certified public accountants all books and records relevant to such independent audits.+>>

<<+2. The comptroller and the attorney general shall request proposals from independent certified public accountants for audits of the internal controls of their respective departments. The requests for proposals shall include a reference to the requirements for audits conducted pursuant to subdivision one of this section. The comptroller and attorney general shall select such independent auditors in accordance with a competitive procedure including an evaluation, based on quality and price factors, of those proposals received in response to such requests for proposals.+>>

<<+3. Whenever the comptroller or the comptroller's appointee is a member of any board, commission, committee, council, or corporation, which constitutes a state agency, the governing body of such board, commission, committee, council, or corporation shall select an independent auditor for the purpose of conducting audits of internal controls in accordance with this section.+>>

<< NY LEG Art. 6 >>

<< NY LEG Art. 7 >>

<< NY LEG § § 90, 91 >>

<< NY LEG § § 100, 101 >>

§ 8. Article 6 and sections 90 and 91 of the legislative law, article 6 as renumbered by chapter 941 of the laws of 1964, are renumbered article 7 and sections 100 and 101 and a new article 6 is added to read as follows:

<<+ARTICLE 6 INTERNAL CONTROL RESPONSIBILITIES OF THE STATE LEGISLATURE+>>

Section

- 89. Definitions.
- 90. Internal control responsibilities.
- 91. Internal audit responsibilities.
- 92. Independent audits.

<< NY LEG § 89 >>

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<<+§ 89. Definitions. As used in this article, the following terms shall have the following meanings:+>>

<<+1. "Internal control". A process that integrates the activities, plans, attitudes, policies, systems, resources and efforts of the people of an organization working together, and that is designed to provide reasonable assurance that the organization will achieve its objectives and mission. The objectives of an internal control system include, but are not limited to: the safeguarding of assets; checking the accuracy and reliability of accounting data and financial reporting; promoting the effectiveness and efficiency of operations; ensuring compliance with applicable laws and regulations; and encouraging adherence to prescribed managerial policies. Internal control review processes are used periodically to evaluate the ongoing internal control system and to assess and monitor the implementation of necessary corrective actions.+>>

<<+2. "Internal audit". An appraisal activity established by the management of an organization for review of operations as a means of assuring conformance with management policies and the effectiveness of internal control, and conducted in conformance with generally accepted standards for internal auditing.+>>

<<+3. "Legislature". The legislature of the state of New York, including all components thereof as provided in subdivision two of section ninety of this chapter.+>>

<< NY LEG § 90 >>

<<+§ 90. Internal control responsibilities. 1. The senate and the assembly shall each:+>>

<<+a. establish and maintain by rule guidelines for a system of internal control; and+>>

<<+b. establish and maintain a system of internal control and a program of internal control review for their respective house.+>>

<<+2. In order to identify all the components of the legislature and their responsibilities for the purposes of implementing the provisions of this article, the temporary president of the senate and the speaker of the assembly shall jointly issue, and at their discretion, periodically revise a schedule which lists all components of each of their respective houses of the legislature. The temporary president of the senate and the speaker of the assembly may identify in a schedule components for which joint internal controls and internal control reviews will be established and maintained.+>>

<< NY LEG § 91 >>

<<+§ 91. Internal audit responsibilities. 1. The temporary president of the senate and the speaker of the assembly or their designees shall determine, and periodically review such determination of, whether an internal audit function within their respective house is required. Establishment of such function shall be based upon an evaluation of costs and benefits of implementation and other factors that are determined to be relevant. In the event it is determined that an internal audit function is required for one or both houses, the temporary president of the senate or the speaker of the assembly shall establish an internal audit function within the respective house which operates in accordance with generally accepted standards for internal auditing. Any such internal audit function shall be directed and shall report in a manner prescribed by the respective house. The internal audit function shall evaluate the respective house's internal controls, identify internal control weaknesses that have not been corrected and make recommendations to correct these weaknesses.+>>

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<<+2. In the event the temporary president of the senate or the speaker of the assembly does not establish an internal audit function pursuant to subdivision one of this section he or she shall nevertheless establish and maintain the program of internal control review required by section ninety of this article.+>>

<< NY LEG § 92 >>

<<+§ 92. Independent audits. 1. At least once every three years, the independent certified public accountants selected pursuant to this section shall conduct audits of the internal controls of each house of the legislature. Such audits shall be performed in accordance with generally accepted government auditing standards and shall include a report on whether the respective house's internal controls are established and functioning in a manner that provides reasonable assurance that they meet the objectives of internal control as defined in section eighty-nine of this article. The report shall identify the internal controls both evaluated and not evaluated and shall identify internal control weaknesses that have not been corrected and actions that are recommended to correct these weaknesses. If any such internal control weaknesses are significant or material with respect to each house, the independent auditor shall so state. The temporary president of the senate and the speaker of the assembly shall make available to the public the results of such audits, including any related management letters. The temporary president and the speaker and any officer or employee of each house shall make available upon request to such independent certified public accountants all books and records relevant to such independent audits.+>>

<<+2. The temporary president of the senate and the speaker of the assembly shall request proposals from independent certified public accountants for audits of the internal controls of their respective house. The requests for proposals shall include a reference to the requirements for audits conducted pursuant to subdivision one of this section. The temporary president and the speaker shall select such independent auditors in accordance with a competitive procedure including an evaluation, based on quality and price factors, of those proposals received in response to such requests for proposals.+>>

§ 9. Subdivision 1 of section 211 of the judiciary law is amended by adding a new paragraph (g-1) to read as follows:

<< NY JUD § 211 >>

<<+(g-1) A system of internal control for the unified court system, pursuant to article seven-D of this chapter.+>>

§ 10. The judiciary law is amended by adding a new article 7-D to read as follows:

<<+ ARTICLE 7-D INTERNAL CONTROL RESPONSIBILITIES OF THE JUDICIARY+>>

Section

249. Definitions.

249-a. Internal control responsibilities.

249-b. Internal audit responsibilities.

249-c. Independent audits.

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<< NY JUD § 249 >>

<<+§ 249. Definitions. As used in this article, the following terms shall have the following meanings:+>>

<<+1. "Internal control". A process that integrates the activities, plans, attitudes, policies, systems, resources and efforts of the people of an organization working together, and that is designed to provide reasonable assurance that the organization will achieve its objectives and mission. The objectives of an internal control system include, but are not limited to: the safeguarding of assets; checking the accuracy and reliability of accounting data and financial reporting; promoting the effectiveness and efficiency of operations; ensuring compliance with applicable laws and regulations; and encouraging adherence to prescribed managerial policies. Internal control review processes are used periodically to evaluate the ongoing internal control system and to assess and monitor the implementation of necessary corrective actions.+>>

<<+2. "Internal audit". An appraisal activity established by the management of an organization for the review of operations as a means of assuring conformance with management policies and the effectiveness of internal control, and conducted in conformance with generally accepted standards for internal auditing.+>>

<<+3. "Judiciary". The courts and court-related programs, including the office of court administration, of the state-funded portion of the unified court system and all components thereof as provided in subdivision two of section two hundred forty-nine-a of this article.+>>

<< NY JUD § 249-a >>

<<+§ 249-a. Internal control responsibilities. 1. The chief judge shall:+>>

<<+a. establish and maintain for the judiciary guidelines for a system of internal control;+>>

<<+b. establish and maintain for the judiciary a system of internal control and a program of internal control review. The program of internal review shall be designed to identify internal control weaknesses and identify actions that are needed to correct these weaknesses; and+>>

<<+c. designate one or more internal control officers to implement and review the internal control responsibilities established pursuant to this section.+>>

<<+2. In order to identify all components of the judiciary and their responsibilities for the purposes of implementing the provisions of this article, the chief judge shall issue and, at his or her discretion, periodically revise a schedule which lists all such components.+>>

<< NY JUD § 249-b >>

<<+§ 249-b. Internal audit responsibilities. 1. The chief judge or his or her designee shall determine, and periodically review his or her determination of, whether an internal audit function within the judiciary is required.

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Establishment of such function shall be based upon an evaluation of exposure to risk, costs and benefits of implementation, and any other factors that are determined to be relevant. In the event it is determined that an internal audit function is required, the chief judge shall establish an internal audit function which operates in accordance with generally accepted professional standards for internal auditing. Any such internal audit function shall be directed by an internal audit director who shall report directly to the chief administrative judge. The internal audit function shall evaluate the judiciary's internal controls, identify internal control weaknesses that have not been corrected and make recommendations to correct these weaknesses.+>>

<<+2. In the event the chief judge does not establish an internal audit function pursuant to subdivision one of this section he or she shall nevertheless establish and maintain the program of internal control review required by section two hundred forty-nine-a of this article.+>>

<< NY JUD § 249-c >>

<<+§ 249-c. Independent audits. 1. At least once every three years, the independent certified public accountant selected pursuant to this section shall conduct audits of the internal controls of the judiciary. Such audits shall be performed in accordance with generally accepted government auditing standards and shall include a report on whether the judiciary's internal controls are established and functioning in a manner that provides reasonable assurance that they meet the objectives of internal control as defined in section two hundred forty-nine of this article. The report shall identify the internal controls both evaluated and not evaluated and shall identify internal control weaknesses that have not been corrected and actions that are recommended to correct these weaknesses. If any such internal control weaknesses are significant or material with respect to the judiciary, the independent auditor shall so state. The chief judge shall make available to the public the results of such audits, including any related management letters. The chief judge and any officer or employee of the judiciary shall make available upon request to such independent certified public accountants all books and records relevant to such independent audits.+>>

<<+2. The chief judge shall request proposals from independent certified public accountants for audits of the internal controls of the judiciary. The requests for proposals shall include a reference to the requirements for audits conducted pursuant to subdivision one of this section. The chief judge shall select such independent auditor in accordance with a competitive procedure including an evaluation, based on quality and price factors, of those proposals received in response to such requests for proposals.+>>

§ 11. Article 9 of the public authorities law is amended by adding a new title 8 to read as follows:

<<+ TITLE 8 INTERNAL CONTROL RESPONSIBILITIES OF PUBLIC AUTHORITIES+>>

Section

2930. Definitions.

2931. Internal control responsibilities.

2932. Internal audit responsibilities.

<< NY PUB AUTH § 2930 >>

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<<+§ 2930. Definitions. For the purposes of this title, the following terms shall have the following meanings:+>>

<<+1. "Internal control". A process that integrates the activities, plans, attitudes, policies, systems, resources and efforts of the people of an organization working together, and that is designed to provide reasonable assurance that the organization will achieve its objectives and mission. The objectives of an internal control system include, but are not limited to: the safeguarding of assets; checking the accuracy and reliability of accounting data and financial reporting; promoting the effectiveness and efficiency of operations; ensuring compliance with applicable laws and regulations; and encouraging adherence to prescribed managerial policies. Internal control review processes are used periodically to evaluate the ongoing internal control system and to assess and monitor the implementation of necessary corrective actions.+>>

<<+2. "Internal audit". An appraisal activity established by the management of an organization for the review of operations as a means of assuring conformity with management policies and the effectiveness of internal control, and conducted in conformance with generally accepted standards for internal auditing.+>>

<<+3. "Covered authority". Any public authority or public benefit corporation, other than a bi-state authority or public benefit corporation, a majority of whose members are appointed by the governor or serve as members by virtue of holding state offices to which they were appointed by the governor, or any combination thereof.+>>

<< NY PUB AUTH § 2931 >>

<<+§ 2931. Internal control responsibilities. The governing board of each covered authority shall: 1. establish and maintain for the authority guidelines for a system of internal control that are in accordance with this article and internal control standards;+>>

<<+2. establish and maintain for the authority a system of internal control and a program of internal control review. The program of internal review shall be designed to identify internal control weaknesses, identify actions that are needed to correct these weaknesses, monitor the implementation of necessary corrective actions and periodically assess the adequacy of the authority's ongoing internal controls;+>>

<<+3. make available to each member, officer and employee a clear and concise statement of the generally applicable managerial policies and standards with which he or she is expected to comply. Such statement shall emphasize the importance of effective internal control to the authority and the responsibility of each member, officer and employee for effective internal control;+>>

<<+4. designate an internal control officer, who shall report to the head of the authority, to implement and review the internal control responsibilities established pursuant to this section; and+>>

<<+5. implement education and training efforts to ensure that members, officers and employees have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques.+>>

<< NY PUB AUTH § 2932 >>

<<+§ 2932. Internal audit responsibilities. 1. The governing board of each covered authority or its designee

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shall determine, and periodically review the determination of, whether an internal audit function within the covered authority is required. Establishment of such function shall be based upon an evaluation of exposure to risk, costs and benefits of implementation, and any other factors that are determined to be relevant. In the event it is determined that an internal audit function is required, the governing board of each covered authority shall establish an internal audit function which operates in accordance with generally accepted professional standards for internal auditing. Any such internal audit function shall be directed by an internal audit director who shall report directly to the governing board of the authority. Internal audit director appointments shall be based on appropriate internal auditing credentials of the proposed appointee, consistent with generally accepted standards for internal auditing, including internal auditing education and experience. The internal audit function shall evaluate the authority's internal controls and operations, identify internal control weaknesses that have not been corrected and make recommendations to correct these weaknesses.+>>

<<+2. In the event the governing board does not establish an internal audit function pursuant to subdivision one of this section it shall nevertheless establish and maintain the program of internal control review required by section twenty-nine hundred thirty-one of this title.+>>

§ 12. Paragraph (g) of subdivision 2 of section 87 of the public officers law, as added by chapter 933 of the laws of 1977, is amended to read as follows:

<< NY PUB OFF § 87 >>

(g) are inter-agency or intra-agency materials which are not:

I. statistical or factual tabulations or data;

ii. instructions to staff that affect the public; <<-or->>

iii. final agency policy or determinations; <<-or->>

<<+iv. external audits, including but not limited to audits performed by the comptroller and the federal government; or+>>

§ 13. Subdivision 2 of section 88 of the public officers law is amended by adding a new paragraph (j) to read as follows:

<< NY PUB OFF § 88 >>

<<+(j) external audits conducted pursuant to section ninety-two of the legislative law and schedules issued pursuant to subdivision two of section ninety of the legislative law.+>>

§ 14. The state comptroller, state agencies, covered authorities, the state legislature and the judiciary, as defined in this act, are authorized to take all actions necessary to implement their respective internal control and audit responsibilities under this act.

§ 15. This act shall take effect immediately, and shall be deemed to have been in full force and effect on and after January 1, 1999.

NY LEGIS 510 (1999)

1999 Sess. Law News of N.Y. Ch. 510 (S.4927-B) (McKINNEY'S)

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OVERVIEW OF THE NEW YORK STATE UNIFIED COURT SYSTEM

The New York State judicial system is one of the largest in the world. The UCS has more than 15,360 full-time nonjudicial employees, 1,247 judges of courts of record and 2,098 town and village judges.

The Court of Appeals, the State's highest court, hears cases on appeals from lower appellate courts and in some cases from courts of original jurisdiction.

There are four Appellate Divisions of the Supreme Court, one in each of the State's four judicial departments. The Appellate Divisions hear civil and criminal appeals from the trial courts. The Appellate Divisions also have original jurisdiction over selected proceedings. Because of the large case volume, Appellate Terms have been established by the Appellate Divisions in the First and Second Departments to hear appeals from the lower trial courts, such as the Civil Court of New York and the District Courts of Nassau and Suffolk Counties.

The Supreme Court is the trial court of unlimited general jurisdiction. It exercises civil jurisdiction statewide. In New York City and some other parts of the State, it also exercises jurisdiction over criminal felony charges.

The Court of Claims is a special trial court that hears and determines claims against the State of New York.

There are three county-level courts: County, Family and Surrogate's Courts. The County Court is established in each county outside New York City and generally hears criminal felony cases and civil cases involving money damages up to \$25,000. The Family Court is established in each county in the State and in the City of New York. It has jurisdiction over matters involving children and families, including support, juvenile delinquency, child protection, foster care placement, paternity, family offenses and adoption. The Surrogate's Court is established in every county in the State and hears cases involving the affairs of decedents, including the probate of wills and the administration of estates. Surrogate's Courts share jurisdiction over adoption proceedings with the Family Court.

Courts of limited jurisdiction hear minor civil matters, misdemeanors, violations and traffic infractions. They also conduct arraignments and other preliminary proceedings in felony cases.

In New York City, the Civil Court tries cases for money damages up to \$25,000 and other matters referred by the Supreme Court. It also includes a Small Claims Part for damages up to \$5,000 and a Housing part for landlord-tenant matters and housing code violations. The Criminal Court of the City of New York has jurisdiction over misdemeanors and violations, and conducts arraignments and preliminary proceedings in felony cases.

Outside of New York City, the courts of limited jurisdiction include the District, City, Town and Village Courts. These courts handle minor civil and criminal matters. However, some City Courts have jurisdiction over civil matters only, some over criminal matters only, and other over both.

The administrative structure of the court system is headed by the Chief Judge of the Court of Appeals, the Honorable Jonathan Lippman, and the Chief Administrative Judge, the Honorable A. Gail Prudenti. The Chief Judge chairs the Administrative Board of the Courts, which also includes the Presiding Justices of the four Appellate Divisions. The Chief Judge, in consultation with the Administrative Board, develops statewide standards and policies and promulgates them after approval by the Court of Appeals.

The Chief Administrative Judge is assisted by two Deputy Chief Administrative Judges - the Honorable Michael V. Coccoma, for the trial courts outside of New York City, and the Honorable Fern A. Fisher, for the trial courts within New York City. The Counsel, Inspector General and Internal Audit Services report directly to the Chief Administrative Judge. The Division of Professional and Court Services is overseen by the First Deputy Chief Administrative Judge, the Honorable Lawrence Marks and Executive Director, Ronald Younkings, Esq.

The Deputy Chief Administrative Judge for the Courts Outside New York City supervises the administrative judges for the Third through the Ninth Judicial Districts, Nassau County, Suffolk County and the Court of Claims.

Within New York City there are administrative judges for the Citywide Civil Court, the Criminal Court and Family Court. In the First Judicial District (Manhattan), there is one administrative judge for the Supreme Court, Civil Term, and another for the Supreme Court, Criminal Term. In the Second Judicial District (Brooklyn and Staten Island), Eleventh Judicial District (Queens) and the Twelfth Judicial District (Bronx), one administrative judge supervises both the criminal and civil terms of the Supreme Court. In addition, there are five Surrogate's Courts in New York City and five County Clerks. Each of these separate administrative units is responsible to the Deputy Chief Administrative Judge for the Courts Inside New York City.

The Deputy Chief Administrative Judges generally are responsible for budget proposals, personnel assignments, caseload management, space allocation and day-to-day operations within the courts.

The Office of Management Support provides staff support in the areas of Personnel, Budget, Court Operations, Equal Employment Opportunity, Employee Relations, Education and Training, Programs and Planning, Communications and the Community Dispute Resolution Centers Program. These units have statewide

responsibility in their functional areas.

A number of auxiliary operations are administered by the Court of Appeals and the Appellate Divisions. The State Reporter's Office is responsible for publishing decisions of the courts which are noteworthy as precedent or which are of public interest. The State Board of Law Examiners administers the New York State bar examination and ensures that only competent persons are permitted to practice law. The Candidate Fitness Program determined whether candidates possess a demonstrated ethical character in order to be admitted to the Board. The Attorney Grievance Program investigates and prosecutes charges of misconduct against attorneys. The Assigned Counsel Program provides legal services to persons alleged to be mentally defective or mentally ill, children in custody proceedings and indigents. The Law Guardian Program provides counsel to minors in Family Court proceedings, such as juvenile delinquents and persons in need of supervision. The Mental Hygiene Legal Service provides counsel to mentally disabled persons who are under care which restricts their freedom.

McKINNEY'S 1999 SESSION LAW NEWS OF NEW YORK
222nd Legislature

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Additions are indicated by <<+ Text +>>; deletions by <<- Text ->>.
Changes in tables are made but not highlighted.

CHAPTER 510
S. 4927-B

NEW YORK STATE GOVERNMENTAL ACCOUNTABILITY, AUDIT AND INTERNAL CONTROL ACT

Approved Sept. 28, 1999

Deemed effective Jan. 1, 1999

AN ACT to amend the state finance law, the executive law, the legislative law, the judiciary law, the public authorities law and the public officers law, in relation to systems of internal control for state agencies, certain authorities, the legislature and the judiciary

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

§ 1. Short title. This act shall be known and may be cited as the "New York state governmental accountability, audit and internal control act".

§ 2. Legislative findings. The legislature hereby finds that the scope, size and complexity of state government make it necessary to assure that the state's systems of internal control provide reasonable control over all state operations, and provide the public, the governor, the state legislature, the judiciary and the heads of state agencies and authorities with assurance that state assets and resources, including but not limited to, cash, investments, facilities, inventories, supplies, equipment, and personal and contractual services are being utilized consistent with the requirements of law and duly established managerial policies and in an effective, economical and efficient manner.

The legislature further finds that the public has a right to know the extent to which state agencies and authorities, the legislature and the judiciary are achieving the objectives of internal control described herein and consequently to be fully informed of weaknesses identified through the conduct of external audits of internal controls.

The legislature further finds that prudent management of state government requires controls in all aspects of state government designed to assure that assets are properly safeguarded, that accounting entries and data are accurate and reliable, and that prescribed managerial policies are adhered to, including assurances that such assets and resources are used only for proper purposes. Therefore, this act requires systems of internal control throughout state government as well as the external audit thereof.

The legislature finds that the adequacy and effectiveness of existing state government internal control and internal audit functions can be improved by the implementation of a more comprehensive system of internal control and internal audit that encompasses all of state government and will foster the effective and efficient use of government

resources and ensure the integrity of accounting systems.

The legislature further finds that it is responsible for the generation of revenue and the appropriation of funds; and, in keeping with the constitutional principle of the separation of powers and the fact that it is directly chosen by the people, the legislature is itself directly responsible to the public for the proper use and application of the resources necessary for its operation; and the operational requirements of the legislature, which is a lateral, collegial institution rather than a hierarchical organization and is constitutionally charged with determining the rules of its own procedures, differ in many respects from those agencies charged with the delivery of goods and services to the people of the state.

The legislature previously enacted the New York state governmental accountability, audit and internal control act of 1987. The 1987 act required a system of internal controls and internal audits of funds, materials, and workforce performance. In 1993, the 1987 act was extended to January 1, 1999.

The legislature finds that the existing systems of internal control and internal audit should be reaffirmed. The legislature further finds that it is desirable to coordinate existing internal control efforts and provide a continuing statutory foundation for a comprehensive system that will foster the effective and efficient use of government resources and ensure the integrity and reliability of accounting systems.

§ 3. The state finance law is amended by adding a new section 2-a to read as follows:

<< NY STATE FIN § 2-a >>

<<+§ 2-a. Additional definitions. As used in subdivisions two-b and two-c of section eight of this chapter, the following terms shall have the following meanings:+>>

<<+1. "Internal control". A process that integrates the activities, plans, attitudes, policies, systems, resources and efforts of the people of an organization working together, and that is designed to provide reasonable assurance that the organization will achieve its objectives and mission. The objectives of an internal control system include, but are not limited to: the safeguarding of assets; checking the accuracy and reliability of accounting data and financial reporting; promoting the effectiveness and efficiency of operations; ensuring compliance with applicable laws and regulations; and encouraging adherence to prescribed managerial policies. Internal control review processes are used periodically to evaluate the ongoing internal control system and to assess and monitor the implementation of necessary corrective actions.+>>

<<+2. "Internal audit". An appraisal activity established by the management of an organization for the review of operations as a means of assuring conformance with management policies and the effectiveness of internal control, and conducted in conformance with generally accepted standards for internal auditing.+>>

<<+3. "State agency". Any state department, state university of New York, city university of New York, board, bureau, division, commission, committee, council, office or other governmental entity performing a governmental or proprietary function for the state, or any combination thereof as provided in subdivision two of section nine hundred fifty-one of the executive law, except any public authority or public benefit corporation, the judiciary or the state legislature.+>>

<<+4. "Judiciary". The courts and court-related programs, including the office of court administration, of the state-funded portion of the unified court system and all

components thereof as provided in subdivision two of section two hundred forty-nine-a of the judiciary law.++>>

<<+5. "State legislature". The legislature of the state of New York, including all components thereof as provided in subdivision two of section ninety of the legislative law.++>>

<<+6. "Covered authority". Any public authority or public benefit corporation, other than a bi-state authority or public benefit corporation, a majority of whose members are appointed by the governor or serve as members by virtue of holding state offices to which they were appointed by the governor, or any combination thereof.++>>

§ 4. Subdivision 2-a of section 8 of the state finance law is amended by adding a new paragraph d to read as follows:

<< NY STATE FIN § 8 >>

<<+d. which is subject to such internal control as the comptroller deems necessary.++>>

§ 5. Section 8 of the state finance law is amended by adding two new subdivisions 2-b and 2-c to read as follows:

<< NY STATE FIN § 8 >>

<<+2-b. For the purposes of the New York state governmental accountability, audit and internal control act, assist in the development and implementation of an audit program for the state by:++>>

<<+a. Either as part of one or more audits, or separately, conducting periodic audits of internal controls and operations of state agencies (other than those state agencies for which an audit is required pursuant to sections nine hundred fifty-three and nine hundred fifty-four of the executive law) and of covered authorities. All such audits shall be performed in accordance with generally accepted government auditing standards. Nothing in the New York state governmental accountability, audit and internal control act shall be deemed to diminish or impair the comptroller's power to audit and authority to supervise accounts under articles V and X of the state constitution and this chapter. The audits shall identify internal control weaknesses that have not been corrected and actions that are recommended to correct these weaknesses. If any such internal control weaknesses are significant or material with respect to the operations of the agency that is the subject of the audit, the comptroller shall so state. The comptroller shall make available to the public the results of any such audits.++>>

<<+b. Providing technical assistance to state agencies and covered authorities and, upon request, to the state legislature and the judiciary in the implementation of internal audit functions, which shall be consistent with generally accepted standards for internal auditing and, upon request, interpreting such standards.++>>

<<+2-c. Provide technical assistance, including the issuance of internal control standards, to state agencies and covered authorities and, upon request, to the state legislature and the judiciary in the implementation and periodic evaluation of internal controls, which shall be consistent with generally accepted standards for internal control and, upon request, interpret such standards.++>>

§ 6. Section 112 of the state finance law is amended by adding a new subdivision 1-a to read as follows:

<< NY STATE FIN § 112 >>

<<+1-a. The system of accounting prescribed by the comptroller pursuant to the provisions of subdivision one of this section shall be subject to such internal control as the comptroller deems necessary.+>>

§ 7. The executive law is amended by adding a new article 45 to read as follows:

<<+ARTICLE 45 INTERNAL CONTROL RESPONSIBILITIES OF STATE AGENCIES+>>

Section

- 950. Definitions.
- 951. Internal control responsibilities.
- 952. Internal audit responsibilities.
- 953. Independent audits of the executive chamber and the division of the budget.
- 954. Independent audits of the department of audit and control and the department of law.

<< NY EXEC § 950 >>

<<+§ 950. Definitions. As used in this article, the following terms shall have the following meanings:+>>

<<+1. "Internal control". A process that integrates the activities, plans, attitudes, policies, systems, resources and efforts of the people of an organization working together, and that is designed to provide reasonable assurance that the organization will achieve its objectives and mission. The objectives of an internal control system include, but are not limited to: the safeguarding of assets; checking the accuracy and reliability of accounting data and financial reporting; promoting the effectiveness and efficiency of operations; ensuring compliance with applicable laws and regulations; and encouraging adherence to prescribed managerial policies. Internal control review processes are used periodically to evaluate the ongoing internal control system and to assess and monitor the implementation of necessary corrective actions.+>>

<<+2. "Internal audit". An appraisal activity established by the management of an organization for the review of operations as a means of assuring conformance with management policies and the effectiveness of internal control, and conducted in conformance with generally accepted standards for internal auditing.+>>

<<+3. "State agency". Any state department, state university of New York, city university of New York, board, bureau, division, commission, committee, council, office or other governmental entity performing a governmental or proprietary function for the state, or any combination thereof as provided in subdivision two of section nine hundred fifty-one of this article, except any public authority or public benefit corporation, the judiciary or the state legislature.+>>

<<+4. "Judiciary". The courts and court-related programs, including the office of court

administration, of the state-funded portion of the unified court system and all components thereof as provided in subdivision two of section two hundred forty-nine-a of the judiciary law.++>>

<<+5. "State legislature". The legislature of the state of New York, including all components thereof as provided in subdivision two of section ninety of the legislative law.++>>

<<+6. "Covered authority". Any public authority or public benefit corporation, other than a bi-state authority or public benefit corporation, a majority of whose members are appointed by the governor or serve as members by virtue of holding state offices to which they were appointed by the governor, or any combination thereof.++>>

<< NY EXEC § 951 >>

<<+§ 951. Internal control responsibilities. 1. The head of each state agency shall:++>>

<<+a. establish and maintain for the agency guidelines for a system of internal control that are in accordance with this article and internal control standards;++>>

<<+b. establish and maintain for the agency a system of internal control and a program of internal control review. The program of internal control review shall be designed to identify internal control weaknesses, identify actions that are needed to correct these weaknesses, monitor the implementation of necessary corrective actions and periodically assess the adequacy of the agency's ongoing internal control;++>>

<<+c. make available to each officer and employee of the agency a clear and concise statement of the generally applicable management policies and standards with which the officer or employee of such agency shall be expected to comply. Such statement shall emphasize the importance of effective internal control to the agency and the responsibility of each officer and employee for effective internal control;++>>

<<+d. designate an internal control officer, who shall report to the head of the agency, to implement and review the internal control responsibilities established pursuant to this section;++>>

<<+e. implement education and training efforts to ensure that officers and employees within such agency have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques; and++>>

<<+f. periodically evaluate the need for an internal audit function.++>>

<<+2. In order to identify all state agencies and their responsibilities for the purposes of implementing the provisions of this article, the director of the division of the budget shall issue and update as necessary a schedule which lists all covered state agencies.++>>

<< NY EXEC § 952 >>

<<+§ 952. Internal audit responsibilities. 1. The director of the division of the budget, after reviewing the evaluation of the head of each state agency as to the need for an internal audit function, shall issue and, at the director's discretion, periodically revise a schedule of state agencies (other than the department of audit

and control and the department of law) which are required to establish and maintain an internal audit function. The comptroller and the attorney general or their designees shall determine, and periodically review such determination of, whether an internal audit function within their respective departments is required. Establishment of such function shall be based upon an evaluation of exposure to risk, costs and benefits of implementation, and any other factors that are determined to be relevant. The head of each state agency listed in the budget director's schedule, and the comptroller and the attorney general if they or their designees so determine, shall establish an internal audit function which operates in accordance with generally accepted professional standards for internal auditing. Any such internal audit function shall be directed by an internal audit director who shall report directly to the head of such state agency. Notwithstanding any other provision of law, each internal audit director shall be appointed by the head of the state agency based on appropriate internal auditing credentials of the proposed appointee, consistent with generally accepted standards for internal auditing, including internal auditing education and experience. The position of internal audit director shall be an exempt position and except in the case of the department of audit and control and department of law, such appointment shall be subject to the approval of the director of the budget. For agencies for which an independent audit is not required pursuant to sections nine hundred fifty-three and nine hundred fifty-four of this article, the internal audit function shall evaluate the agency's internal controls and operations. The internal audit function shall also identify internal control weaknesses that have not been corrected and make recommendations to correct these weaknesses.+>>

<<+2. In the event the head of a state agency does not establish an internal audit function pursuant to subdivision one of this section, he or she shall nevertheless establish and maintain the program of internal control review required by section nine hundred fifty-one of this article.+>>

<< NY EXEC § 953 >>

<<+§ 953. Independent audits of the executive chamber and the division of the budget.
1. At least once every three years, the independent certified public accountant or accountants selected pursuant to this section shall conduct audits of the internal controls of the executive chamber and the division of the budget, either as a single audit or separately. Such audits shall be performed in accordance with generally accepted government auditing standards and shall include a report on whether the executive chamber and division of the budget's internal controls are established and functioning in a manner that provides reasonable assurance that they meet the objectives of internal control as defined in section nine hundred fifty of this article. The report shall identify the internal controls both evaluated and not evaluated and shall identify internal control weaknesses that have not been corrected and actions that are recommended to correct these weaknesses. If any such internal control weaknesses are significant or material with respect to the entity, the independent auditor shall so state. The governor and the director of the budget shall make available to the public the results of such audits, including any related management letters. The governor and director of the budget and any officer or employee of the executive chamber and the division of the budget shall make available upon request to such independent certified public accountants all books and records relevant to such independent audits.+>>

<<+2. The governor and the director of the budget, either separately or jointly, shall request proposals from independent certified public accountants for audits of the internal controls of the executive chamber and the division of the budget. The requests for proposals shall include a reference to the requirements for audits conducted pursuant to subdivision one of this section. The governor and the director of the budget shall

select such independent auditor or auditors in accordance with a competitive procedure including an evaluation, based on quality and price factors, of those proposals received in response to such requests for proposals.++>>

<< NY EXEC § 954 >>

<<+§ 954. Independent audits of the department of audit and control and the department of law. 1. At least once every three years, the independent certified public accountants selected pursuant to this section shall conduct audits of the internal controls of the department of audit and control and the department of law, respectively. Such audits shall be performed in accordance with generally accepted government auditing standards and shall include a report on whether the departments' internal controls are established and functioning in a manner that provides reasonable assurance that they meet the objectives of internal control as defined in section nine hundred fifty of this article. The report shall identify the internal controls both evaluated and not evaluated and shall identify internal control weaknesses that have not been corrected and actions that are recommended to correct these weaknesses. If any such internal control weaknesses are significant or material with respect to such departments, the independent auditors shall so state. The comptroller and the attorney general shall make available to the public the results of such audits, including any related management letters. The comptroller and attorney general and any officer or employee of such departments shall make available upon request to such independent certified public accountants all books and records relevant to such independent audits.++>>

<<+2. The comptroller and the attorney general shall request proposals from independent certified public accountants for audits of the internal controls of their respective departments. The requests for proposals shall include a reference to the requirements for audits conducted pursuant to subdivision one of this section. The comptroller and attorney general shall select such independent auditors in accordance with a competitive procedure including an evaluation, based on quality and price factors, of those proposals received in response to such requests for proposals.++>>

<<+3. Whenever the comptroller or the comptroller's appointee is a member of any board, commission, committee, council, or corporation, which constitutes a state agency, the governing body of such board, commission, committee, council, or corporation shall select an independent auditor for the purpose of conducting audits of internal controls in accordance with this section.++>>

<< NY LEG Art. 6 >>

<< NY LEG Art. 7 >>

<< NY LEG § § 90, 91 >>

<< NY LEG § § 100, 101 >>

§ 8. Article 6 and sections 90 and 91 of the legislative law, article 6 as renumbered by chapter 941 of the laws of 1964, are renumbered article 7 and sections 100 and 101 and a new article 6 is added to read as follows:

<<+ARTICLE 6 INTERNAL CONTROL RESPONSIBILITIES OF THE STATE LEGISLATURE++>>

Section

- 89. Definitions.
- 90. Internal control responsibilities.
- 91. Internal audit responsibilities.
- 92. Independent audits.

<< NY LEG § 89 >>

<<+§ 89. Definitions. As used in this article, the following terms shall have the following meanings:+>>

<<+1. "Internal control". A process that integrates the activities, plans, attitudes, policies, systems, resources and efforts of the people of an organization working together, and that is designed to provide reasonable assurance that the organization will achieve its objectives and mission. The objectives of an internal control system include, but are not limited to: the safeguarding of assets; checking the accuracy and reliability of accounting data and financial reporting; promoting the effectiveness and efficiency of operations; ensuring compliance with applicable laws and regulations; and encouraging adherence to prescribed managerial policies. Internal control review processes are used periodically to evaluate the ongoing internal control system and to assess and monitor the implementation of necessary corrective actions.+>>

<<+2. "Internal audit". An appraisal activity established by the management of an organization for review of operations as a means of assuring conformance with management policies and the effectiveness of internal control, and conducted in conformance with generally accepted standards for internal auditing.+>>

<<+3. "Legislature". The legislature of the state of New York, including all components thereof as provided in subdivision two of section ninety of this chapter.+>>

<< NY LEG § 90 >>

<<+§ 90. Internal control responsibilities. 1. The senate and the assembly shall each:+>>

<<+a. establish and maintain by rule guidelines for a system of internal control; and+>>

<<+b. establish and maintain a system of internal control and a program of internal control review for their respective house.+>>

<<+2. In order to identify all the components of the legislature and their responsibilities for the purposes of implementing the provisions of this article, the temporary president of the senate and the speaker of the assembly shall jointly issue, and at their discretion, periodically revise a schedule which lists all components of each of their respective houses of the legislature. The temporary president of the senate and the speaker of the assembly may identify in a schedule components for which joint internal controls and internal control reviews will be established and maintained.+>>

<< NY LEG § 91 >>

<<+§ 91. Internal audit responsibilities. 1. The temporary president of the senate and the speaker of the assembly or their designees shall determine, and periodically review such determination of, whether an internal audit function within their respective house is required. Establishment of such function shall be based upon an evaluation of costs and benefits of implementation and other factors that are determined to be relevant. In the event it is determined that an internal audit function is required for one or both houses, the temporary president of the senate or the speaker of the assembly shall establish an internal audit function within the respective house which operates in accordance with generally accepted standards for internal auditing. Any such internal audit function shall be directed and shall report in a manner prescribed by the respective house. The internal audit function shall evaluate the respective house's internal controls, identify internal control weaknesses that have not been corrected and make recommendations to correct these weaknesses.+>>

<<+2. In the event the temporary president of the senate or the speaker of the assembly does not establish an internal audit function pursuant to subdivision one of this section he or she shall nevertheless establish and maintain the program of internal control review required by section ninety of this article.+>>

<< NY LEG § 92 >>

<<+§ 92. Independent audits. 1. At least once every three years, the independent certified public accountants selected pursuant to this section shall conduct audits of the internal controls of each house of the legislature. Such audits shall be performed in accordance with generally accepted government auditing standards and shall include a report on whether the respective house's internal controls are established and functioning in a manner that provides reasonable assurance that they meet the objectives of internal control as defined in section eighty-nine of this article. The report shall identify the internal controls both evaluated and not evaluated and shall identify internal control weaknesses that have not been corrected and actions that are recommended to correct these weaknesses. If any such internal control weaknesses are significant or material with respect to each house, the independent auditor shall so state. The temporary president of the senate and the speaker of the assembly shall make available to the public the results of such audits, including any related management letters. The temporary president and the speaker and any officer or employee of each house shall make available upon request to such independent certified public accountants all books and records relevant to such independent audits.+>>

<<+2. The temporary president of the senate and the speaker of the assembly shall request proposals from independent certified public accountants for audits of the internal controls of their respective house. The requests for proposals shall include a reference to the requirements for audits conducted pursuant to subdivision one of this section. The temporary president and the speaker shall select such independent auditors in accordance with a competitive procedure including an evaluation, based on quality and price factors, of those proposals received in response to such requests for proposals.+>>

§ 9. Subdivision 1 of section 211 of the judiciary law is amended by adding a new paragraph (g-1) to read as follows:

<< NY JUD § 211 >>

<<+(g-1) A system of internal control for the unified court system, pursuant to article

seven-D of this chapter.+>>

§ 10. The judiciary law is amended by adding a new article 7-D to read as follows:

<<+ ARTICLE 7-D INTERNAL CONTROL RESPONSIBILITIES OF THE JUDICIARY+>>

Section

249. Definitions.

249-a. Internal control responsibilities.

249-b. Internal audit responsibilities.

249-c. Independent audits.

<< NY JUD § 249 >>

<<+§ 249. Definitions. As used in this article, the following terms shall have the following meanings:+>>

<<+1. "Internal control". A process that integrates the activities, plans, attitudes, policies, systems, resources and efforts of the people of an organization working together, and that is designed to provide reasonable assurance that the organization will achieve its objectives and mission. The objectives of an internal control system include, but are not limited to: the safeguarding of assets; checking the accuracy and reliability of accounting data and financial reporting; promoting the effectiveness and efficiency of operations; ensuring compliance with applicable laws and regulations; and encouraging adherence to prescribed managerial policies. Internal control review processes are used periodically to evaluate the ongoing internal control system and to assess and monitor the implementation of necessary corrective actions.+>>

<<+2. "Internal audit". An appraisal activity established by the management of an organization for the review of operations as a means of assuring conformance with management policies and the effectiveness of internal control, and conducted in conformance with generally accepted standards for internal auditing.+>>

<<+3. "Judiciary". The courts and court-related programs, including the office of court administration, of the state-funded portion of the unified court system and all components thereof as provided in subdivision two of section two hundred forty-nine-a of this article.+>>

<< NY JUD § 249-a >>

<<+§ 249-a. Internal control responsibilities. 1. The chief judge shall:+>>

<<+a. establish and maintain for the judiciary guidelines for a system of internal control;+>>

<<+b. establish and maintain for the judiciary a system of internal control and a program of internal control review. The program of internal review shall be designed to identify internal control weaknesses and identify actions that are needed to correct these weaknesses; and+>>

<<+c. designate one or more internal control officers to implement and review the

internal control responsibilities established pursuant to this section.+>>

<<+2. In order to identify all components of the judiciary and their responsibilities for the purposes of implementing the provisions of this article, the chief judge shall issue and, at his or her discretion, periodically revise a schedule which lists all such components.+>>

<< NY JUD § 249-b >>

<<+§ 249-b. Internal audit responsibilities. 1. The chief judge or his or her designee shall determine, and periodically review his or her determination of, whether an internal audit function within the judiciary is required. Establishment of such function shall be based upon an evaluation of exposure to risk, costs and benefits of implementation, and any other factors that are determined to be relevant. In the event it is determined that an internal audit function is required, the chief judge shall establish an internal audit function which operates in accordance with generally accepted professional standards for internal auditing. Any such internal audit function shall be directed by an internal audit director who shall report directly to the chief administrative judge. The internal audit function shall evaluate the judiciary's internal controls, identify internal control weaknesses that have not been corrected and make recommendations to correct these weaknesses.+>>

<<+2. In the event the chief judge does not establish an internal audit function pursuant to subdivision one of this section he or she shall nevertheless establish and maintain the program of internal control review required by section two hundred forty-nine-a of this article.+>>

<< NY JUD § 249-c >>

<<+§ 249-c. Independent audits. 1. At least once every three years, the independent certified public accountant selected pursuant to this section shall conduct audits of the internal controls of the judiciary. Such audits shall be performed in accordance with generally accepted government auditing standards and shall include a report on whether the judiciary's internal controls are established and functioning in a manner that provides reasonable assurance that they meet the objectives of internal control as defined in section two hundred forty-nine of this article. The report shall identify the internal controls both evaluated and not evaluated and shall identify internal control weaknesses that have not been corrected and actions that are recommended to correct these weaknesses. If any such internal control weaknesses are significant or material with respect to the judiciary, the independent auditor shall so state. The chief judge shall make available to the public the results of such audits, including any related management letters. The chief judge and any officer or employee of the judiciary shall make available upon request to such independent certified public accountants all books and records relevant to such independent audits.+>>

<<+2. The chief judge shall request proposals from independent certified public accountants for audits of the internal controls of the judiciary. The requests for proposals shall include a reference to the requirements for audits conducted pursuant to subdivision one of this section. The chief judge shall select such independent auditor in accordance with a competitive procedure including an evaluation, based on quality and price factors, of those proposals received in response to such requests for proposals.+>>

§ 11. Article 9 of the public authorities law is amended by adding a new title 8 to read as follows:

<<+ TITLE 8 INTERNAL CONTROL RESPONSIBILITIES OF PUBLIC AUTHORITIES+>>

Section

2930. Definitions.
2931. Internal control responsibilities.
2932. Internal audit responsibilities.

<< NY PUB AUTH § 2930 >>

<<+§ 2930. Definitions. For the purposes of this title, the following terms shall have the following meanings:+>>

<<+1. "Internal control". A process that integrates the activities, plans, attitudes, policies, systems, resources and efforts of the people of an organization working together, and that is designed to provide reasonable assurance that the organization will achieve its objectives and mission. The objectives of an internal control system include, but are not limited to: the safeguarding of assets; checking the accuracy and reliability of accounting data and financial reporting; promoting the effectiveness and efficiency of operations; ensuring compliance with applicable laws and regulations; and encouraging adherence to prescribed managerial policies. Internal control review processes are used periodically to evaluate the ongoing internal control system and to assess and monitor the implementation of necessary corrective actions.+>>

<<+2. "Internal audit". An appraisal activity established by the management of an organization for the review of operations as a means of assuring conformity with management policies and the effectiveness of internal control, and conducted in conformance with generally accepted standards for internal auditing.+>>

<<+3. "Covered authority". Any public authority or public benefit corporation, other than a bi-state authority or public benefit corporation, a majority of whose members are appointed by the governor or serve as members by virtue of holding state offices to which they were appointed by the governor, or any combination thereof.+>>

<< NY PUB AUTH § 2931 >>

<<+§ 2931. Internal control responsibilities. The governing board of each covered authority shall: 1. establish and maintain for the authority guidelines for a system of internal control that are in accordance with this article and internal control standards;+>>

<<+2. establish and maintain for the authority a system of internal control and a program of internal control review. The program of internal review shall be designed to identify internal control weaknesses, identify actions that are needed to correct these weaknesses, monitor the implementation of necessary corrective actions and periodically assess the adequacy of the authority's ongoing internal controls;+>>

<<+3. make available to each member, officer and employee a clear and concise statement of the generally applicable managerial policies and standards with which he or she is

expected to comply. Such statement shall emphasize the importance of effective internal control to the authority and the responsibility of each member, officer and employee for effective internal control;+>>

<<+4. designate an internal control officer, who shall report to the head of the authority, to implement and review the internal control responsibilities established pursuant to this section; and+>>

<<+5. implement education and training efforts to ensure that members, officers and employees have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques.+>>

<< NY PUB AUTH § 2932 >>

<<+§ 2932. Internal audit responsibilities. 1. The governing board of each covered authority or its designee shall determine, and periodically review the determination of, whether an internal audit function within the covered authority is required. Establishment of such function shall be based upon an evaluation of exposure to risk, costs and benefits of implementation, and any other factors that are determined to be relevant. In the event it is determined that an internal audit function is required, the governing board of each covered authority shall establish an internal audit function which operates in accordance with generally accepted professional standards for internal auditing. Any such internal audit function shall be directed by an internal audit director who shall report directly to the governing board of the authority. Internal audit director appointments shall be based on appropriate internal auditing credentials of the proposed appointee, consistent with generally accepted standards for internal auditing, including internal auditing education and experience. The internal audit function shall evaluate the authority's internal controls and operations, identify internal control weaknesses that have not been corrected and make recommendations to correct these weaknesses.+>>

<<+2. In the event the governing board does not establish an internal audit function pursuant to subdivision one of this section it shall nevertheless establish and maintain the program of internal control review required by section twenty-nine hundred thirty-one of this title.+>>

§ 12. Paragraph (g) of subdivision 2 of section 87 of the public officers law, as added by chapter 933 of the laws of 1977, is amended to read as follows:

<< NY PUB OFF § 87 >>

(g) are inter-agency or intra-agency materials which are not:

- i. statistical or factual tabulations or data;
- ii. instructions to staff that affect the public; <<-or->>
- iii. final agency policy or determinations; <<-or->>

<<+iv. external audits, including but not limited to audits performed by the comptroller and the federal government; or+>>

§ 13. Subdivision 2 of section 88 of the public officers law is amended by adding a new paragraph (j) to read as follows:

<< NY PUB OFF § 88 >>

<<+(j) external audits conducted pursuant to section ninety-two of the legislative law and schedules issued pursuant to subdivision two of section ninety of the legislative law.+>>

§ 14. The state comptroller, state agencies, covered authorities, the state legislature and the judiciary, as defined in this act, are authorized to take all actions necessary to implement their respective internal control and audit responsibilities under this act.

§ 15. This act shall take effect immediately, and shall be deemed to have been in full force and effect on and after January 1, 1999.

NY LEGIS 510 (1999)

END OF DOCUMENT

EFP Rotenberg, LLC
280 Kenneth Drive #100
Rochester, NY 14623

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26 Computer Drive West
Albany, New York 12205

KPMG
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Albany, NY 12207

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11 British American Blvd.
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66 South Pearl Street, Suite 401
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May 27, 2014

Mr. George E. Danyluk, CIA
Chief Internal Auditor
NYS Office of Court Administration
Internal Audit Services Unit
2500 Pond View, Suite LL01
Castleton-on-Hudson, New York 12033


Dear Mr. Danyluk:

Enclosed are two copies of our cost proposal to provide continuing professional auditing services for the audit of the internal control system of the New York State Unified Court System in accordance with the New York State Governmental Accountability, Audit and Internal Control Act for the fiscal year April 1, 2013 through March 31, 2014.

Please call me if you have any questions with regard to this proposal.

Very truly yours,

TOSKI & CO., CPAs, P.C.



Douglas E. Zimmerman, CPA
Managing Director

DEZ:kms

Enclosure

New York State Unified Court System
COST PROPOSAL FOR AUDIT OF INTERNAL CONTROLS

Estimated Number of Hours and Discounted Hourly Rates by Staff Classification

The following table illustrates the estimated number of hours and the discounted hourly rates by staff classification:

	<u>Estimated number of hours</u>	<u>Discounted hourly rate</u>	<u>Fee</u>
Partner	40	\$ 135	5,400
Manager	70	105	7,350
Senior accountant	<u>150</u>	<u>85</u>	<u>12,750</u>
	<u>260</u>		\$ <u>25,500</u>


Estimated Hours and Fees by Task

The following is a schedule of our estimate of hours and fees broken down by task:

<u>Task</u>	<u>Estimated number of hours</u>	<u>Fee</u>
Planning	14	\$ 1,377
Identification of significant controls and functions	36	3,533
Testing and evaluating the controls	188	18,429
Reporting	<u>22</u>	<u>2,161</u>
	<u>260</u>	\$ <u>25,500</u>

Out-of-Pocket Expenses

The total all-inclusive maximum fee for the engagement is \$25,500. This fee includes all estimated out-of-pocket expenses (e.g. clerical, postage, etc.), except travel expenses. We understand that travel costs that are necessary to perform our services will be reimbursed pursuant to current UCS non-judicial travel rates and rules.


Douglas E. Zimmerman, CPA
Managing Director

May 27, 2014
Date

NEW YORK STATE
UNIFIED COURT SYSTEM

Proposal to Provide Professional
Auditing Services for the Audit of
the Internal Control System

April 1, 2013 through March 31, 2014

May 27, 2014

Mr. George E. Danyluk, CIA
Chief Internal Auditor
NYS Office of Court Administration
Internal Audit Services Unit
2500 Pond View, Suite LL01
Castleton-on-Hudson, New York 12033

Dear Mr. Danyluk:

We are pleased to submit our proposal to provide continuing professional services for the audit of the internal control system of the New York State Unified Court System (UCS) for the fiscal year April 1, 2013 through March 31, 2014. This audit will be conducted in accordance with the requirements of the New York State Governmental Accountability, Audit and Internal Control Act. We believe we are the firm best qualified to provide audit services to the UCS based on:

- Our previous experience in performing the audit of the internal control system of the New York State Unified Court System for the period April 1, 2004 through March 31, 2005, April 1, 2007 through March 31, 2008 and April 1, 2010 through March 31, 2011.
- Our extensive experience in performing internal control audits of New York State Agencies in accordance with the New York State Governmental Accountability, Audit and Internal Control Act. We have performed the internal control audits of the following:
 - New York State Division of the Budget (2006, 2009 and 2012)
 - New York State Office of the State Comptroller (2004, 2007 and 2011)
 - New York State Executive Chamber (2004, 2007, 2010 and 2013)
 - New York State Assembly (2007, 2010 and 2013)
 - New York State Senate (2007, 2010 and 2013)
 - New York State Unified Court System (2005, 2008 and 2011)
- Our ability to assemble an engagement team with substantial experience in performing internal control audits in accordance with the New York State Governmental Accountability, Audit and Internal Control Act. All individuals to be assigned to this engagement have prior experience in performing these audits.
- Our substantial experience with regard to performing audits of internal controls. We perform over 400 audits of internal control on an annual basis in accordance with the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Mr. George E. Danyluk, CIA
May 27, 2014

- Our substantial experience in providing audit and related services to various New York State governmental agencies and public authorities, including the following:
 - New York Local Government Assistance Corporation
 - New York Power Authority
 - New York State Affordable Housing Corporation
 - New York State Assembly
 - New York State Bridge Authority
 - New York State Department of Health
 - New York State Department of Transportation
 - New York State Energy Research Development Agency
 - New York State Executive Chamber
 - New York State Homeless Housing Assistance Corporation
 - New York State Insurance Fund
 - New York State Office for People With Developmental Disabilities
 - New York State Office of Alcoholism and Substance Abuse Services
 - New York State Office of Attorney General
 - New York State Office of Children and Family Services
 - New York State Office of General Services
 - New York State Office of the Medicaid Inspector General
 - New York State Office of the State Comptroller
 - New York State Office of Temporary Disability Assistance
 - New York State Senate
 - New York State Thoroughbred Breeding and Development Fund
 - New York State Thruway Authority
 - New York State Unified Court System
 - New York State Urban Development Corporation
 - New York State Workers' Compensation Board
- Our use of substantially more partner time on engagements than other firms, resulting in improved client service.
- Our ability to provide quality services on a timely basis for reasonable fees.

We would consider it a distinct privilege to provide professional services as outlined in this letter or any additional services you desire. Please contact us if there are any questions regarding this letter.

Very truly yours,

TOSKI & CO., CPAs, P.C.



Douglas E. Zimmerman, CPA
Managing Director

DEZ:kms

LICENSED TO PRACTICE

Toski & Co., CPAs, P.C. is licensed to practice in New York State. Please see Appendix A for evidence of the firm's license to practice and licenses of key individuals to be assigned to the engagement.

PROPOSED AUDIT PLAN AND PROJECTED TIMETABLES

Our Firm will conduct an audit of the existing internal controls of the New York State Unified Court System (the UCS) pursuant to the requirements of the New York State Governmental Accountability, Audit and Internal Control Act (the Act). This audit will be conducted in accordance with the standards contained in Government Auditing Standards, issued by the Comptroller General of the United States. A brief summary of the audit approach to be utilized is as follows:

1. Planning.
2. Assessment of Significant Controls.
3. Testing of Significant Controls.
4. Reporting.

Our approach will focus on controls within the UCS. We will focus on the UCS's internal control objectives, document our understanding of these controls, and perform tests of the adequacy of the controls in place. We will determine the types of errors that could occur and the control procedures to prevent or detect such errors. This approach will also allow us to determine whether the necessary procedures are prescribed and being followed and to evaluate any weaknesses.

1. Planning

The planning phase will begin with an entrance conference with the Internal Control Officer and other appropriate UCS representatives and conclude with a progress conference at which the results of the planning phase will be reviewed. This phase encompasses the following tasks:

- Entrance conference
- Document our understanding of significant controls and functions
- Identification of significant functions for testing and evaluation
- Review of prior audits or studies to utilize
- Completion of detailed audit program

Entrance Conference

We will hold a meeting with the appropriate UCS personnel. A partial list of the items we would expect to cover in the meeting would be:

- Introduce the Firm's team
- Timing of work
- Familiarize the UCS's project team with our audit approach
- Discuss UCS staff involvement
- Identify any areas of management concern

Document our understanding of significant controls and functions

We will review the UCS's documentation of functions as presented in the following:

- Financial Planning and Control Manual
- Contract and Procurement Procedures Manual
- Operations Manual (various courts)
- Internal Control Manual
- Collective Bargaining Agreements
- Policy and Procedures Manual (various courts)
- Employee Handbook
- Payroll and Accounting Bulletins

Our Firm will obtain an understanding of the internal control of the UCS. The understanding will include each of the components of the control structure such as:

- Control environment sets the tone of an organization and influences the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- Risk assessment is the entity's identification and analysis of relevant risks to the achievement of its objectives. This forms a basis for determining how the risks should be managed.
- Control activities are the policies and procedures that help ensure that management's directives are carried out.
- Information and communication are the means to identify, capture, and exchange information in a form and time frame that enable people to carry out their responsibilities.
- Monitoring is a process that assesses the quality of internal control performance over time.

Identification of significant functions for testing and evaluation

The following will be considered in determining the functions and transactions significant enough to be tested:

- Prior internal control audit determinations
- Review of organizational changes
- New UCS responsibilities
- Review of internal controls

During the interim work period, we will identify all significant internal controls (administrative and accounting) and make our preliminary determination as to which internal controls are considered relevant and are to be reviewed, evaluated, and tested to comply with the objectives of the Act. We will focus on the types of transactions and related controls that could materially affect the operations of the UCS, as well as the segregation of duties and operations.

Review of prior audits or studies to utilize

We will determine the extent that existing work, if any, can be relied upon and utilized by:

- Assessing studies and audits that have been performed and their scope
- Reviewing workpapers of selected studies and audits
- Determining reliance to be placed on this work
- Determining additional audit work to be performed

Completion of detailed audit program

We will complete our review of the objectives and related controls we have identified for testing and the detailed audit programs for executing our tests for approval by the project manager. The plan will include our determination of significant internal administration and accounting controls to be reviewed, tested, and evaluated. The plan will also include an outline of the specific procedures and types of tests to be performed.

2. Assessment of Significant Controls

The assessment phase will include our documentation and assessment of the UCS's established procedures. This phase will include our evaluation of the general control environment and assessment of significant accounting and administrative controls.

- Document the UCS's general control environment
- Unit entrance conferences
- Document and assess accounting controls
- Document and assess administrative controls

Document the UCS's general control environment

Our approach includes a thorough review of the UCS's general control environment. The general control environment is not directly associated with a particular function or transaction; however, it has a significant influence on the design and execution of controls within every function or program.

The following aspects of the general control environment will be documented:

- Organizational structure
- Integrity and ethical values
- Relationship to governing bodies
- Philosophy and operating style
- Organizational structure
- Assignment of authority and responsibility
- Commitment to competence

Since this sets the tone and affects all the various units involved in the internal control audit, we will review the above factors to conclude on the adequacy of the overall framework for planning and implementing objectives and maintaining internal control throughout the UCS.

Unit entrance conferences

These meetings will include a review of the objectives and related controls that have been identified for testing. These meetings would include a discussion of any questions or concerns the Unit staff may have in relation to our approach.

Document and assess accounting controls

For the objectives and controls identified at each Unit we will determine which to test based on our review of the risk of a significant deficiency or material weakness. We will consider the volume of transactions, value of transactions, and the complexity of the process. Our documentation of the accounting systems and controls will be accomplished using, to the extent possible, existing manuals and documentation within the UCS. The significant functional areas to be included in the review of the internal accounting controls include the following:

- Controls over payroll transactions, vouchers for purchases, travel, contracts, purchase orders and petty cash
- Controls over maintenance of bank accounts that are in the custody of the UCS
- Operations that affect the recording of adjustments to appropriate accounts and recording of entries in the general ledger and related subsidiary accounts.

Document and assess administrative controls

The review of administrative controls is critical to the engagement in that it distinguishes this audit from tests of controls performed in a standard financial statement audit. Our experience in performing Internal Control Audits in accordance with the New York State Governmental Accountability, Audit and Internal Control Act has given us direct experience in meeting the requirement of auditing and reporting on internal controls under the Act. We have previously designed a program for auditing internal controls and reporting on controls of UCS. This experience will increase our efficiency and effectiveness. The significant functional areas to be included in the review of the internal administrative controls include the following:

- Personnel, including time and attendance system
- Procurement of contracts and professional services
- Payroll and nonpersonal services disbursements
- Assets and liability management
- Administrative support
- Data processing support

3. Testing of Significant Controls

This phase consists of the actual tests of significant controls and provides evidence that controls are functioning as designed. It also includes the evaluations of exceptions and the summarization of audit results. The specific tasks are as follows:

- Design tests of internal controls
- Test significant internal controls
- Assess likelihood of a material error

Design tests of internal controls

We will design the compliance test in the most effective and efficient manner possible. In designing the most effective tests of controls the following concerns will be considered:

- Were the expected procedures performed
- Were they performed adequately
- Were they performed by someone with incompatible duties

Test significant internal controls

Internal control tests will be used to evaluate controls routinely throughout the audit. Tests of controls are used to gather evidence indicating whether a control is functioning effectively and achieving its objectives. The evidence of the information's correctness will generally be obtained by re-performance of the control. We will use one of two methods, or a combination of these methods, to test controls over transaction procedures. These methods are described as follows:

- Inquiry and observation
- Inspection of documents, records, and reports and re-performance of certain internal control procedures

In a stronger control environment, the inquiry and observation technique provides persuasive audit evidence as to the design and effectiveness of controls. The inquiry and observation technique will be used to test supervisory controls. In such a test, the person or persons directly performing the control will be asked to walk the auditor through all steps of the procedure. Many times the inquiry and observation may be performed during our initial documentation of the system, which results in a great time savings. Occasionally, this is the only type of test that is possible.

Inspection of documents and reports will be performed where a documented control exists. Review of documentary evidence and discussion with the individual performing the control provides sufficient evidence as to the design and effectiveness of the control. The correctness of the information subject to the control is tested through re-performance of the control procedure, but may be tested through some other method. If re-performance of the control is necessary, a sample of items will be chosen.

Assess likelihood of material error

The results of our testing directly affect our assessment of the adequacy of the established internal control system. At this point in the engagement we will have concluded on the adequacy of the system design, and this final evaluation considers the evidence we will have gathered through the previous steps to determine if the established system is operating effectively.

When a control has not been applied it is referred to as a compliance deviation. The concept of what constitutes a compliance deviation in the circumstances is important and must be carefully considered for each test of a control. This area is highly judgmental; defining the deviation incorrectly can result in an incorrect conclusion on the overall system. Since the purpose of the test of a control is to gather evidence about the effectiveness of the control, all deviations are significant regardless of the dollar amount involved.

4. Reporting

The reporting phase represents the culmination of the audit process. This phase will end with the delivery of the final report and communication of opportunities to improve the system of internal control. This phase is structured as follows:

- Exit conference
- Communication of opportunities to improve the system of internal control
- Preparation of draft report
- Preparation of final report

Exit Conference

This meeting will focus on the review of any findings and provide an additional opportunity to clarify any issues before the draft report is issued. We will also provide management with a draft management representation letter to be provided on UCS letterhead outlining management's representations made during our examination.

Communication of opportunities to improve the system of internal control

This phase will consist of our presentation of any observations we identified during our audit which we believe may improve the established system of internal control. Our communication will be a summary of our observations. The form of this communication, written or verbal, would be at the discretion of the UCS.

Prepare draft report

The report will be prepared in accordance with current auditing standards and will contain the following, as appropriate:

1. The introductory paragraph will reference the schedule of significant control objectives defined for the review.
2. The scope paragraph will contain a statement indicating that the internal accounting and administrative controls were reviewed in accordance Generally Accepted Government Audit Standards (GAGAS). This paragraph will also indicate that the scope of the Project was limited to internal controls, which were examined separately from the financial statements and indicate that an expanded scope audit of the economy, efficiency and program results was not performed. Our procedures for identifying the types of errors and irregularities that may occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and followed, and evaluating any significant weaknesses will be referenced in the scope paragraph. We will state either that all significant internal controls related to the schedule of significant control objectives were reviewed or that all such controls were reviewed except for those described. All significant internal controls related to the control objectives will be reviewed.
3. The third paragraph will state that, because of inherent limitations of any internal controls over financial reporting, errors or irregularities may occur and not be detected. In addition, the paragraph will state that projections of any evaluation of the internal control structure to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.
4. The fourth paragraph will state a conclusion as to whether management's assertion about the effectiveness of the entity's internal controls over financial reporting as of the specified date is fairly stated, in all material respects, based on the control criteria.

The body of the report will include the following:

- An identification of the significant internal administrative and accounting controls determined to be relevant for the UCS to achieve its objectives effectively, noting by categories those reviewed and listing any essential controls not reviewed along with the reasons for not reviewing those controls.
- A statement whether the internal accounting and administrative controls that have been determined to be relevant to the operations of the UCS are established and functioning in a manner that provides reasonable assurance that the objectives of the internal controls are accomplished, and that the study and evaluation performed included considering the types of errors and irregularities that could occur, determining the internal control

procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any significant or material weaknesses.

- A statement assuring that no material matters (other than those disclosed in the report, if any) have become known which would cause the belief that the internal accounting and administrative controls that have been determined to be relevant to the operations of the UCS fail to comply with or meet the objectives of internal controls or that there has not been compliance with these internal accounting and administrative controls. (If no material matters are disclosed in the report, this statement will not be included.)
- The report shall identify any significant weaknesses in the system of internal controls that would cause it to fail to achieve any of the UCS's internal control objectives. The findings in the report should include the following:
 - A determination of the types of errors and irregularities that could occur
 - A determination of the control procedures that should prevent or detect such errors and irregularities
 - A determination of whether the necessary procedures are prescribed and are being followed
 - An evaluation of any weaknesses
- A description of any significant or material weaknesses identified and our recommendations for corrective action. The description of such weaknesses will follow this specific format for reporting a finding:
 - A statement of condition (i.e., what is)
 - The criteria (i.e., what should be)
 - The effect
 - The cause (if known)
 - The recommendation for corrective action
- Any finding will contain sufficient information for UCS officials to initiate timely corrective action. Findings of limited significance will be included in the report under a caption identifying them as such. All findings will be grouped according to applicable UCS unit. Non-significant or immaterial findings will be excluded from the report and may, if deemed appropriate, be identified in a separate management letter or orally.

Prepare final report

This task is the culmination of the audit. It consists of the final editing of the draft for inclusion of any UCS comments and delivery of the final report.

The projected timetable related to performance of our services and report deliverables is as follows:

<u>Task/Deliverable</u>	<u>Deadline</u>
Commence engagement	July 1, 2014
Completion of preliminary work plan	July 30, 2014
Completion of interim work	September 11, 2014
Submission of detailed audit plan and programs to USC	September 25, 2014
Completion of internal control work	October 23, 2014
Delivery of draft audit report	November 13, 2014 10/20 actual
Delivery of final report	November 28, 2014

MANAGEMENT PLAN AND ORGANIZATION OF PERSONNEL

The engagement will be planned in a way to ensure that work is efficient and structured in such a way as to avoid disrupting the day-to-day routine duties of the UCS staff. We understand that the Internal Control Officer has been designated as the Project Director and will be the primary contact during our fieldwork. Douglas E. Zimmerman, CPA will serve as the engagement review partner and the contract liaison. James I. Marasco, CPA will be assigned as the engagement partner. Paul S. Adams, CPA will be the manager involved in the day-to-day fieldwork and supervision of the engagement team. Douglas E. Zimmerman performed similar functions during our Firm's audit of the internal control system of the UCS for the period April 1, 2004 through March 31, 2005, the period April 1, 2007 through March 31, 2008 and the period April 1, 2010 through March 31, 2011. We will devote the necessary resources and plan the nature, timing and extent of testwork to ensure the report deliverable deadlines are met.

ESTIMATED NUMBER OF HOURS

Upon receiving notice of appointment as auditors, we will meet with representatives of UCS and establish a definite time program for the performance of our services. The time program will follow the calendar of events as detailed in the request for proposal. A schedule of the estimated number of hours is detailed as follows:

<u>Title</u>	<u>Hours</u>
Partners	40
Managers	70
Senior accountants	150
	<u>260</u>

DESCRIPTION OF FIRM

Toski & Co., CPAs, P.C. was formed to meet the needs of governmental and nonprofit organizations. Our Firm provides audit, accounting and consulting services to numerous organizations located throughout New York State annually, including over 175 governmental organizations. The firm employs 250 professionals with 44 partners and directors. The Firm's Governmental Audit Practice Group consists of 50 highly trained professionals. Our Firm has offices located in Williamsville, Albany, Rochester, New York City, Canandaigua, Seneca Falls, Corning, Geneva, and Newark. The work on this engagement will primarily be managed by the governmental industry professionals located in our Williamsville, New York office, with professional staff being provided from other offices as necessary. Please see Appendix A for the qualifications of key personnel and Appendix B for a partial listing of governmental organizations which are our clients.

Our Firm has undertaken many engagements equal to or exceeding the magnitude of this project and we are confident that we can assemble a team of professionals that will respond rapidly and effectively to the needs of the engagement. We will commit the necessary resources and devote trained professionals that have substantial experience in performing audits of internal control systems to ensure successful completion of the engagement. Toski & Co., CPAs, P.C. has performed 19 internal control audits of New York State agencies, including the Unified Court System, in accordance with the New York State Governmental Accountability, Audit and Internal Control Act. All individuals to be assigned to this engagement will have previous experience in performing audits in accordance with the Internal Control Act.

FIRM'S QUALIFICATIONS AND EXPERIENCE

Our Firm previously provided audit services to the New York State Unified Court System. Our examination includes an audit of the internal controls of the Unified Court System as required by the New York State Governmental Accountability, Audit and Internal Control Act. Our examination was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States and the standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of internal controls, testing, and evaluating the design and operating effectiveness of the internal controls, and performing such other procedures as we consider necessary under the circumstances.

Our Firm provides audit services to the New York State Office of the State Comptroller as required by the New York State Governmental Accountability, Audit and Internal Control Act. We recently performed the audit of the system of internal controls of the New York State Office of the State Comptroller. Our examination was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States and the standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of internal controls, testing and evaluating the design and operating effectiveness of the internal controls, and performing such other procedures as we considered necessary under the circumstances. The Office of the State Comptroller is responsible for paying New York State's bills and payrolls, verifying all financial transactions of the State, reviewing the financial and management practices of State agencies, supervising the fiscal affairs of local governments, investing State funds and issuing bonds and notes and administering the retirement program for the State and most local government employees.

Our Firm provides audit services to the New York State Division of the Budget. Our examination includes an audit of the internal controls of the New York State Division of the Budget as required by the New York State Governmental Accountability, Audit and Internal Control Act. Our examination was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States and the standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of internal controls, testing and evaluating the design and operating effectiveness of the internal controls, and performing such other procedures as we considered necessary under the circumstances.

Our Firm provides audit services to the New York State Assembly. Our examination includes an audit of the internal controls of the New York State Assembly as required by the New York State Governmental Accountability, Audit and Internal Control Act. Our examination was conducted in accordance with Government Auditing Standards, issued by the Comptroller General

of the United States and the standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of internal controls, testing, and evaluating the design and operating effectiveness of the internal controls, and performing such other procedures as we consider necessary under the circumstances.

Our Firm provides audit services to the New York State Executive Chamber as required by the New York State Governmental Accountability, Audit and Internal Control Act. We recently performed the audit of the system of internal controls of the New York State Executive Chamber. Our examination was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States and the standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of internal controls, testing and evaluating the design and operating effectiveness of the internal controls, and performing such other procedures as we considered necessary under the circumstances. The New York State Executive Chamber is responsible for overseeing the operations of the Executive Branch of New York State Government (the Governor's Office).

Our Firm provides audit services to the New York State Senate. Our examination includes an audit of the internal controls of the New York State Senate as required by the New York State Governmental Accountability, Audit and Internal Control Act. Our examination was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States and the standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of internal controls, testing, and evaluating the design and operating effectiveness of the internal controls, and performing such other procedures as we consider necessary under the circumstances. Besides passing upon legislative proposals and constitutional amendments, the New York State Senate confirms or rejects nominations made by the Governor for the filling of certain State and judicial offices.

Our Firm provides internal audit services to the New York State Office of General Services (OGS) - Design and Construction Group. Our Firm has expended over 32,000 hours in the last eight years providing services to OGS. These services are provided to OGS through Mr. Robert Curtin's office. These services include extensive auditing of the internal control system of the Design and Construction Group related to the following:

- Construction contract bid process, including advertisement and bid opening procedures.
- Execution of construction contracts.
- Review issuance of field orders and change orders for compliance with OGS regulations.
- Interview of Engineers in Charge of projects to review work performed to assess contract status, documentation of progress billings and compliance with terms of contract.
- Review all subcontractors utilized on construction contracts to confirm that the subcontractors were properly approved by OGS.
- Review and determine the extent of known design errors/omissions on construction projects.
- Review of Biweekly Engineers in Charge meeting minutes to ensure that appropriate meeting coverage is noted with regard to:
 - Percentage of contract completion
 - Contractor and subcontractor attendance
 - Contract delays with accompanying reasons
 - Site workers for each contractor
 - Quality of workmanship

- Detailed review of field office files to ensure compliance with OGS guidelines including maintenance of:
 - Project manuals
 - Project correspondence
 - Job meeting minutes
 - Payment requisitions
 - Certified payrolls
 - Change orders/field orders

Our Firm has been engaged by SUNY at Stony Brook University Hospital Medical Center to augment the Center's internal audit department in four key strategic risk areas. The Center, whose budget is over \$800 million annually, requires assistance in the complex areas of Computerized Physician Order Entry relating to inpatient service revenue, Information Technology (IT) application change processes with respect to Electronic Health Record and the controls over logical and physical access over IT applications and infrastructure and internal control compliance over the Center's \$500 million major modernization construction project.

Other governmental work Toski & Co., CPAs, P.C. has performed is as follows:

Our Firm previously provided audit services to the New York State Division of the Budget in connection with performing the Single Audit (OMB Circular A-133 Audit) of the State of New York (the New York State Single Audit is the largest Single Audit performed in the United States). Our Firm was responsible for auditing the State's expenditures of Federal financial assistance. New York State expends approximately \$62 billion dollars in Federal financial assistance on an annual basis. Our examination was conducted in accordance with the provisions of OMB Circular A-133 and included a study and evaluation of the internal accounting and administration control systems of major Federal programs administered by the State of New York. As part of this audit engagement, we audited the federally funded programs of the following New York State agencies:

- New York State Education Department
- State University of New York
- New York State Department of Environmental Conservation
- New York State Department of Health
- New York State Department of Labor
- New York State Department of State
- New York State Department of Transportation
- New York State Emergency Management Office
- New York State Housing Trust Fund Corporation
- New York State Office for the Aging
- New York State Office of Alcoholism and Substance Abuse Services
- New York State Office of Children and Family Services
- New York State Office of General Services
- New York State Office of Homeland Security
- New York State Office of Temporary and Disability Assistance

Our Firm provides audit services to the New York State Urban Development Corporation d/b/a Empire State Development Corporation. We perform the annual audit of the general purpose and single audit financial statements of the Corporation (a component unit of the State of New York) in accordance with auditing standards generally accepted in the United States of America. The Corporation's goal is to create and retain jobs and to reinvigorate economically distressed areas

of the State. The Corporation administers the Empire Zone program which provides tax incentives designed to attract new businesses to New York State and to enable existing businesses to expand and create more jobs. The Corporation has over 150 subsidiaries which are consolidated for financial reporting purposes. Our Firm provides audit and related services to various subsidiaries of Empire State Development Corporation. Empire State Development has annual revenues in excess of \$1.5 billion and assets of more than \$12.5 billion.

Our Firm provides audit services to the New York State Thruway Authority. We perform the annual audit of the general purpose financial statements of the Authority (a component unit of the State of New York) in accordance with auditing standards generally accepted in the United States of America, the provisions of 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.

Our Firm provides audit services to Hudson River Park Trust. We perform the annual financial statement of the Trust in accordance with auditing standards generally accepted in the United States of America, the provisions of 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. Hudson River Park Trust is a public benefit corporation created to oversee the planning, construction and operation of the Hudson River Park which is located from Battery Place to 59th Street in New York City. The Trust is responsible for the \$262 million of State and City funds which have been allocated to reconstruct the piers and related infrastructure improvements in the Park.

Firm References

Our Firm has provided various audit services to numerous governmental organizations. The following is a listing of the most significant engagements similar to the services requested by the New York State Unified Court System:

Mr. Stephen R. Hillerman, CIA
Assistant Comptroller for Internal Audit
Office of the State Comptroller
200 Jordan Road
Troy, New York 12180
(518) 286-549-2393

Ms. Kathleen M. Owens
Internal Control Director
New York State Assembly
One Enterprise Drive
Albany, New York 12248
(518) 455-4411

Ms. Theresa A. Brennan
Director of Administrative Services
State of New York Executive Chamber
State Capitol
Albany, New York 12224
(518) 474-3036

Mr. Robert Curtin, CPA
Director of Internal Audit
New York State Office of General Services
40th Floor Corning Tower
Empire State Plaza
Albany, New York 12242
(518) 474-3634

KEY PERSONNEL

Our Firm has a staff of professionals with substantial experience in providing professional internal control auditing services for governmental organizations. The key individuals and their roles are as follows:

Douglas E. Zimmerman, CPA will be the partner assigned to this engagement. He has over 27 years of public accounting experience. He currently functions as the managing director in the Firm and has responsibility for providing audit, accounting and consulting services for numerous governmental organizations. He has supervised and prepared numerous internal control audits for many of our clients. He has been the partner in charge of the fieldwork on all 19 of the internal control audits performed by the Firm in accordance with the New York State Governmental Accountability, Audit and Internal Control Act. In connection with these engagements, he has provided over 2,500 hours auditing the internal controls of State agencies in accordance with the Internal Control Act. He received a Bachelor of Science degree in Accounting from State University of New York College at Geneseo in 1986. He was licensed in New York State as a Certified Public Accountant in 1989. He is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

James I. Marasco, CPA, CFF, CIA, CFE will be a partner assigned to this engagement. He has over 24 years of public accounting experience. He currently functions as a director in the Firm and has responsibility for providing audit, accounting and consulting services for numerous governmental organizations. He received a Bachelor of Business Administration degree in Accounting from St. Bonaventure University in 1990. He was licensed in New York State as a Certified Public Accountant in 1993. He is a member of the American Institute of Certified Public Accountants, the New York State Society of Certified Public Accountants, the Institute of Internal Auditors, and the Association of Certified Fraud Examiners.

Paul S. Adams, CPA, CFE, CFF, CGFM will be a manager assigned to this engagement. He has over 20 years of public accounting experience. He currently functions as a senior manager in the Firm and has responsibility for providing audit, accounting and consulting services for numerous governmental organizations. He was the project manager in charge of internal control compliance for a public company with over \$250 million in revenues and multiple locations in the United States. He received a Bachelor of Science degree in Accounting from St. John Fisher College. He was licensed in New York State as a Certified Public Accountant in 1983. He is a member of the American Institute of Certified Public Accountants, the Association of Internal Auditors, the Association of Certified Fraud Examiners and the New York State Association of School Business Officials.

Anthony Pezzino will be designated as a senior accountant assigned to this engagement. He has over eight years of public accounting experience. He currently functions as a supervisor in the Firm and has responsibility for providing auditing, accounting and consulting services for numerous governmental organizations. He worked on the internal control audits of the New York State Office of the State Comptroller, Division of the Budget, Senate and Executive Chamber. These audits were performed in accordance with the New York State Governmental Accountability, Audit and Internal Control Act. He received a Bachelor of Science degree from D'Youville College in 2005.

Mr. George E. Danyluk, CIA
May 27, 2014

Brian P. Majchrowicz will be designated as a senior accountant assigned to this engagement. He has over 12 years of public accounting experience. He currently functions as a supervisor in the Firm and has responsibility for providing auditing, accounting and consulting services for numerous governmental organizations. He worked on the internal control audits of the New York State Senate. These audits were performed in accordance with the New York State Governmental Accountability, Audit and Internal Control Act. He received a Bachelor of Science degree in Accounting from State University of New York at Buffalo in 2001.

Staff References

Douglas E. Zimmerman, CPA

Mr. Stephen R. Hillerman, CIA
Assistant Comptroller for Internal Audit
Office of the State Comptroller
200 Jordan Road
Troy, New York 12180
(518) 286-2622 x 105

Mr. Robert Curtin, CPA
Director of Internal Audit
New York State Office of General Services
40th Floor Corning Tower
Empire State Plaza
Albany, New York 12242
(518) 474-3634

James I. Marasco, CPA

Ms. Theresa A. Brennan
Director of Administrative Services
State of New York Executive Chamber
State Capitol
Albany, New York 12224
(518) 474-3036

Ms. Kathleen M. Owens
Internal Control Director
New York State Assembly
One Enterprise Drive
Albany, New York 12248
(518) 455-4411

Paul S. Adams, CPA

Ms. Theresa A. Brennan
Director of Administrative Services
State of New York Executive Chamber
State Capitol
Albany, New York 12224
(518) 474-3036

Ms. Kathleen M. Owens
Internal Control Director
New York State Assembly
One Enterprise Drive
Albany, New York 12248
(518) 455-4411

Anthony C. Pezzino

Ms. Theresa A. Brennan
Director of Administrative Services
State of New York Executive Chamber
State Capitol
Albany, New York 12224
(518) 474-3036

Ms. Kathleen M. Owens
Internal Control Director
New York State Assembly
One Enterprise Drive
Albany, New York 12248
(518) 455-4411

Mr. George E. Danyluk, CIA
May 27, 2014

Brian P. Majchrowicz

Ms. Theresa A. Brennan
Director of Administrative Services
State of New York Executive Chamber
State Capitol
Albany, New York 12224
(518) 474-3036

Ms. Mary K. Berger
Special Assistant to the
Secretary of the Senate
New York State Senate
Room 415
State Capitol
Albany, New York 12247
(518) 455-2636

RESUMES OF PERSONNEL

Please see Appendix A for detailed resumes of our Firm's personnel.

DELIVERABLES AND TIMETABLE

The following are report and work product deliverables associated with the engagement:

Delivery of detailed audit plan and programs	September 25, 2014
Draft audit report and recommendations	November 13, 2014
Delivery of 20 copies of final report	Within seven (7) working days of approval of Chief Judge, not later than November 28, 2014

PERIODIC MEETINGS

Upon notification of assignment of the contract, we will meet with management to conduct an entrance conference. Discussions will include the preliminary work plan as proposed by our Firm and any matters of significance management would like us to narrow in on. During the course of the audit, we will meet periodically with UCS personnel to review the audit progress and preliminary findings.

An exit conference will be conducted at the conclusion of the engagement with the Chief Administrative Judge and such other UCS personnel as the UCS deems necessary. Any findings will be orally discussed at that time prior to the preparation of the draft report. We will prepare a letter to management detailing comments and suggestions for improvement, which come to our attention during the audit. We will review and explain all observations and recommendations so that appropriate changes may be implemented.

QUALITY ASSURANCE PROGRAM

All staff will be properly supervised during the engagement to ensure that our quality control standards are met. Douglas E. Zimmerman, CPA will serve as the key individual assigned to the engagement. Mr. Zimmerman served on our previous engagements auditing the internal control systems of New York State Agencies.

In order to ensure the audit has been properly planned and supervised and that proper evidential matter has been obtained to support an unqualified opinion, all workpapers are reviewed by the partner assigned to the engagement. Douglas E. Zimmerman, CPA will serve as the engagement review partner on the engagement. Our firm uses of substantially more partner time on engagements than other firms, resulting in improved client service.

Internal and External Quality Control Reviews

Toski & Co., CPAs, P.C. retains an independent accounting firm to conduct a review of its system of quality control every three years in accordance with the rigorous standards of the American Institute of Certified Public Accountants. In January 2010, our Firm (previously known as Toski, Schaefer & Co., P.C.) successfully completed the most recent peer review of its accounting and auditing practice. The review determined that the Firm complies with the stringent quality control standards set by the American Institute of Certified Public Accountants. Our Firm has received the highest rating possible with no letter of comments being required in each of its last seven peer reviews. According to the peer review team, less than one percent of the firms in the nation achieve this level of excellence. We believe that this attests to our commitment to quality. Peer reviews, which are performed every three years, are required of all CPA firms and are conducted in accordance with rules issued by the American Institute of Certified Public Accountants. As a result of the merger of EFP Rotenberg, LLP and Toski & Co., CPAs, P.C., the next peer review cycle ended November 30, 2013 and the report thereof will be available after May 31, 2014. (See Appendix C for a copy of the report issued in connection with our most recent peer review.)

Additionally, our firm conducts internal quality control reviews annually. Each year a sample of clients are selected to conduct review of audit procedures performed and financial statements issued to ensure that the work meets our quality control standards, as well as the standards promulgated by the American Institute of Certified Public Accountants and applicable industry standards, rules and regulations.

OTHER SIGNIFICANT INFORMATION

- Experience - Since Toski & Co., CPAs, P.C. "specializes" in providing internal control audit services to governmental organizations, our field staff is experienced in providing such services.
- Technology - All of our field staff are equipped with laptop computers and have access to various software packages and databases (e.g. data extraction software, flowchart software, Microsoft Office, etc.) and other electronic means to ensure that the audit is performed in the most efficient manner.
- Equal Opportunity Policy - Toski & Co., CPAs, P.C. is an equal opportunity employer and as such possesses a firm commitment to affirmative action and to hiring only the best qualified candidates regardless of gender or ethnic origin. Toski & Co., CPAs, P.C. does not discriminate against any employee or applicant for employment because of race, creed, color, national origin, sex, age, disability or marital status.
- Continuing Education - With regard to continuing professional education, each of our staff members is required to complete an annual minimum of 40 hours of continuing education programs approved by the American Institute of Certified Public Accountants. Additionally, since we perform audits in accordance with Government Auditing Standards (over 330 each year), our staff members must complete at least 24 of the 80 hours (over a two-year period) of continuing education in subjects directly related to the government environment and government auditing.

* * * * *

Mr. George E. Danyluk, CIA
May 27, 2014

We would consider it a distinct privilege to provide professional services as outlined in this letter or any additional services you may desire. Please contact us if there are any questions regarding this letter.

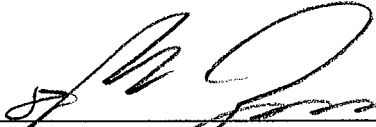
A copy of this letter is enclosed; if the terms of this proposal are satisfactory to you, please sign the copy and return it to me at your convenience.

ACCEPTED:

TOSKI & CO., CPAs, P.C.

NEW YORK STATE UNIFIED
COURT SYSTEM

By:



Douglas E. Zimmerman, CPA
Managing Director

By: _____

Date: May 27, 2014

Date: _____

BACKGROUND AND QUALIFICATIONS
OF PERSONNEL

DOUGLAS E. ZIMMERMAN, C.P.A.

Mr. Zimmerman has over 27 years of public accounting experience. He currently functions as the managing director in the Firm and has responsibility for providing audit, accounting and consulting services for numerous governmental organizations.

Mr. Zimmerman received a Bachelor of Science degree in Accounting from State University of New York College at Geneseo in 1986. He was licensed in New York State as a Certified Public Accountant in 1989.

Mr. Zimmerman is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

JAMES I. MARASCO, C.P.A., C.F.F., C.I.A., C.F.E.

Mr. Marasco has over 24 years of public accounting experience. He currently functions as a director in the Firm and has responsibility for providing audit, accounting and consulting services for numerous governmental organizations.

Mr. Marasco received a Bachelor of Business Administration degree in Accounting from St. Bonaventure University in 1990. He was licensed in New York State as a Certified Public Accountant in 1993.

Mr. Marasco is a member of the American Institute of Certified Public Accountants, the New York State Society of Certified Public Accountants, the Institute of Internal Auditors, and the Association of Certified Fraud Examiners.

DAVID J. SPARA, C.P.A., M.B.A.

Mr. Spara has over 35 years of accounting experience. He currently functions as a director in the Firm and has responsibility for providing audit, accounting and consulting services for numerous governmental organizations.

Mr. Spara received a Bachelor of Science degree in Business Administration from St. Bonaventure University in 1975, and a Master of Business Administration from State University of New York at Buffalo in 1981. He was licensed in New York State as a Certified Public Accountant in 1986.

Mr. Spara is a member of the American Institute of Certified Public Accountants, the New York State Society of Certified Public Accountants and was a Chairman of the Accounting and Auditing Standards Committee.

JOSEPH M. KLIMEK, C.P.A.

Mr. Klimek has over 34 years of public accounting experience. He currently functions as a director in the Firm and has responsibility for providing audit, accounting and consulting services for numerous governmental organizations.

Mr. Klimek received a Bachelor of Science degree in Accounting from State University of New York at Buffalo in 1979. He was licensed in New York State as a Certified Public Accountant in 1983.

Mr. Klimek is a member of the American Institute of Certified Public Accountants, the New York State Society of Certified Public Accountants, the Government Finance Officers Association and the Association of School Business Officials.

TIMOTHY R. THOMAS, C.P.A.

Mr. Thomas has over 32 years of public accounting experience. He currently functions as a director for the firm and has responsibility for providing audit, accounting and consulting services to numerous governmental organizations.

Mr. Thomas received a Bachelor of Arts degree in Accounting and Economics from Grove City College in 1982. He was licensed in New York State as a Certified Public Accountant in 1984.

Mr. Thomas is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

DAVID A. BONK, CPA/CITP, CMA, CGMA, CISA, CRISC, CRMA, CHFP

Mr. Bonk has over 29 years of professional experience in healthcare consulting as well as financial and operational experience in acute, sub-acute and long term care in various positions as controller, CFO, CIO and director functions. He currently functions as a director in the Firm and has responsibility for providing consulting, audit and accounting services for numerous healthcare and governmental organizations.

Mr. Bonk received a Bachelor of Science degree from State University of New York at Buffalo where he performed his undergraduate in accounting, finance, taxation. In addition, he holds a graduate certificate in long-term care management and healthcare strategy and has completed graduate studies in healthcare administration and healthcare informatics at the University of South Dakota and Dakota State University. In addition to being a Certified Public Accountant and Certified Information Technology Professional, he is also a Certified Management Accountant, Certified Information Systems Officer, Certified in Risk Information Security Control and Risk Management Assurance, Certified Healthcare Financial Professional, former corporate HIPPA compliance officer and a certified Continuous Quality Improvement trainer.

Mr. Bonk is a member of the American Institute of Certified Public Accountants, the New York State Society of Certified Public Accountants, the Institute of Management Accountants, the Information, Security and Control Association, the Institute of Internal Auditors, the Health Care Financial Management Association, American College of Health Care Administrators, American College of Health Care Executives, the AICPA's Information Technology Segment, American Health Information Management Association and Health Information Management Services Society.

ROBERT J. WILLIAMS, C.P.A.

Mr. Williams has over 19 years of public accounting experience. He currently functions as a director in the Firm and is responsible for providing audit, accounting and consulting services for numerous governmental organizations.

Mr. Williams received a Bachelor of Science degree in Accounting from Niagara University in 1994. He was licensed in New York State as a Certified Public Accountant in 1998.

Mr. Williams is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

DAVID GABEL, C.P.A.

Mr. Gabel has over 25 years of public accounting experience. He currently functions as a director in the Firm and has responsibility for providing auditing, accounting and consulting services for numerous governmental organizations.

Mr. Gabel received a Bachelor of Science degree in Accounting from State University of New York at Fredonia in 1988. He was licensed in New York State as a Certified Public Accountant in 1990.

Mr. Gabel is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

JENNIFER KIBLIN, C.P.A.

Ms. Kiblin has over 18 years of accounting experience. She currently functions as a director for the firm and has responsibility for providing audit, accounting and consulting services to numerous governmental organizations.

Ms. Kiblin received a Bachelor of Science degree in Accounting from D'Youville College in 1992. She was licensed in New York State as a Certified Public Accountant in 1995.

Ms. Kiblin is a member of the America Institute of Certified Public Accountants and the New York Society of Certified Public Accountants.

DEBRA M. ZEVETCHIN, C.P.A., M.A.

Ms. Zevetchin has over 14 years of accounting experience. She currently functions as a director in the Firm and has responsibility for providing audit, accounting and consulting services for numerous governmental organizations.

Ms. Zevetchin received a Bachelor of Arts degree in Management Accounting from Tusculum College in 1998 and a Master of Accountancy from East Tennessee State University in 2000. She was licensed in New York State as a Certified Public Accountant in 2004.

Ms. Zevetchin is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

BRIAN P. MAJCHROWICZ

Mr. Majchrowicz has over 12 years of public accounting experience. He currently functions as a supervisor in the firm and has responsibility for providing auditing, accounting and consulting services for numerous governmental organizations.

Mr. Majchrowicz received a Bachelor of Science degree in Accounting from State University of New York at Buffalo in 2001.

ANTHONY C. PEZZINO

Mr. Pezzino has over eight years of public accounting experience. He currently functions as a supervisor in the Firm and has responsibility for providing audit, accounting, and consulting services for numerous governmental organizations.

Mr. Pezzino received a Bachelor of Science degree from D'Youville College in 2005.

PAUL S. ADAMS, C.P.A., C.F.E., C.F.F., C.G.F.M.

Mr. Adams has over 20 years of accounting experience. He currently functions as a senior manager for the firm and has responsibility for providing audit, tax and consulting services to numerous governmental organizations.

Mr. Adams received a Bachelor of Science degree in Accounting from St. John Fisher College. He was licensed in New York State as a Certified Public Accountant in 1983.

Mr. Adams is a member of the American Institute of Certified Public Accountants, the Association of Internal Auditors, the Association of Certified Fraud Examiners, and the New York State Association of School Business Officials.

ANTHONY L. F. SELLARS, C.P.A., C.G.M.A.

Mr. Sellars has over 36 years of public accounting experience. He currently functions as a supervisor in the firm and as responsibility for providing audit, tax and consulting services to numerous governmental organizations.

Mr. Sellars received a Bachelor of Science degree in Accounting from Husson College in Bangor, Maine in 1976. He was licensed in Maine as a Certified Public Accountant in 1981 and in New York State in 2006. He is also a Chartered Global Management Accountant.

Mr. Sellars is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

Business Entity Information *

05/27/2014

Name : TOSKI & CO CPAS PC

Street Address :

300 ESSJAY ROAD

SUITE 115

WILLIAMSVILLE, NY 142210000

Business Entity : Professional Service Corporation

PSC # : 096029

Initial Filing Date : 12/28/11

Current through : 11/30/14

Officers, Directors, Shareholders : Click on license number link to the left of professional's name for detailed information.

07 060798 ZIMMERMAN DOUGLAS EDWARD -

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- Use your browser's back key to return to establishment list.
- You may search to see if there has been recent disciplinary action against this registered establishment.



License Information *

05/27/2014

Name : ZIMMERMAN DOUGLAS EDWARD

Address : LANCASTER NY

Profession : CERTIFIED PUBLIC ACCOUNTANCY

License No: 060798

Date of Licensure : 03/29/89

Additional Qualification : Not applicable in this profession

Status : REGISTERED

Registered through last day of : 08/17

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- Use your browser's back key to return to licensee list.
- You may search to see if there has been recent disciplinary action against this licensee.
- Note: The Board of Regents does not discipline *physicians(medicine), physician assistants, or specialist assistants*. The status of individuals in these professions may be impacted by information provided by the NYS Department of Health. To search for the latest discipline actions against individuals in these professions, please check the New York State Department of Health's Office of Professional Medical Conduct homepage.



License Information *

05/27/2014

Name : ADAMS PAUL STEPHEN

Address : WEBSTER NY

Profession : CERTIFIED PUBLIC ACCOUNTANCY

License No: 046814

Date of Licensure : 04/15/83

Additional Qualification : Not applicable in this profession

Status : REGISTERED

Registered through last day of : 09/16

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- Use your browser's back key to return to licensee list.
- You may search to see if there has been recent disciplinary action against this licensee.
- Note: The Board of Regents does not discipline *physicians(medicine)*, *physician assistants*, or *specialist assistants*. The status of individuals in these professions may be impacted by information provided by the NYS Department of Health. To search for the latest discipline actions against individuals in these professions, please check the New York State Department of Health's Office of Professional Medical Conduct homepage.



PARTIAL LISTING OF GOVERNMENTAL
ORGANIZATIONS WHICH ARE OUR CLIENTS

Albion Central School District
*Amherst Industrial Development Agency
*Amsterdam Housing Authority
Athens Area School District
Avon Central School District
Barnard Fire District
*Berkshire Union Free School District
Blind Brook-Rye Union Free School District
Bloomfield Central School District
Brighton Central School District
Brighton Fire District
Broome County Tobacco Asset Securitization Corporation
Capital District Transportation Authority
Cayuga County Health Insurance Consortium
Cayuga Tobacco Asset Securitization Corporation
Central Business Improvement District, Inc.
*Cheektowaga Economic Development Corporation
*Chemung County Industrial Development Agency
Chemung Fire District No. 1
Chemung Tobacco Asset Securitization Corporation
Churchville-Chili Central School District
City of Buffalo Police Department
*City of Canandaigua
*City of Dunkirk Housing Authority
*City of Johnstown
*City of Oneonta Housing Authority
City University of New York (CUNY)
*Cortland Housing Authority
*County of Allegany
*County of Chemung
*County of Columbia
*County of Delaware
*County of Lewis
*County of Madison

* Audit conducted in compliance with the provisions of Office of Management and Budget (OMB) Circular A-133;
Audits of States, Local Governments and Non-Profit Organizations.

PARTIAL LISTING OF GOVERNMENTAL
ORGANIZATIONS WHICH ARE OUR CLIENTS

- *County of Montgomery
- *County of Niagara
- *County of Orleans
- *County of Saratoga
- *County of Sullivan
- *County of Ulster
- Deferred Compensation Plan for the Employees of Broome County
- Deferred Compensation Plan for the Employees of Delaware County
- Deferred Compensation Plan for the Employees of Erie County
- Deferred Compensation Plan for the Employees of Lewis County
- Deferred Compensation Plan for the Employees of the Islip Housing Authority
- Deferred Compensation Plan for the Employees of the Islip Resource Recovery Agency
- Deferred Compensation Plan for the Employees of Ontario County
- Deferred Compensation Plan for the Employees of the Town of Bethlehem
- Deferred Compensation Plan for the Employees of the Town of Huntington
- Deferred Compensation Plan for the Employees of the Town of Islip
- Deferred Compensation Plan for the Employees of the Town of Islip Community Development Agency
- Dundee Central School District
- *East Hampton Union Free School District
- East Irondequoit Central School District
- East Rochester Central School District
- Elba Central School District
- Ellwood Fire District No. 1
- Elmira City School District
- *Elmira Housing Authority
- *Empire State Development Corporation
- *Erie Canal Harbor Development Corporation
- Erie County Soil and Water Conservation District
- *Evans-Brant Central School District
- Fairport Central School District
- *Finger Lakes Community College
- Fishers Fire District
- Fulton County Public Health Department

* Audit conducted in compliance with the provisions of Office of Management and Budget (OMB) Circular A-133;
Audits of States, Local Governments and Non-Profit Organizations.

PARTIAL LISTING OF GOVERNMENTAL
ORGANIZATIONS WHICH ARE OUR CLIENTS

Fulton County Residential Health Care Facility
Gananda Central School District
Genesee Tobacco Asset Securitization Corporation
*Geneva Housing Authority
Geneva City School District
Greece Central School District
Hammondsport Fire District
*Harlem Community Development Corporation
*Harriman Research and Technology Development
Henrietta Fire District
Honeoye Central School District
Honeoye Falls-Lima Central School District
*Hudson River Park Trust
*Indian River Central School District
*Ithaca Housing Authority
*Kenmore Housing Authority
Lake View Fire District
Lakeshore Fire District
Leroy Fire Department
*Lockport Municipal Housing Authority
*Lower Manhattan Development Corporation
Manchester-Shortsville School District
Marion Central School District
*Middletown City School District
*Monroe County Airport Authority
*Moynihan Station Development Corporation
Naples Central School District
Nassau County Office of Housing and Internal Affairs
*Newark Housing Authority
New York City Department of Juvenile Justice
New York City Tax Lien Trusts (four trusts)
*New York Convention Center Development Corporation
*New York Empowerment Zone Corporation
*New York Job Development Authority

* Audit conducted in compliance with the provisions of Office of Management and Budget (OMB) Circular A-133;
Audits of States, Local Governments and Non-Profit Organizations.

PARTIAL LISTING OF GOVERNMENTAL
ORGANIZATIONS WHICH ARE OUR CLIENTS

- *New York Liberty Development Corporation
- New York Local Government Assistance Corporation
- New York State Assembly
- New York State Affordable Housing Corporation
- New York State Bridge Authority
- New York State Office of Child and Family Services
- New York State Department of Health
- New York State Department of Transportation
- *New York State Division of the Budget
- New York State Executive Chamber
- New York State Homeless Housing Assistance Corporation
- *New York State Housing Trust Fund Corporation
- New York State Insurance Fund
- New York State Office for People With Developmental Disabilities
- New York State Office of Alcoholism and Substance Abuse Services
- New York State Office of the Attorney General
- New York State Office of the State Comptroller
- New York State Office of the Medicaid Inspector General
- New York State Office of General Services
- New York State Office of Temporary Disability Assistance
- New York State Senate
- New York State Thoroughbred Breeding and Development Fund
- *New York State Thruway Authority
- New York State Unified Court System
- *New York State Urban Development Corporation
- Niagara County Asset Forfeiture Accounts
- *Niagara Falls Housing Authority
- Niagara Falls Water Board
- *Niagara Frontier Transportation Authority
- Niagara Wheatfield Central School District
- *Ogdensburg Bridge and Port Authority
- Ontario Soil and Water Conservation District
- *Orange-Ulster BOCES
- *Orleans County Industrial Development Agency

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Audits of States, Local Governments and Non-Profit Organizations.

PARTIAL LISTING OF GOVERNMENTAL
ORGANIZATIONS WHICH ARE OUR CLIENTS

Palmyra-Macedon Central School District
Penfield Central School District
Phelps-Clifton Springs School District
Pine Hill Fire District No. 5
Pittsford Central School District
Putnam Tobacco Asset Securitization Corporation
*Queens West Development Corporation
Ridge Culver Fire District
*Roosevelt Island Operating Corporation
Royalton-Hartland Central School District
Rush Henrietta Central School District
*Sachem Central School District
*Schenectady Municipal Housing Authority
*Seneca Nation Housing Authority
Small Business Technology Investment Fund
South Wales Fire District No. 1
Southern Tioga School District
Starpont Central School District
State University of New York at Stony Brook Dental School
*Steuben County Economic Development Corporation
*Steuben County Industrial Development Agency
Stony Brook University Hospital
*Three Village Central School District
Tioga County Soil and Water Conservation District
Towanda Area School District
Town of Avon
Town of Boston
Town of Catlin
Town of Cazenovia
Town of Dunkirk
Town of East Greenbush
Town of Elmira Fire District No. 1
Town of Erwin
*Town of Erwin Community Development Agency

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Audits of States, Local Governments and Non-Profit Organizations.

PARTIAL LISTING OF GOVERNMENTAL
ORGANIZATIONS WHICH ARE OUR CLIENTS

- *Town of Erwin Industrial Development Agency
 - Town of Gates
 - Town of Hannibal Water District
- *Town of Islip Community Development Agency
 - Town of Islip Foreign Trade Zone Authority
 - Town of Islip Resource Recovery Agency
- *Town of Mount Pleasant
 - Town of North Hempstead Community Development Agency
 - Town of Orleans
 - Town of Ulster
 - Town of Warwick
 - Trust for Cultural Resources of the City of New York
- *Vernon-Verona-Sherrill Central School District
 - Victor Central School District
 - Village of Ballston Spa
 - Village of Castile
 - Village of Clayton
- *Village of Delhi
 - Village of Morrisville
 - Village of Oakfield
- *Ulster County Community College
 - Ulster County Resource Recovery Agency
 - Ulster Tobacco Securitization Corporation
- *Warren County Local Development Corporation
- *Warwick Valley Central School District
 - Washingtonville Central School District
- *Watertown Housing Authority
 - Waverly/Barton Fire District
 - Wayne Central School District
 - Wayne County Civic Facility Development Corporation
- *Wayne County Economic Development, Inc.
- *Wayne County Industrial Development Agency, Inc.
- *Wayne Industrial Sustainability Development Corporation
 - Webster Central School District

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Audits of States, Local Governments and Non-Profit Organizations.

PARTIAL LISTING OF GOVERNMENTAL
ORGANIZATIONS WHICH ARE OUR CLIENTS

West Irondequoit Central School District
Wheatland-Chili Central School District
Williamson Central School District
Williamsville Central School District
Wyoming Tobacco Asset Securitization Corporation

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Audits of States, Local Governments and Non-Profit Organizations.

HEINOLD-BANWART, LTD.
Certified Public Accountants



Riverfront Office Center 2400 N. Main Street East Peoria, IL 61611-1795 Tel 309.694.4251 Fax 309.694.4202

System Review Report

January 27, 2010

To the Shareholders of
Toski, Schaefer & Co., P.C.
and the Peer Review Committee of the New York State Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Toski, Schaefer & Co., P.C. (the firm) in effect for the year ended August 31, 2009. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Toski, Schaefer & Co., P.C., in effect for the year ended August 31, 2009, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Toski, Schaefer & Co., P.C. has received a peer review rating of *pass*.

Heinold-Banwart, L.A.

UHY LLP
66 South Pearl Street, Suite 401
Albany, NY 12207

May 28, 2014

Main 518.449.3171
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Web www.uhy-us.com

George Danyluk, CIA
Chief Internal Auditor
Office of Court Administration
2500 Pond View, Suite LL01
Castleton on Hudson, NY 12033

Dear George:

Thank you for notifying UHY LLP of this request for proposal to perform a review of the UCS's internal controls as required by the New York State Governmental Accountability, Audit and Internal Control Act (Article 7-D of the Judiciary Law). Regrettably, we are committed to other projects/clients at this time. Please keep us informed of further opportunities with your organization.

Very truly yours,

UHY LLP

A handwritten signature in black ink, appearing to read 'Alex Zhang', is written over a horizontal line.

Alex Zhang, Partner

STATE OF NEW YORK
UNIFIED COURT SYSTEM
OFFICE OF INTERNAL AUDIT SERVICES

M E M O R A N D U M

June 6, 2014

TO: Ronald Younkins
FROM: George Danyluk
SUBJECT: Internal Control Audit

You previously approved soliciting bids and/or quotes for our triennial internal control audit in accordance with the New York State Governmental Accountability, Audit and Internal Control Act.

We solicited five accounting firms and received one proposal from Toski & Co., to perform the Internal Control audit for the Unified Court System (attached). I have analyzed the proposal of \$25,500 and recommend that we engage them for this purpose. They performed our last review and have demonstrated a knowledge and understanding of the Court System's internal control environment and procedures.

If you approve the selection of Toski & Co., please sign the enclosed memorandum and return to me. I will distribute and take the steps necessary to begin the review. Thank you.

/smw
Attachments

c: Sherrill Spatz
Joan Casazza



NEW YORK STATE
Unified Court System

OFFICE OF COURT ADMINISTRATION

A. GAIL PRUDENTI
CHIEF ADMINISTRATIVE JUDGE

RONALD P. YOUNKINS, ESQ.
CHIEF OF OPERATIONS

MEMORANDUM

TO: Administrative Judges
New York City Surrogates
District Executives
Acting Chief Clerk, Court of Claims
Chief Clerks, New York City Courts
New York City County Clerks
OCA Directors

FROM: Ronald Younkings *RY*

SUBJECT: External Audit of Internal Controls

The New York State Governmental Accountability, Audit and Internal Control Act requires that at least once every three years, an independent certified public accountant audit the Judiciary's internal controls. We have recently contracted with the Buffalo firm Toski & Co. to conduct this audit.

The firm is prepared to begin the audit the week of July 1, 2014 and may require visits to courts and agencies within your jurisdiction. Like any external audit within UCS, this audit will be coordinated through UCS's Internal Audit Services unit. Prior to any field visits within your jurisdiction, your office will be contacted by a member of the UCS Internal Audit staff.

If you have any questions about this audit, please contact George Danyluk, UCS Chief Internal Auditor at (518) 238-4303.

/smw

c: Hon. A. Gail Prudenti
Hon. Lawrence K. Marks
Hon. Fern A. Fisher
Hon. Michael V. Cocomma
Eugene Myers
Maria Logus
Maria Barrington