



STATE OF NEW YORK
DEPARTMENT OF TAXATION AND FINANCE
W.A. HARRIMAN CAMPUS
ALBANY, NY 12227

Jamie Woodward
Acting Commissioner

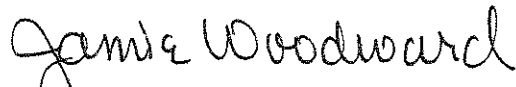
October 7, 2010

The Honorable David A. Paterson
Governor
State of New York
State Capitol
Albany, New York 12224

Dear Governor Paterson:

Enclosed is the Department's status report on the implementation of recommendations contained in the Office of the State Comptroller's audit report entitled: "Contracts for Personal and Miscellaneous Services, Report 2009-S-38."

Sincerely,


Jamie Woodward
Acting Commissioner

Enclosure

The Honorable David A. Paterson
Governor
State of New York
State Capitol
Albany, New York 12224

The Honorable Malcolm Smith
Temporary President & Majority Leader
New York State Senate
Legislative Office Building
Room 909
Albany, New York 12247

The Honorable Carl Kruger
Chairman
Senate Finance Committee
State Capitol
Room 913
Albany, New York 12247

The Honorable Brian Kolb
Minority Leader
New York State Assembly
Legislative Office Building
Room 933
Albany, New York 12248

The Honorable Thomas P. DiNapoli
Comptroller
State of New York
110 State Street
Albany, New York 12236

The Honorable Herman D. Farrell, Jr.
Chairman
Assembly Ways and Means Committee
Legislative Office Building
Room 923
Albany, New York 12247

Mr. Joseph Pennisi
Secretary
Senate Finance Committee
State Capitol
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Albany, New York 12247

The Honorable Dean Skelos
Minority Leader
New York State Senate
Legislative Office Building
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Mr. Dean Fuleihan
Secretary
Assembly Ways and Means Committee
State Capitol
Room 346C
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Ms. Andrea Zaretzki
Executive Director
Assembly Committee on Oversight
Analysis and Investigation
Agency Building 4
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Albany, New York 12248

The Honorable Sheldon Silver
Speaker of the Assembly
New York State Assembly
Legislative Office Building
Room 932
Albany, New York 12248

Mr. Ronald Greenberg
Chief Budget Examiner
Division of the Budget
Room 119
State Capitol
Albany, NY 12224

Robert Megna, Director
Division of the Budget
State Capitol
Room 113
Albany, New York 12224

The Honorable Ronald Canestrari
Majority Leader
New York State Assembly
Legislative Office Building
Room 926
Albany, New York 12248

DEPARTMENT OF TAXATION AND FINANCE

Status of the Office of the State Comptroller's
Recommendations Contained in the Final Audit on
"Contracts for Personal and Miscellaneous Services"
(2009-S-38)

October 2010

Recommendation 1:

Enlist executive management to communicate to appropriate staff the requirement to support Service Contracts with written justifications of the need for the service, the appropriate level of service, and the need to contract out.

Status:

The Department's Executive management has instructed staff, responsible for administration of the banking service contracts, to provide written justification for future procurements of banking services. This instruction took place prior to the audit's release.

Recommendation 2:

Instruct managers to periodically reassess all Service Contracts to identify opportunities to suspend, eliminate, reduce, or bring them in-house.

Status:

Along with in-sourcing our electronic filing processing, our strategy has been to pilot and then expand the in-house processing of paper returns and checks. Building on our successful highway use tax in-sourcing, we already process sales tax renewal applications, New York City taxicab ride tax returns, and withholding tax payments associated with electronically submitted files.

We have now completed our analysis of corporation tax front-end processing services for paper remittances and returns. We have determined that the development of an internal process to deposit remittances and collect and process information is in the best interest of the State. This will replace our current contract for these services through a depository bank. We plan on implementing this program by January 2013.

Recommendation 3:

Complete the cost-benefit analyses for transferring personal income tax and business tax processing activities in-house before the contracts for those activities expire, so there is no need to extend those contracts non-competitively.

Status:

The Department is analyzing the cost, benefits and feasibility of building internal processes to support front-end processing services for personal income and other business tax processing. Upon completion of these analyses, the Department will recommend an approach for the processing services covered under these contracts.

Our goal is to complete these analyses before the contracts expire, so that the Department's recommended approach may be implemented by the end of the term of each contract and its contract-authorized extensions.