STATE OF NEW YORK

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended March 31, 2018

Office of the New York State Comptroller
Thomas P. DiNapoli, Comptroller

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STATE OF NEW YORK

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March 31, 2018

Prepared by the Office of the
New York State Comptroller

Thomas P. DiNapoli

Table of Contents

INTRODUCTORY SECTION

FINANCIAL SECTION

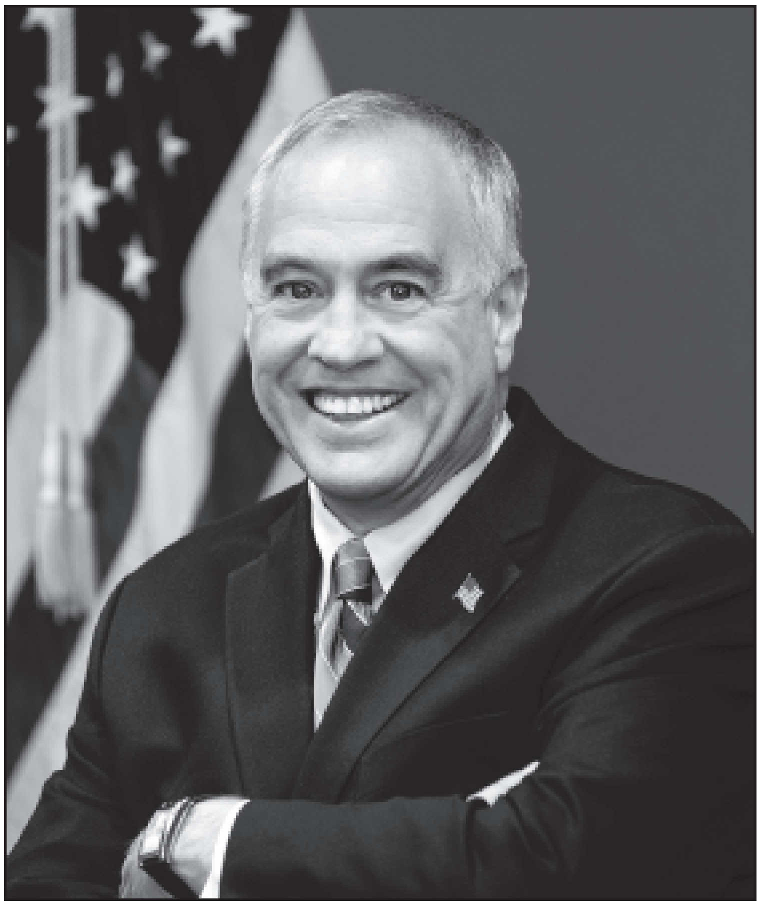
OTHER SUPPLEMENTARY INFORMATION *(unaudited)*

Fiduciary Funds

Non-Major Component Units

STATISTICAL SECTION *(unaudited)*

Introductory Section



THOMAS P. DINAPOLI
State Comptroller

THOMAS P. DINAPOLI
COMPTROLLER

110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 1, 2018

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

I am pleased to present the Comprehensive Annual Financial Report for the State of New York for the fiscal year ended March 31, 2018.

Under generally accepted accounting principles (GAAP), the State reported a General Fund operating surplus of $2.4 billion as of March 31, 2018 (compared to a $2.8 billion operating deficit last year), increasing the fund balance to $4.7 billion. However, New York State's net position, a broader indicator of financial condition, declined to $28.7 billion, $236 million less than the previous year. The State's net position continues to be impacted by high levels of debt and growing unfunded other post-employment benefits (OPEB) liabilities. This year's decline in net position was also related in part to operating deficits at both the State and City university systems (SUNY and CUNY).

The State's primary revenue sources continue to be federal grants and the personal income tax, and major expenditures include those for education and public health programs. Total governmental revenues were $162.7 billion for SFY 2017-18, while governmental expenditures totaled $160.1 billion.

On a GAAP basis, total debt outstanding was $56.3 billion as of March 31, 2018. Debt capacity under the State's statutory cap is projected to decline to only $49 million in fiscal year 2020-21.

While the State's current fiscal position is relatively stable, risks remain on the horizon. There are uncertain financial impacts for the State and for New York households related to recent federal tax changes. The possibility of an economic slowdown, shrinking statutory borrowing capacity and threats to federal funding levels also place added pressure on the State's fiscal health.

This report is an important part of my obligation to provide accurate, objective and comprehensive financial information to the public and State policymakers. The Office of the State Comptroller will continue to provide oversight of these important issues in an independent and impartial manner, in an effort to ensure that the public is informed and its interests are protected.

Sincerely,

Thomas P. DiNapoli
State Comptroller

STATE OF NEW YORK
COMPTROLLER
EXCELSIOR

FINANCIAL OVERVIEW

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

The basic financial statements contained in this report have been audited by KPMG LLP. Their audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and their auditors' report precedes the basic financial statements. An independent audit provides reasonable assurance that the State's basic financial statements for the year ended March 31, 2018 are free of material misstatement. Independent audit procedures include examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall basic financial statement presentation. An audit also includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal controls over financial reporting. Accordingly, the independent auditor expressed no opinion with respect to internal controls over financial reporting. The independent auditor believed that their audit provided a reasonable basis for rendering an unmodified opinion that the State's basic financial statements for the fiscal year ended March 31, 2018 are fairly presented in conformity with GAAP.

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

Profile of New York State

New York State was one of the original 13 states, ratifying the United States Constitution and entering the Union on July 26, 1788. The State has a total area (land and water) of 54,555 square miles and a park system that is among the largest in the nation (Adirondack Park). Geographically, New York State is divided into 62 counties (five of which are boroughs of New York City). Within these counties are 62 cities (including New York City), 932 towns, 535 villages and 692 school districts. The State's major economic sectors are the industrial-commercial, service, financial and agricultural sectors.

New York's government comprises three branches—executive, legislative and judicial. The executive branch includes the Executive (including 20 authorized State departments), the Department of Audit and Control, and the Department of Law, which are headed respectively by the Governor, Comptroller and Attorney General. The departments of the State report to the Governor; however, the departments of Audit and Control and Law report to their respective elected officials, and the Education Department and the State University of New York report to the Board of Regents. The Board of Regents is elected by the State Legislature. The legislative branch comprises two houses, the Senate with 62 senators and the Assembly with 150 members. Members of the Legislature are elected to two-year terms.

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

Economic Condition and Outlook

Overall economic activity, employment and wages all rose in New York State in 2017. Growth in the nation's real Gross Domestic Product accelerated in 2017, with an increase of 2.3 percent. In comparison, New York's real Gross State Product grew by roughly half this rate, an increase of 1.1 percent. Similar to the nation, this economic growth was stronger than the State's 0.5 percent gain in 2015.

Job growth at both the national and state levels increased in 2017, with employment rising by 1.6 percent and 1.2 percent, respectively. New York added nearly 114,000 jobs and total employment grew to over 9.5 million.

Similar to employment, wages, both nationally and in New York, increased at a faster rate in 2017 than in 2016. Gains in wages at the State level (5.2 percent) were stronger than those in the nation (4.7 percent) in 2017.

The Reporting Entity and Its Services

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

The State provides a range of governmental services in such areas as education, public health, public welfare, public safety, and transportation, among others, and also administers the New York State and Local Retirement System.

Component Units

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

Corporations submit annual reports on their operations and finances accompanied by an independent auditors' report to the Governor, the Legislature and the State Comptroller. Corporations are generally supported by revenues derived from their activities, although the State has provided financial assistance, in some cases of a recurring nature, to certain Corporations for operating and other expenses, and in fulfillment of its commitments on moral obligation indebtedness. The Corporations have been presented in the accompanying financial statements as component units of the State. The amounts presented in this report were derived from the Corporations' most recent audited financial statements. At year-end these entities reported net position of $35.9 billion. For further information, refer to Note 14 of the Notes to the Basic Financial Statements.

Budgetary and Other Control Systems

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

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

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

General Governmental Results

An operating surplus of $2.4 billion is reported in the General Fund for the fiscal year ended March 31, 2018. As a result, the General Fund now has an accumulated fund balance of $4.7 billion. The State completed its fiscal year ended March 31, 2018 with a combined Governmental Funds operating surplus of $2.5 billion as compared to a combined Governmental Funds operating deficit in the preceding fiscal year of $3.4 billion. The combined operating surplus of $2.5 billion for the fiscal year ended March 31, 2018 included an operating surplus in the General Fund of $2.4 billion, an operating deficit in the Federal Special Revenue Fund of $9 million, an operating deficit in the General Debt Service Fund of $711 million and an operating surplus in Other Governmental Funds of $852 million. For further information, refer to the MD&A which immediately follows the independent auditors' report.

The State's financial position as shown in its Governmental Funds Balance Sheet as of March 31, 2018 includes a fund balance of $13.8 billion comprised of $48.6 billion of assets less liabilities of $33 billion and deferred inflows of resources of $1.8 billion. The Governmental Funds fund balance includes a $4.7 billion accumulated General Fund balance.

Certificate of Achievement

The Office of the State Comptroller was honored for the 29th consecutive year to receive the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the State's 2017 Comprehensive Annual Financial Report. This prestigious award represents the highest form of recognition in the area of governmental financial reporting, and reflects a commitment by the Office of the State Comptroller to communicate the State's financial results and position clearly to the taxpayers through public disclosure.

Acknowledgments

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

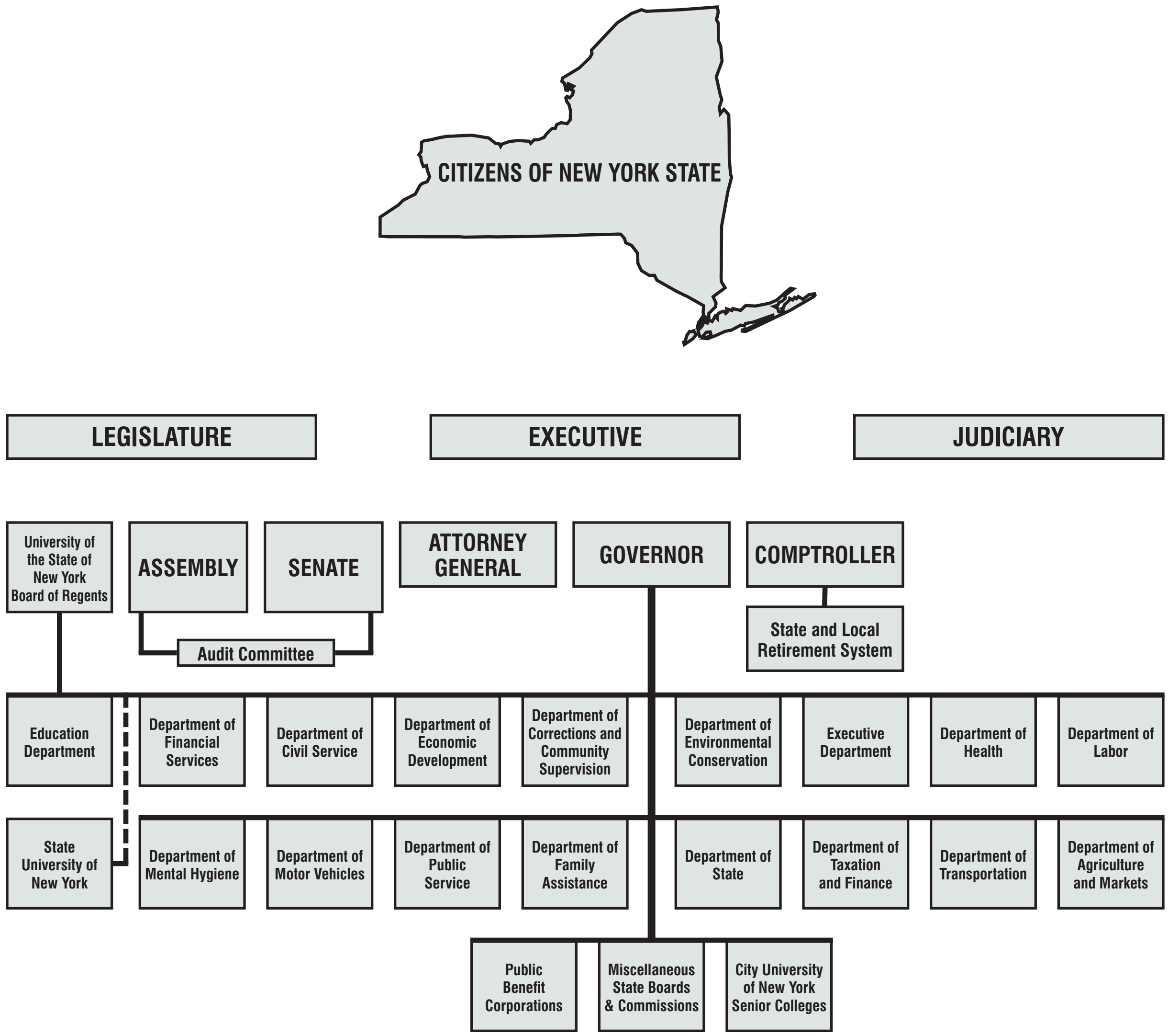
Presented to

State of New York

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

March 31, 2017

Executive Director/CEO



STATE OF NEW YORK
Selected State Officials

Executive

Andrew M. Cuomo, Governor
Kathleen C. Hochul, Lieutenant Governor
Thomas P. DiNapoli, State Comptroller
Barbara Underwood, Attorney General

Judicial

Janet DiFiore, Chief Judge of the Court of Appeals of New York

Legislative

John J. Flanagan, Senate Republican Conference Leader
Andrea Stewart-Cousins, Senate Democratic Conference Leader
Carl E. Heastie, Speaker of the Assembly
Brian M. Kolb, Assembly Minority Leader

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Financial Section

KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Audit Committee
New York State Legislature:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New York (the State) as of and for the year ended March 31, 2018, and the related notes to the basic financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the State's Lottery enterprise fund, the New York Local Government Assistance Corporation, the Tuition Savings Program, and certain of the discretely presented component units as identified in note 14 to the basic financial statements. The State's Lottery enterprise fund represents 100 percent of the assets and revenues of the associated major fund, and 9 percent and 46 percent, respectively, of the assets and revenues of the business-type activities. The New York Local Government Assistance Corporation represents less than 1 percent of the respective assets and revenues of the governmental activities and the aggregate remaining fund information. The Tuition Savings Program represents 10 percent and 11 percent, respectively, of the assets and the revenues of the aggregate remaining fund information. The certain discretely presented component units identified in note 14 of the basic financial statements represent 56 percent and 66 percent, respectively, of the assets and the revenues of the aggregate discretely presented component units. The financial statements of these entities were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the State's Lottery enterprise fund, the New York Local Government Assistance Corporation, the Tuition Savings Program, and certain of the discretely presented component units identified in note 14 of the basic financial statements, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the State's Lottery enterprise fund and of certain discretely presented component units as identified in note 14 of the basic financial statements were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New York as of March 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the information listed under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The other supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2018 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

KPMG LLP

July 25, 2018
Albany, New York

MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)

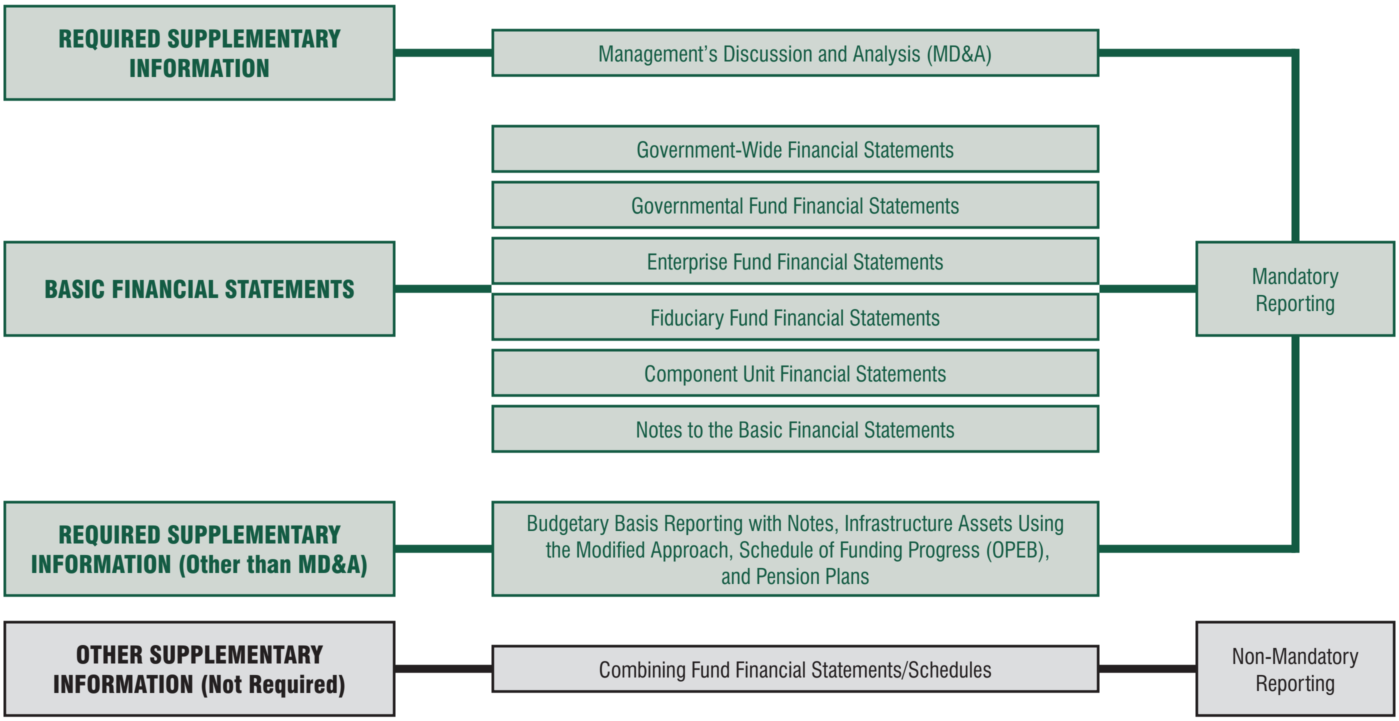
The following Management's Discussion and Analysis (MD&A) is required supplementary information to the State of New York's financial statements. It provides a narrative overview and analysis of the financial activities of the State of New York (State) for the fiscal year ended March 31, 2018. The MD&A is intended to serve as an introduction to the State's basic financial statements, which have the following components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. The MD&A is designed to (a) assist the reader in focusing on significant financial matters, (b) provide an overview of the State's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

- New York State reported a net position of $28.7 billion, comprising $165.9 billion in total assets and $5.2 billion in deferred outflows of resources, less $141.3 billion in total liabilities and $1.1 billion in deferred inflows of resources (Table 1).
- The State's net position decreased by $236 million as a result of this year's operations. The net position for governmental activities increased by $28 million (0.1 percent) and the net position for business-type activities decreased by $264 million (79.3 percent) due to current year operations (Table 2).
- The State's governmental activities had total revenues of $162.7 billion, which exceeded total expenses of $160.1 billion, excluding transfers to business-type activities of $2.6 billion, by $2.6 billion (Table 2).
- The total cost of all the State's programs, which includes $24 billion in business-type activities, was $184.1 billion (Table 2).
- The General Fund reported a surplus this year of $2.4 billion, which increased the accumulated fund balance to $4.7 billion.
- Total debt outstanding at year-end was $56.3 billion, comprising $41.6 billion in governmental activities and $14.7 billion in business-type activities (Table 5).

USING THIS ANNUAL REPORT

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



Reporting the State as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

- ***Governmental Activities***—Most of the State's basic services are reported here, including education, public health, public welfare, public safety, transportation, environment and recreation, support and regulation of business, general government, and interest on long-term debt. Federal grants, personal income taxes, consumption and use taxes, business and other taxes, transfer of lottery revenues, and bond proceeds finance most of these activities.

- ***Business-Type Activities***—The State charges a fee to customers to help it cover all or part of the cost of certain services it provides. The State's Lottery Fund, Unemployment Insurance Benefit Fund, the State University of New York (SUNY) and the City University of New York (CUNY) Senior Colleges are reported here.
- ***Component Units***—The State includes 42 separate legal entities in its report, as disclosed in Notes 1 and 14 of the Notes to the Basic Financial Statements. Although legally separate, these "component units" are important because the State is financially accountable for them and may be affected by their financial well-being. In addition, the State blends two other component units in with the governmental activities, because they provide services exclusively to the State.

Reporting the State's Most Significant Funds

Fund Financial Statements

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

- ***Governmental Funds***—Most of the State's basic services and expenditures are reported in governmental funds, which focus on how money flows into and out of those funds as well as the balances remaining at year-end that are available for spending. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Assets and liabilities that do not impact current financial resources, such as capital assets and long-term liabilities, are not recognized in the governmental funds statements. The governmental funds statements provide a detailed short-term view of the State's general government operations and the basic services the State provides. Governmental funds information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. The relationships (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are presented in the reconciliations following the fund financial statements.
- ***Proprietary Funds***—These funds are utilized when the State charges customers to recover its costs of providing services. Proprietary funds report on business-type activities, which include enterprise-type funds and internal service-type funds. The State has no internal service-type funds on a GAAP basis and, therefore, has only one proprietary fund type—Enterprise. The State's enterprise funds are the same as the business-type activities reported in the government-wide statements. Proprietary Funds statements are prepared using the economic resources measurement focus and the accrual basis of accounting. In addition to a Statement of Net Position and a Statement of Revenues, Expenses and Changes in Fund Net Position, Proprietary Funds are also required to report a Statement of Cash Flows (page 42).

Reporting the State's Fiduciary Responsibilities

The State is the trustee, or fiduciary, for certain of its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All the State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 44 and 45, respectively. We exclude these activities from the State's government-wide financial statements because the State cannot use these assets to finance its operations. The State is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Component Units of the State

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

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental entities are required by GAAP to report on their net position. The Statement of Net Position presents the value of all of New York State's assets and deferred outflows of resources, and of its liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of changes in a government's financial position. In the fiscal year ended March 31, 2018, the State reported a net position of $28.7 billion, comprising $72.8 billion in net investment in capital assets, and $7.1 billion in restricted net position, offset by an unrestricted net position deficit of $51.2 billion.

Net position reported for governmental activities increased by $28 million from last fiscal year. Unrestricted net position for governmental activities—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—had a deficit of $45.2 billion at March 31, 2018.

The following table (Table 1) was derived from the current and prior year government-wide Statements of Net Position:

Table 1
Net Position as of March 31, 2018 and 2017

(Amounts in millions)

	Governmental Activities		Business-Type Activities*		Total Primary Government	
	2018	**2017**	**2018**	**2017****	**2018**	**2017****
Assets:						
Noncapital assets:						
Cash and investments	$ 17,793	$ 15,977	$ 8,838	$ 8,176	$ 26,631	$ 24,153
Receivables, net	28,358	25,584	3,516	4,652	31,874	30,236
Other	1,002	710	190	282	1,192	992
Total noncapital assets	**47,153**	**42,271**	**12,544**	**13,110**	**59,697**	**55,381**
Capital assets	88,725	87,841	17,520	17,020	106,245	104,861
Total assets	**135,878**	**130,112**	**30,064**	**30,130**	**165,942**	**160,242**
Deferred outflows of resources	**4,690**	**8,306**	**486**	**1,246**	**5,176**	**9,552**
Liabilities:						
Liabilities due within one year	37,091	35,213	4,229	4,242	41,320	39,455
Liabilities due in more than one year	73,963	73,611	26,056	26,502	100,019	100,113
Total liabilities	**111,054**	**108,824**	**30,285**	**30,744**	**141,339**	**139,568**
Deferred inflows of resources	**906**	**1,014**	**196**	**299**	**1,102**	**1,313**
Net position:						
Net investment in capital assets	71,095	70,561	1,659	1,619	72,754	72,180
Restricted	2,744	3,618	4,405	4,016	7,149	7,634
Unrestricted deficits	(45,231)	(45,599)	(5,995)	(5,302)	(51,226)	(50,901)
Total net position	**$ 28,608**	**$ 28,580**	**$ 69**	**$ 333**	**$ 28,677**	**$ 28,913**

**As of June 30, 2017 and 2016 for SUNY and CUNY activities*

***Prior year column has been restated for the effect of the implementation of GASBS No. 80*

The net position deficit in unrestricted governmental activities, which decreased by $368 million in 2018, exists primarily because the State has issued debt for purposes not resulting in a capital asset related to State governmental activities and because of the obligation related to other postemployment benefits ($20 billion). Such outstanding debt included: eliminating the need for seasonal borrowing by the LGAC ($1.4 billion); and borrowing for local highway and bridge projects ($4.2 billion), local mass transit projects ($1.6 billion), and a wide variety of grants and other expenditures not resulting in State capital assets ($13.4 billion). This deficit in unrestricted net position of governmental activities can be expected to continue for as long as the State continues to have obligations outstanding for purposes other than the acquisition of State governmental capital assets.

The net position for business-type activities decreased by $264 million (79.3 percent) to $69 million in 2018 as compared to $333 million in 2017. The decrease in net position for business-type activities was due to SUNY expenses exceeding revenues and State support ($569 million); CUNY Senior Colleges' expenses exceeding revenues and State support ($67 million); and Lottery education aid transfers exceeding net income ($16 million). This was partially offset by employer contributions and other revenue exceeding unemployment benefit payments for the Unemployment Insurance Fund ($388 million).

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

Table 2
Changes in Net Position for the Fiscal Years Ended March 31, 2018 and 2017

(Amounts in millions)

	Governmental Activities		Business-Type Activities*		Total Primary Government	
	2018	2017	2018	2017**	2018	2017**
Revenues:						
Program revenues:						
Charges for services	$ 15,557	$ 15,164	$ 15,293	$ 14,565	$ 30,850	$ 29,729
Operating grants and contributions	63,983	59,776	5,468	5,763	69,451	65,539
Capital grants and contributions	1,436	1,766	61	31	1,497	1,797
General revenues:						
Taxes	79,956	73,350	—	—	79,956	73,350
Other	1,762	1,732	861	655	2,623	2,387
Total revenues	**162,694**	**151,788**	**21,683**	**21,014**	**184,377**	**172,802**
Expenses:						
Education	36,134	35,585	—	—	36,134	35,585
Public health	73,447	68,505	—	—	73,447	68,505
Public welfare	14,006	15,263	—	—	14,006	15,263
Public safety	8,345	8,175	—	—	8,345	8,175
Transportation	10,141	10,218	—	—	10,141	10,218
Other	17,982	15,755	—	—	17,982	15,755
Lottery	—	—	6,694	6,513	6,694	6,513
Unemployment insurance	—	—	2,316	2,294	2,316	2,294
State University of New York	—	—	11,499	11,204	11,499	11,204
City University of New York	—	—	3,521	3,659	3,521	3,659
Total expenses	**160,055**	**153,501**	**24,030**	**23,670**	**184,085**	**177,171**
Increase (decrease) in net position before transfers and special item	**2,639**	**(1,713)**	**(2,347)**	**(2,656)**	**292**	**(4,369)**
Transfers	(2,611)	(2,496)	2,083	2,763	(528)	267
Special item	—	250	—	—	—	250
Changes in net position	**28**	**(3,959)**	**(264)**	**107**	**(236)**	**(3,852)**
Net position, beginning of year, as restated	**28,580**	**32,539**	**333**	**226**	**28,913**	**32,765**
Net position, end of year	**$ 28,608**	**$ 28,580**	**$ 69**	**$ 333**	**$ 28,677**	**$ 28,913**

**As of June 30, 2017 and 2016 for SUNY and CUNY activities*

***Prior year column has been restated for the effect of the implementation of GASBS No. 80*

Governmental Activities

In fiscal year 2018, the State's total revenues for governmental activities of $162.7 billion exceeded its total expenses of $160.1 billion by $2.6 billion (Table 2). However, as shown in the Statement of Activities on page 32, the amount that State taxpayers ultimately financed for activities through State taxes and other State revenues was $81.7 billion. Overall, the State's governmental program revenues, including intergovernmental aid, fees for services and capital grants, were $81 billion in 2018. The State paid for the remaining "public benefit" portion of governmental activities with $80 billion in taxes and $1.7 billion in other revenues, including investment earnings.

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

Table 3
Governmental Activities for the Fiscal Years Ended March 31, 2018 and 2017

(Amounts in millions)

	2018			2017
	Total Cost of Services	Program Revenues	Net Cost of Services	Net Cost of Services
Education	$ 36,134	$ 4,123	$ 32,011	$ 31,859
Public health	73,447	52,791	20,656	18,961
Public welfare	14,006	11,001	3,005	4,181
Public safety	8,345	2,791	5,554	6,139
Transportation	10,141	3,371	6,770	6,581
All others	17,982	6,899	11,083	9,074
Totals	**$ 160,055**	**$ 80,976**	**$ 79,079**	**$ 76,795**

Business-Type Activities

The cost of all business-type activities this year was $24 billion, an increase of $360 million over the $23.7 billion cost in 2017 (Table 2). Increases in spending for SUNY educational and general expenses, hospitals and clinics, and other operating and non-operating expenses, along with increases in Lottery prizes and commissions and fees, and Unemployment Insurance Fund benefit payments were partially offset by decreases in CUNY Senior Colleges' educational and general expenses. As shown in the Statement of Activities on page 32, the amount reported as transfers that governmental activities ultimately financed for business-type activities was $2.1 billion after activity costs were paid by those directly benefiting from the programs ($15.3 billion), and after grants and contributions ($5.5 billion). The increase in revenues from charges for services ($728 million) was primarily caused by increases in revenue from SUNY hospitals and clinics and from Lottery ticket and video gaming sales. The decrease in revenues from operating grants and contributions was due to the decrease in employer contributions into the Unemployment Insurance Fund.

THE STATE'S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with legal and finance-related requirements. As the State completed the fiscal year, its governmental funds (as presented in the balance sheet on page 34) reported a combined fund balance of $13.8 billion. Included in this year's total change in fund balance is a surplus of $2.4 billion in the State's General Fund, resulting from expenditures exceeding revenues by $9.8 billion, which was offset by net other financing sources of $12.2 billion to the General Fund. The General Fund reported increases in personal income taxes ($5.5 billion), consumption and use taxes ($386 million) and other taxes ($192 million) offset by decreases in miscellaneous revenues ($183 million), and business taxes ($56 million). Compared to the prior year, personal income tax revenue increased due to greater income tax withholding collections and estimated tax payments. The decrease in business taxes is due to shortfalls in audit collection and cash payments associated with final tax year 2016 returns. Total General Fund revenues increased $5.8 billion, while expenditures increased $2 billion. Local assistance expenditures increased by nearly $2.1 billion, due primarily to the timing of education assistance and public health expenditures. State operations expenditures decreased $102 million due to lower overall fringe benefits. The State ended the 2017-18 fiscal year with a General Fund accumulated fund balance of $4.7 billion.

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

General Fund Budgetary Highlights

The State's financial plan, which uses the cash basis of accounting, is updated quarterly throughout the year as required by the State Finance Law. The quarterly updates to the 2017-18 financial plan reflected revisions to the original financial plan based on actual operating results to date and an updated analysis of underlying economic, revenue, and spending trends, as well as other actions and developments. The Division of the Budget routinely executes cash management actions to manage the State's Financial Plan. This discussion includes comparisons to estimates from two different financial plan updates in 2017-18: the original financial plan (issued May 26, 2017) and the final financial plan (issued February 15, 2018), with emphasis on the original plan.

General Fund receipts exceeded disbursements by $1.7 billion in 2017-18, primarily reflecting the acceleration by taxpayers of an estimated $1.9 billion in personal income tax payments in response to federal tax law changes. The General Fund ended the fiscal year with a closing cash fund balance of $9.4 billion, which consisted of approximately $1.8 billion in the State's rainy day reserve funds ($1.3 billion in the Tax Stabilization Reserve Account and $540 million in the Rainy Day Reserve Fund), $46 million in the Community Projects Fund, $21 million in the Contingency Reserve Fund, and $7.6 billion in the Refund Reserve Account. Total General Fund receipts for the year (including transfers from other funds) were approximately $71.4 billion. Total General Fund disbursements for the year (including transfers to other funds) were approximately $69.7 billion.

Net operating results were $3.1 billion more favorable than anticipated in the original financial plan, with the original plan projecting a net operating deficit of $1.4 billion. Total receipts and transfers from other funds were more than original financial plan estimates by $1.6 billion and total disbursements and transfers to other funds were less than original financial plan estimates by $1.5 billion.

The primary factor contributing to higher-than-projected total receipts was $903 million in tax collections, including transfers from other funds after debt service. Personal income tax receipts exceeded initial projections by $1.6 billion due to the acceleration by taxpayers of an estimated $1.9 billion in personal income tax payments, offset by an administrative decision to pay $500 million in additional refunds during the final quarter above the planned amount of $1.75 billion. Business tax receipts were $802 million below original projections due to corporation franchise tax, driven by lower than expected calendar year filings. Miscellaneous receipts were almost $1 billion higher than the original projections, mainly due to the receipt of extraordinary monetary settlements not included in the original plan.

Lower-than-projected disbursements reflected lower-than-anticipated transfers to capital projects, due to the timing and availability of bond reimbursements and slower-than-expected transfers of monetary settlements from the General Fund to other funds, as well as underspending across a number of local assistance programs.

Net operating results were $278 million more favorable than anticipated in the final financial plan. Total disbursements were lower than the final financial plan estimates by $299 million, driven by lower local assistance spending offset by higher-than-projected transfers to capital projects funds. In local assistance, disbursements for education, children and family services, and a range of other programs fell below planned levels. Capital projects transfers were affected by both the pace of capital projects spending and the use of bond proceeds to reimburse first-instance capital spending in other funds.

The State's current year General Fund GAAP surplus of $2.4 billion reported on page 36 differs from the General Fund's cash basis operating surplus of $1.7 billion reported in the reconciliation found under Budgetary Basis Reporting on page 128. This variation results from differences in basis of accounting, entity and perspective differences between budgetary reporting versus those established as GAAP and followed in preparation of this financial statement.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of 2018, the State has $106.2 billion invested in a broad range of capital assets, including equipment, buildings, construction in progress, land preparation, and infrastructure, which primarily includes roads and bridges (Table 4). This amount represents a net increase (including additions and deductions) of $1.3 billion over last year.

Table 4
Capital Assets as of March 31, 2018 and 2017

(Net of depreciation, amounts in millions)

	Governmental Activities		Business-Type Activities*		Total Primary Government	
	2018	2017	2018	2017**	2018	2017**
Land and land improvements	$ 4,362	$ 4,313	$ 1,015	$ 994	$ 5,377	$ 5,307
Land preparation	4,049	3,993	—	—	4,049	3,993
Buildings	4,289	4,329	11,591	10,466	15,880	14,795
Equipment and library books	356	364	631	748	987	1,112
Construction in progress	3,115	3,212	3,288	3,824	6,403	7,036
Infrastructure	71,874	71,014	738	724	72,612	71,738
Artwork and historical treasures	—	—	43	40	43	40
Intangible assets	680	616	214	224	894	840
Totals	**$ 88,725**	**$ 87,841**	**$ 17,520**	**$ 17,020**	**$ 106,245**	**$ 104,861**

**As of June 30, 2017 and 2016 for SUNY and CUNY activities*
***Prior year column has been restated for the effect of the implementation of GASBS No. 80*

State-owned roads and bridges that are maintained by the Department of Transportation (DOT) are being reported using the modified approach. As allowed by the reporting provisions in GASBS No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, infrastructure assets that meet prescribed criteria do not have to be depreciated but must be maintained at levels defined by State policy. The State currently has 42,739 lane miles of roads. The State has 7,889 bridges in the inventory, of which 7,682 are highway bridges. The remainder include railroad and pedestrian structures.

Highway condition is rated using a scale of 1 (very poor) to 10 (excellent) based on the prevalence of surface-related pavement distress. For bridges, in 2016, the State transitioned to the American Association of State Highway and Transportation Officials (AASHTO) element-based rating system that utilizes a 1 (good) through 4 (severe) scale as mandated by the Federal Highway Administration (FHWA). The new bridge goal will be based on the percentage of Structurally Deficient (SD) bridges as defined by FHWA. The SD calculations are based on the National Bridge Inventory (NBI) inspection data that has been collected by the DOT for more than 15 years and reported to FHWA on an annual basis. Prior to 2016, the State used a numerical inspection condition rating (CR) scale ranging from 1 (minimum) to 7 (maximum). Under this prior rating system, a rating of 6 to 7 was excellent, indicating no repairs were necessary; a rating of 3 to 5 was fair to good, indicating minor repairs were required; and a rating of 1 to 2 was deficient, indicating major repairs or replacements were necessary. Refer to the Required Supplementary Information (RSI) for additional information regarding infrastructure assets using the modified approach. Pavement condition rating parameters for the current year are between 6.7 and 7.2. Using the new criteria to identify Structurally Deficient bridges, it is the State's intention to maintain the percentage of SD bridges at or below 15 percent of the State highway bridge population. Previously, it was the State's intention to maintain the bridges at an average condition rating level of between 5.3 and 5.6. Capital spending for highway and bridge maintenance and preservation projects was approximately $1.4 billion in 2018.

The State's 2018-19 fiscal year capital budget calls for it to spend $15.1 billion for capital projects, of which $6.1 billion is for transportation projects. To pay for these capital projects, the State plans to use $713 million in general obligation bond proceeds, $7.6 billion in other financing arrangements with public authorities, $2.4 billion in federal funds, and $4.4 billion in funds on hand or received during the year. More detailed information about the State's capitalization policy for capital assets is presented in Note 1 of the Notes to the Basic Financial Statements.

Debt Administration

The State has obtained long-term financing in the form of voter-approved General Obligation debt (voter-approved debt) and other obligations that are authorized by legislation but not approved by the voters (non-voter-approved debt), including lease purchase and contractual obligations where the State's legal obligation to make payments is subject to and paid from annual appropriations made by the Legislature or from assignment of revenue in the case of Tobacco Settlement Revenue Bonds. Equipment capital leases and mortgage loan commitments, which represent $536 million as of March 31, 2018, do not require legislative or voter approval. Other obligations include certain bonds issued through State public authorities and certificates of participation. The State administers its long-term financing needs as a single portfolio of State-supported debt that includes general obligation bonds and other obligations of both its governmental activities and business-type activities. Most of the debt reported under business-type activities, all of which was issued for capital assets used in those activities, is supported by payments from resources generated by the State's governmental activities—thus it is not expected to be directly repaid from resources generated by business-type activities. The State Finance Law allows the bonded portion of this single combined debt portfolio, which includes debt reported in both governmental and business-type activities, to include debt instruments which result in a net variable rate exposure in an amount that does not exceed 15 percent of total outstanding State-supported debt, and interest rate exchange agreements (swaps) that do not exceed 15 percent of total outstanding State-supported debt. At March 31, 2018, the State had $97 million in State-supported net variable rate bonds outstanding and $1.5 billion in interest rate exchange agreements, in which the State issues variable rate bonds and enters into a swap agreement that effectively converts the rate to a fixed rate. Risks related to these transactions are explained in Note 7.

At March 31, 2018, variable rate bonds, net of those subject to the fixed rate swaps, were equal to 0.2 percent of the State-supported debt portfolio. Variable rate bonds that were converted to a synthetic fixed rate through swap agreements of $1.5 billion were equal to 2.9 percent of the total State-supported debt portfolio.

At March 31, 2018, the State had $56.3 billion in bonds, notes, and other financing agreements outstanding compared with $56.2 billion in the prior year, an increase of $46 million as shown below in the table.

Table 5
Outstanding Debt as of March 31, 2018 and 2017

(Amounts in millions)

	Governmental Activities		Business-Type Activities*		Total Primary Government	
	2018	**2017**	**2018**	**2017****	**2018**	**2017****
State-supported debt as defined by the State Finance Law:						
General obligation bonds (voter-approved)	$ 2,371	$ 2,463	$ —	$ —	$ 2,371	$ 2,463
Other financing arrangements	34,819	34,056	13,099	13,364	47,918	47,420
TSFC bonds	—	660	—	—	—	660
Municipal Bond Bank Agency (MBBA)						
Special Purpose School Aid bonds	172	204	—	—	172	204
Capital lease obligations	13	14	457	451	470	465
Mortgage loan commitments	—	—	66	67	66	67
Other long-term debt	—	—	35	41	35	41
Unamortized bond premiums (discounts)	4,172	3,817	1,039	1,055	5,211	4,872
Accumulated accretion on capital appreciation bonds	8	13	—	—	8	13
Totals	**$ 41,555**	**$ 41,227**	**$ 14,696**	**$ 14,978**	**$ 56,251**	**$ 56,205**

**As of June 30, 2017 and 2016 for SUNY and CUNY activities*
***Prior year column has been restated for the effect of the implementation of GASBS No. 80*

In addition to the debt outlined above, the State reported $1.3 billion for collateralized borrowings ($356 million in governmental activities and $956 million in business-type activities) for which specific revenues have been pledged. In the prior year, the State reported $1.4 billion for collateralized borrowings ($378 million in governmental activities and $985 million in business-type activities).

During the 12-month period reported, the State issued $6.1 billion in bonds, of which $1.9 billion was for refunding and $4.2 billion was for new borrowing. See Note 16 for State debt issued subsequent to the reporting period.

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

	Governmental Activities		Business-Type Activities*		Total Primary Government	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Voter-approved debt:						
General obligation:						
New issues	$ 145	$ —	$ —	$ —	$ 145	$ —
Refunding issues	69	—	—	—	69	—
Total voter-approved debt	**214**	**—**	**—**	**—**	**214**	**—**
Non-voter-approved debt:						
Other financing arrangements:						
New issues	3,819	2,878	186	915	4,005	3,793
Refunding issues	1,856	1,826	6	527	1,862	2,353
Total non-voter-approved debt	**5,675**	**4,704**	**192**	**1,442**	**5,867**	**6,146**
Totals	**$ 5,889**	**$ 4,704**	**$ 192**	**$ 1,442**	**$ 6,081**	**$ 6,146**

**As of June 30, 2017 and 2016 for SUNY and CUNY activities*

The State's assigned general obligation bond ratings on March 31, 2018 were as follows: AA+ by Standard & Poor's Investor Services (S&P), Aa1 by Moody's Investor Service, Inc., and AA+ by Fitch Investor Service. The State Constitution, with exceptions for emergencies, limits the amount of general obligation bonds that can be issued to that amount approved by the voters for a single work or purpose in a general election. Currently, the State has $2.6 billion in authorized but unissued bond capacity that can be used to issue bonds for specifically approved purposes. The State may issue short-term debt without voter approval in anticipation of the receipt of taxes and revenues or proceeds from duly authorized but not issued general obligation bonds.

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

ECONOMIC FACTORS AFFECTING THE STATE

In 2017, the nation's real Gross Domestic Product grew by 2.3 percent, faster than economic growth of 1.5 percent in 2016. In comparison, New York's real Gross State Product rose at less than half the national rate, 1.1 percent, ranking it 34th among the 50 states. Similar to the nation as a whole, this economic growth was stronger than the 0.5 percent gain in 2016. New York's growth was driven by gains in sectors including healthcare and social assistance, business services and trade, while the construction and finance and insurance sectors detracted from overall economic growth.

Unemployment rates nationally and in New York in 2017 were at their lowest levels since 2007. However, employment nationally grew at a faster pace than in New York, an increase of 1.6 percent compared to 1.2 percent. Total employment in the state increased by nearly 114,000 jobs, to over 9.5 million. Most of the job gains were concentrated in the downstate region, with the largest growth occurring in New York City. While most of the upstate region realized job gains, employment declined in the Elmira and Watertown-Fort Drum metropolitan statistical areas.

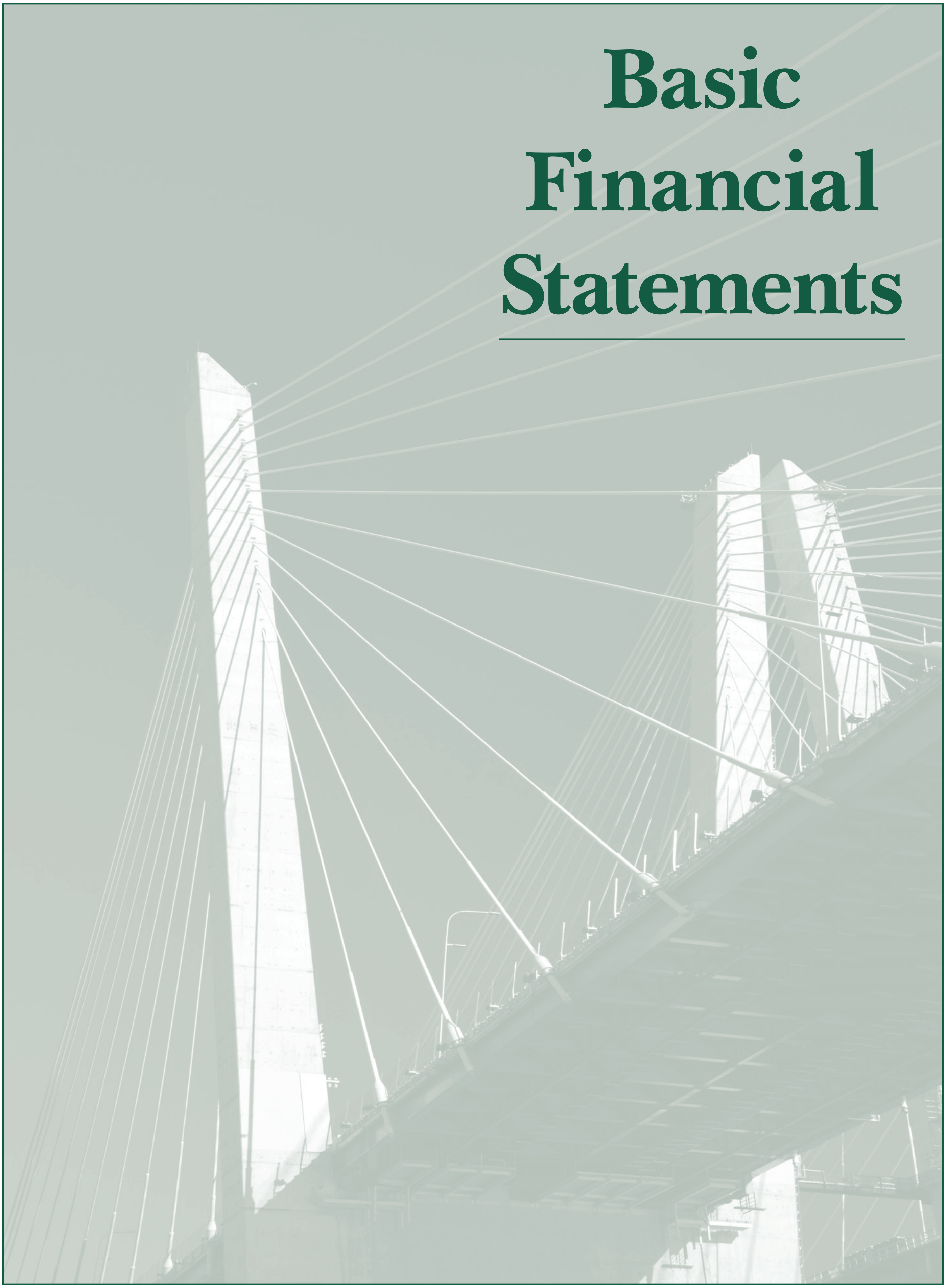
Wages increased at a faster rate at both the national and state levels in 2017 than in 2016. Gains in wages in New York (5.2 percent) were stronger than those nationally (4.7 percent). The finance and insurance sector in New York had the highest percentage growth in total wages, while the information sector had the lowest.

The securities industry in New York City is an important contributor to the State's revenues and has a significant impact on the downstate economy in particular, with typically high-paid jobs and large bonuses. Industrywide, profits increased by 42 percent in 2017 with the average bonus in the securities industry in New York City increasing by 17 percent. However, industry employment in the City was essentially flat in 2017.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

Basic Financial Statements



STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Statement of Net Position

March 31, 2018
(Amounts in millions)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS:				
Cash and investments	$ 17,793	$ 8,838	$ 26,631	$ 49,173
Receivables, net of allowances for uncollectibles:				
Taxes	14,033	—	14,033	—
Due from Federal government	11,058	—	11,058	—
Loans, leases and notes	—	—	—	46,503
Other	3,527	3,355	6,882	4,013
Internal balances	(260)	161	(99)	—
Net pension asset	—	—	—	1
Other assets	1,002	190	1,192	4,787
Capital assets:				
Land, infrastructure and construction in progress	82,865	4,341	87,206	20,245
Buildings, equipment, land improvements and infrastructure, net of depreciation	5,180	12,965	18,145	74,241
Intangible assets, net of amortization	680	214	894	997
Derivative instruments	—	—	—	3
Total assets	**135,878**	**30,064**	**165,942**	**199,963**
DEFERRED OUTFLOWS OF RESOURCES	**4,690**	**486**	**5,176**	**4,431**
LIABILITIES:				
Tax refunds payable	10,806	—	10,806	—
Accounts payable	805	759	1,564	739
Accrued liabilities	11,214	1,440	12,654	20,314
Payable to local governments	8,340	—	8,340	—
Due to Federal government	—	3	3	—
Interest payable	218	150	368	—
Pension contributions payable	345	25	370	14
Unearned revenues	1,025	704	1,729	1,881
Derivative instruments	—	—	—	7
Long-term liabilities:				
Due within one year	4,338	1,148	5,486	6,278
Due in more than one year:				
Tax refunds payable	1,165	—	1,165	—
Accrued liabilities	5,908	1,318	7,226	394
Payable to local governments	345	—	345	—
Due to Federal government	800	—	800	—
Lottery prizes payable	—	1,151	1,151	—
Pension contributions payable	1,716	161	1,877	5
Net pension liability	4,197	1,305	5,502	8,415
Other postemployment benefits	20,011	7,028	27,039	18,678
Pollution remediation	1,010	—	1,010	62
Collateralized borrowings	332	1,019	1,351	—
Obligations under lease/purchase and other financing arrangements	36,052	14,021	50,073	—
Notes payable	—	—	—	110
Bonds payable	2,325	—	2,325	98,541
Other long-term liabilities	—	—	—	10,668
Derivative instruments	102	53	155	639
Total liabilities	**111,054**	**30,285**	**141,339**	**166,745**
DEFERRED INFLOWS OF RESOURCES	**906**	**196**	**1,102**	**1,776**
NET POSITION:				
Net investment in capital assets	71,095	1,659	72,754	36,507
Restricted for:				
Debt service	1,851	42	1,893	2,178
Higher education, research and patient care	—	986	986	2,973
Environmental projects and energy programs	247	—	247	7,442
Economic development, housing and transportation	113	—	113	2,399
Insurance and administrative requirements	—	—	—	2,022
Unemployment benefits	—	3,100	3,100	—
Future lottery prizes	—	200	200	—
Pensions	—	77	77	—
Other government programs	533	—	533	—
Unrestricted deficits	(45,231)	(5,995)	(51,226)	(17,648)
Total net position	**$ 28,608**	**$ 69**	**$ 28,677**	**$ 35,873**

See accompanying notes to the basic financial statements.

Statement of Activities

For the Year Ended March 31, 2018

(Amounts in millions)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental activities:				
Education	$ 36,134	$ 164	$ 3,959	$ —
Public health	73,447	6,632	46,145	14
Public welfare	14,006	526	10,475	—
Public safety	8,345	224	2,352	215
Transportation	10,141	1,582	618	1,171
Environment and recreation	1,515	344	217	36
Support and regulate business	2,169	1,954	31	—
General government	12,880	4,131	146	—
Interest on long-term debt	1,418	—	40	—
Total governmental activities	**160,055**	**15,557**	**63,983**	**1,436**
Business-Type activities:				
Lottery	6,694	9,973	—	—
Unemployment insurance	2,316	—	2,649	—
State University of New York	11,499	4,657	1,797	61
City University of New York	3,521	663	1,022	—
Total business-type activities	**24,030**	**15,293**	**5,468**	**61**
Total primary government	**$ 184,085**	**$ 30,850**	**$ 69,451**	**$ 1,497**
Total component units	**$ 39,866**	**$ 22,033**	**$ 10,522**	**$ 3,370**

General revenues:

Taxes:

Personal income

Consumption and use

Business

Other

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position—beginning of year, as restated

Net position—end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
$ (32,011)	$ —	$ (32,011)	$ —
(20,656)	—	(20,656)	—
(3,005)	—	(3,005)	—
(5,554)	—	(5,554)	—
(6,770)	—	(6,770)	—
(918)	—	(918)	—
(184)	—	(184)	—
(8,603)	—	(8,603)	—
(1,378)	—	(1,378)	—
(79,079)	**—**	**(79,079)**	**—**
—	3,279	3,279	—
—	333	333	—
—	(4,984)	(4,984)	—
—	(1,836)	(1,836)	—
—	**(3,208)**	**(3,208)**	**—**
(79,079)	**(3,208)**	**(82,287)**	**—**
			(3,941)
52,016	—	52,016	—
16,826	—	16,826	—
7,265	—	7,265	—
3,849	—	3,849	—
—	—	—	2,123
223	182	405	1,468
1,539	679	2,218	2,279
81,718	**861**	**82,579**	**5,870**
(2,611)	2,083	(528)	—
79,107	**2,944**	**82,051**	**5,870**
28	**(264)**	**(236)**	**1,929**
28,580	**333**	**28,913**	**33,944**
$ 28,608	**$ 69**	**$ 28,677**	**$ 35,873**

Balance Sheet

GOVERNMENTAL FUNDS

March 31, 2018
(Amounts in millions)

	Major Funds					
	General	Federal Special Revenue	General Debt Service	Other Governmental Funds	Eliminations	Total
ASSETS:						
Cash and investments	$ 9,471	$ 586	$ 742	$ 6,994	$ —	$ 17,793
Receivables, net of allowances for uncollectibles:						
Taxes	9,830	—	3,003	1,200	—	14,033
Due from Federal government	—	10,569	4	653	—	11,226
Other	1,387	625	—	1,515	—	3,527
Due from other funds	2,780	19	—	1,444	(3,282)	961
Other assets	372	598	—	32	—	1,002
Total assets	**$ 23,840**	**$ 12,397**	**$ 3,749**	**$ 11,838**	**$ (3,282)**	**$ 48,542**
LIABILITIES:						
Tax refunds payable	$ 7,908	$ —	$ 2,186	$ 712	$ —	$ 10,806
Accounts payable	335	196	—	274	—	805
Accrued liabilities	3,117	4,995	11	322	—	8,445
Payable to local governments	3,129	4,749	175	287	—	8,340
Due to other funds	3,405	840	491	1,755	(3,282)	3,209
Pension contributions payable	345	—	—	—	—	345
Unearned revenues	140	882	—	3	—	1,025
Total liabilities	**18,379**	**11,662**	**2,863**	**3,353**	**(3,282)**	**32,975**
DEFERRED INFLOWS OF RESOURCES	**789**	**724**	**130**	**159**	**—**	**1,802**
FUND BALANCES (DEFICITS):						
Restricted	—	11	737	1,066	—	1,814
Committed	3,285	—	19	4,776	—	8,080
Assigned	339	—	—	3,377	—	3,716
Unassigned	1,048	—	—	(893)	—	155
Total fund balances	**4,672**	**11**	**756**	**8,326**	**—**	**13,765**
Total liabilities, deferred inflows of resources and fund balances	**$ 23,840**	**$ 12,397**	**$ 3,749**	**$ 11,838**	**$ (3,282)**	**$ 48,542**

See accompanying notes to the basic financial statements.

Reconciliation of the Balance Sheet

GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

March 31, 2018
(Amounts in millions)

Total fund balances—governmental funds	**$**	**13,765**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		88,725
Deferred inflows of resources related to the State's revenues that will be collected after year-end, but are not available soon enough to pay for the current period's expenditures are deferred in the funds		1,652
Deferred inflows of resources related to derivative instruments and deferred gains on refundings of bonds payable and obligations under lease/purchase and other financing arrangements are not reported in the funds		(32)
Medicaid cost recoveries are not available soon enough to reduce current period expenditures that are due to the Federal government		(168)
Deferred outflows of resources related to derivative instruments and deferred losses on refundings of bonds payable and obligations under lease/purchase and other financing arrangements are not reported in the funds		487
Some liabilities (listed below) are not due and payable in the current period and therefore are not reported in the funds:		
Interest payable		(218)
Due to business-type activities		(781)
Long-term liabilities due within one year		(4,338)
Tax refunds payable		(1,165)
Accrued liabilities		(5,908)
Payable to local governments		(345)
Due to Federal government		(800)
Pension contributions payable		(1,716)
Net pension liability, net of deferred amounts		(718)
Other postemployment benefits		(20,011)
Pollution remediation		(1,010)
Collateralized borrowings		(332)
Obligations under lease/purchase and other financing arrangements		(36,052)
Bonds payable		(2,325)
Derivative instruments		(102)
Total net position—governmental activities	**$**	**28,608**

See accompanying notes to the basic financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances

GOVERNMENTAL FUNDS

Year Ended March 31, 2018

(Amounts in millions)

	Major Funds					
	General	Federal Special Revenue	General Debt Service	Other Governmental Funds	Eliminations	Total
REVENUES:						
Taxes:						
Personal income	$ 36,327	$ —	$ 13,190	$ 2,494	$ —	$ **52,011**
Consumption and use	7,156	—	3,572	6,131	—	**16,859**
Business	5,023	—	—	2,242	—	**7,265**
Other	1,255	—	—	2,575	—	**3,830**
Federal grants	—	63,207	35	2,157	—	**65,399**
Public health/patient fees	—	—	—	5,671	—	**5,671**
Tobacco settlement	—	—	—	365	—	**365**
Miscellaneous	6,877	90	31	5,225	(865)	**11,358**
Total revenues	**56,638**	**63,297**	**16,828**	**26,860**	**(865)**	**162,758**
EXPENDITURES:						
Local assistance grants:						
Education	25,686	3,740	—	6,171	—	**35,597**
Public health	17,869	43,885	—	6,057	—	**67,811**
Public welfare	2,814	9,150	—	436	—	**12,400**
Public safety	222	2,217	—	173	—	**2,612**
Transportation	116	59	—	6,094	—	**6,269**
Environment and recreation	8	1	—	280	—	**289**
Support and regulate business	257	7	—	1,090	—	**1,354**
General government	1,024	58	—	746	—	**1,828**
State operations:						
Personal service	9,305	660	—	203	—	**10,168**
Non-personal service	2,921	1,092	73	2,296	(74)	**6,308**
Pension contributions	2,111	101	—	33	—	**2,245**
Other fringe benefits	4,142	245	—	72	(791)	**3,668**
Capital construction	—	—	—	5,999	—	**5,999**
Debt service, including payments on financing arrangements	—	—	4,987	591	—	**5,578**
Total expenditures	**66,475**	**61,215**	**5,060**	**30,241**	**(865)**	**162,126**
Excess (deficiency) of revenues over expenditures	**(9,837)**	**2,082**	**11,768**	**(3,381)**	**—**	**632**

(Continued)

Statement of Revenues, Expenditures and Changes in Fund Balances (cont'd)

GOVERNMENTAL FUNDS

Year Ended March 31, 2018
(Amounts in millions)

	Major Funds					
	General	Federal Special Revenue	General Debt Service	Other Governmental Funds	Eliminations	Total
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	20,544	—	2,778	7,832	(27,495)	**3,659**
Transfers to other funds	(8,321)	(2,091)	(15,248)	(8,096)	27,495	**(6,261)**
General obligation bonds issued	—	—	—	145	—	**145**
Financing arrangements issued	—	—	—	3,823	—	**3,823**
Refunding debt issued	—	—	1,182	743	—	**1,925**
Payments to escrow agents for refundings	—	—	(1,390)	(809)	—	**(2,199)**
Premiums on bonds issued	—	—	199	595	—	**794**
Net other financing sources (uses)	**12,223**	**(2,091)**	**(12,479)**	**4,233**	**—**	**1,886**
Net change in fund balances	**2,386**	**(9)**	**(711)**	**852**	**—**	**2,518**
Fund balances at April 1, 2017	**2,286**	**20**	**1,467**	**7,474**	**—**	**11,247**
Fund balances at March 31, 2018	**$ 4,672**	**$ 11**	**$ 756**	**$ 8,326**	**$ —**	**$ 13,765**

See accompanying notes to the basic financial statements.

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

GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2018

(Amounts in millions)

Net change in fund balances—total governmental funds		**$ 2,518**
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds and the sale of capital assets is recorded as revenue in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Depreciation expense, net of asset disposal	$ (410)	
Disposal of assets	(330)	
Purchase of assets	1,624	
		884
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the net effect of proceeds and repayments:		
Repayment of principal	$ 4,160	
Long-term debt proceeds	(6,687)	
Payments to escrow agents for refundings	2,199	
		(328)
Increase in revenues in the statement of activities that do not reduce current financial resources and are not reported in the funds		19
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Local assistance grants	$ 156	
State operations	(5,868)	
Capital construction	2,653	
Transfers to business-type activities	(7)	
Other	1	
		(3,065)
Change in net position of governmental activities		**$ 28**

See accompanying notes to the basic financial statements.

Statement of Net Position

ENTERPRISE FUNDS

March 31, 2018

(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2017 SUNY	June 30, 2017 CUNY	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	$ 720	$ 1,604	$ 2,040	$ 624	$ **4,988**
Investments	102	—	253	70	**425**
Deposits with trustees and DASNY	—	—	210	179	**389**
Receivables, net of allowance for uncollectibles	490	1,549	878	240	**3,157**
Due from other funds	—	—	165	338	**503**
Other assets	12	—	78	20	**110**
Total current assets	**1,324**	**3,153**	**3,624**	**1,471**	**9,572**
Noncurrent assets:					
Restricted cash and cash equivalents	—	—	137	20	**157**
Long-term investments	1,232	—	927	257	**2,416**
Deposits with trustees	—	—	349	114	**463**
Receivables, net of allowance for uncollectibles	—	—	181	17	**198**
Due from other funds	—	—	658	—	**658**
Capital assets:					
Land, construction in progress and artwork	—	—	2,885	1,456	**4,341**
Buildings and equipment, net of depreciation	—	—	9,573	3,392	**12,965**
Intangible assets, net of amortization	—	—	—	214	**214**
Other assets	—	—	79	1	**80**
Total noncurrent assets	**1,232**	**—**	**14,789**	**5,471**	**21,492**
Total assets	**2,556**	**3,153**	**18,413**	**6,942**	**31,064**
DEFERRED OUTFLOWS OF RESOURCES:					
Pension activities	5	—	413	(59)	**359**
Derivative activities	—	—	—	53	**53**
Deferred loss on refunding	—	—	53	21	**74**
Total deferred outflows of resources	**5**	**—**	**466**	**15**	**486**
LIABILITIES:					
Current liabilities:					
Accounts payable	17	—	466	276	**759**
Accrued liabilities	589	50	711	389	**1,739**
Due to Federal government	—	3	—	—	**3**
Pension contributions payable	—	—	25	—	**25**
Lottery prizes payable	132	—	—	—	**132**
Due to other funds	303	—	693	—	**996**
Interest payable	—	—	78	72	**150**
Unearned revenues	10	—	540	154	**704**
Collateralized borrowing	—	—	42	—	**42**
Obligations under lease/purchase and other financing arrangements	—	—	489	186	**675**
Total current liabilities	**1,051**	**53**	**3,044**	**1,077**	**5,225**

(Continued)

Statement of Net Position (cont'd)

ENTERPRISE FUNDS

March 31, 2018
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2017 SUNY	June 30, 2017 CUNY	Total
Noncurrent liabilities:					
Accrued liabilities	—	—	1,232	86	1,318
Pension contributions payable	3	—	158	—	161
Net pension liability	5	—	552	748	1,305
Other postemployment benefits	—	—	6,220	808	7,028
Lottery prizes payable	1,151	—	—	—	1,151
Due to other funds	—	—	4	—	4
Collateralized borrowing	—	—	1,019	—	1,019
Obligations under lease/purchase and other financing arrangements	—	—	9,503	4,518	14,021
Derivative instruments	—	—	—	53	53
Total noncurrent liabilities	**1,159**	**—**	**18,688**	**6,213**	**26,060**
Total liabilities	**2,210**	**53**	**21,732**	**7,290**	**31,285**
DEFERRED INFLOWS OF RESOURCES:					
Pension activities	1	—	128	57	186
Other	—	—	10	—	10
Total deferred inflows of resources	**1**	**—**	**138**	**57**	**196**
NET POSITION:					
Net investment in capital assets	—	—	1,126	533	1,659
Restricted for:					
Nonexpendable purposes:					
Instruction and departmental research	—	—	233	—	233
Scholarships, fellowships and general education support	—	—	113	—	113
Investments	—	—	—	50	50
General operations and other	—	—	123	—	123
Expendable purposes:					
Instruction and departmental research	—	—	120	—	120
Scholarships, fellowships and general education support	—	—	64	120	184
Loans	—	—	—	10	10
Debt service	—	—	—	42	42
General operations and other	—	—	62	91	153
Unemployment benefits	—	3,100	—	—	3,100
Future prizes	200	—	—	—	200
Pensions	—	—	77	—	77
Unrestricted (deficit)	150	—	(4,909)	(1,236)	(5,995)
Total net position	**$ 350**	**$ 3,100**	**$ (2,991)**	**$ (390)**	**$ 69**

See accompanying notes to the basic financial statements.

Statement of Revenues, Expenses and Changes in Fund Net Position

ENTERPRISE FUNDS

Year Ended March 31, 2018

(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2017 SUNY	June 30, 2017 CUNY	Total
OPERATING REVENUES:					
Ticket and video gaming sales	$ 9,973	$ —	$ —	$ —	$ 9,973
Employer contributions	—	2,649	—	—	2,649
Tuition and fees, net	—	—	1,671	658	2,329
Government grants and contracts	—	—	809	853	1,662
Private gifts, grants and contracts	—	—	394	120	514
Hospitals and clinics	—	—	2,292	—	2,292
Auxiliary enterprises	—	—	694	5	699
Other	—	12	225	58	295
Total operating revenues	**9,973**	**2,661**	**6,085**	**1,694**	**20,413**
OPERATING EXPENSES:					
Benefits paid	—	2,314	—	—	2,314
Prizes	4,816	—	—	—	4,816
Commissions and fees	1,617	—	—	—	1,617
Educational and general	—	—	6,806	3,117	9,923
Hospitals and clinics	—	—	2,918	—	2,918
Auxiliary enterprises	—	—	679	2	681
Instant game ticket costs	26	—	—	—	26
Depreciation and amortization	—	—	608	223	831
Other	146	—	13	—	159
Total operating expenses	**6,605**	**2,314**	**11,024**	**3,342**	**23,285**
Operating income (loss)	**3,368**	**347**	**(4,939)**	**(1,648)**	**(2,872)**
NONOPERATING REVENUES (EXPENSES):					
Investment earnings	65	43	68	6	182
Other income (expenses), net	12	(2)	151	(3)	158
Private gifts, grants, and contracts	—	—	100	5	105
Federal and city appropriations	—	—	19	49	68
Federal and State nonoperating grants	—	—	575	—	575
Net increase (decrease) in the fair value of investments	(34)	—	68	21	55
Plant and equipment write-off	—	—	(11)	—	(11)
Interest expense	(55)	—	(464)	(176)	(695)
Total nonoperating revenues (expenses)	**(12)**	**41**	**506**	**(98)**	**437**
Income (loss) before other revenues and transfers	**3,356**	**388**	**(4,433)**	**(1,746)**	**(2,435)**
TRANSFERS, CAPITAL CONTRIBUTIONS & ADDITIONS TO PERMANENT ENDOWMENTS:					
State transfers	—	—	3,288	1,234	4,522
Federal and State hospital support transfers	—	—	431	—	431
Education aid transfer	(3,372)	—	—	—	(3,372)
Capital transfers	—	—	58	444	502
Capital gifts and grants	—	—	61	—	61
Additions to permanent endowments	—	—	26	1	27
Increase (decrease) in net position	**(16)**	**388**	**(569)**	**(67)**	**(264)**
Net position—beginning of year, as restated	**366**	**2,712**	**(2,422)**	**(323)**	**333**
Net position—end of year	**$ 350**	**$ 3,100**	**$ (2,991)**	**$ (390)**	**$ 69**

See accompanying notes to the basic financial statements.

Statement of Cash Flows

ENTERPRISE FUNDS

Year Ended March 31, 2018

(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2017 SUNY	June 30, 2017 CUNY	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from:					
Contributions	$ —	$ 2,891	$ —	$ —	$ **2,891**
Ticket sales	9,948	—	—	—	**9,948**
Tuition and fees	—	—	1,678	668	**2,346**
Government grants and contracts	—	—	856	839	**1,695**
Private grants and contracts	—	—	471	108	**579**
Hospitals and clinics	—	—	2,220	—	**2,220**
Auxiliary enterprises	—	—	685	5	**690**
Other	11	—	231	53	**295**
Payments for:					
Claims	—	(2,318)	—	—	**(2,318)**
Prizes	(4,864)	—	—	—	**(4,864)**
Commissions and fees	(1,661)	—	—	—	**(1,661)**
Operating expenses	(133)	—	(7,462)	(3,016)	**(10,611)**
Other	—	—	(285)	(251)	**(536)**
Net cash provided (used) by operating activities	**3,301**	**573**	**(1,606)**	**(1,594)**	**674**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfer to education	(3,361)	—	—	—	**(3,361)**
Transfers from governmental activities	—	—	2,202	1,496	**3,698**
Federal and State nonoperating grants	—	—	575	—	**575**
Private gifts and grants	—	—	102	—	**102**
Gifts and grants	—	—	—	6	**6**
Proceeds from short-term loans	—	—	111	—	**111**
Repayment of short-term loans	—	—	(100)	—	**(100)**
Direct loan receipts	—	—	1,156	—	**1,156**
Direct loan disbursements	—	—	(1,156)	—	**(1,156)**
Enterprise fund transactions	—	1	34	(16)	**19**
Net cash provided (used) by noncapital financing activities	**(3,361)**	**1**	**2,924**	**1,486**	**1,050**
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Proceeds from capital debt	—	—	58	235	**293**
Capital transfers	—	—	54	444	**498**
Purchase of capital assets	—	—	(1,119)	(353)	**(1,472)**
Principal payments on capital leases	—	—	(355)	(185)	**(540)**
Principal payments on refunded bonds	—	—	—	(7)	**(7)**
Interest payments on capital leases	—	—	(525)	(186)	**(711)**
Capital gifts and grants received	—	—	63	—	**63**
Proceeds from sale of capital assets	—	—	1	—	**1**
Bond issuance cost	—	—	—	(2)	**(2)**
Deposits advanced from State	—	—	559	—	**559**
Deposits held by bond trustees and DASNY	—	—	154	109	**263**
Increase in amounts held by DASNY	—	—	—	(5)	**(5)**
Transfer to/from foundations	—	—	—	18	**18**
Net cash provided (used) by capital financing activities	**—**	**—**	**(1,110)**	**68**	**(1,042)**

(Continued)

Statement of Cash Flows (cont'd)

ENTERPRISE FUNDS

Year Ended March 31, 2018
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2017 SUNY	June 30, 2017 CUNY	Total
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest, dividends and realized gains on investments	34	43	67	6	150
Proceeds from sales and maturities of investments	103	—	221	236	560
Purchases of investments	—	—	(270)	(229)	(499)
Net cash provided by investing activities	**137**	**43**	**18**	**13**	**211**
Net increase (decrease) in cash and cash equivalents	**77**	**617**	**226**	**(27)**	**893**
Cash and cash equivalents—beginning of year	643	987	1,951	671	4,252
Cash and cash equivalents—end of year	**$ 720**	**$ 1,604**	**$ 2,177**	**$ 644**	**$ 5,145**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ 3,368	$ 347	$ (4,939)	$ (1,648)	$ (2,872)
Adjustments to reconcile operating income (loss) to net cash provided (used) by nonoperating and noncash activities:					
Depreciation and amortization	—	—	608	223	831
Bad debt expense	—	—	—	18	18
Investment expense	(55)	—	—	—	(55)
Other nonoperating and noncash items	11	—	1,634	—	1,645
Change in assets and liabilities:					
Receivables, net	(13)	230	17	(36)	198
Other assets	(1)	—	435	12	446
Lottery prizes payable	(51)	—	—	—	(51)
Unclaimed and future prizes	37	—	—	—	37
Accrued liabilities	2	(2)	106	(228)	(122)
Pension contributions payable	1	—	—	—	1
Net pension liability	(3)	—	—	(13)	(16)
Other postemployment benefits	—	—	692	100	792
Unearned revenues	1	—	(159)	(22)	(180)
Other payables	—	(2)	—	—	(2)
Deferred outflows	4	—	—	—	4
Net cash provided (used) by operating activities	**$ 3,301**	**$ 573**	**$ (1,606)**	**$ (1,594)**	**$ 674**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Unrealized gains (losses) on investments	$ (34)	$ —	$ 65	$ 21	$ 52
Amortization of investment discount	$ 32	$ —	$ —	$ —	$ 32
New capital leases / debt agreements	$ —	$ —	$ 58	$ —	$ 58
Fringe benefits provided by the State	$ —	$ —	$ 1,617	$ —	$ 1,617
Litigation costs provided by the State	$ —	$ —	$ 18	$ —	$ 18
Noncash gifts	$ —	$ —	$ 4	$ —	$ 4
Change in accounts payable attributable to capital assets	$ —	$ —	$ —	$ 15	$ 15

See accompanying notes to the basic financial statements.

Statement of Fiduciary Net Position

FIDUCIARY FUNDS

March 31, 2018
(Amounts in millions)

	Pension Trusts	Private Purpose Trusts	Agency Funds
ASSETS:			
Cash and investments	$ —	$ 28,477	$ 7,347
Retirement system investments:			
Short-term investments	3,367	—	—
Domestic equities	75,771	—	—
Global fixed income	44,821	—	—
International equities	39,026	—	—
Private equities	17,500	—	—
Real estate and mortgage loans	15,026	—	—
Absolute return strategy investments	7,879	—	—
Opportunistic funds	2,507	—	—
Real assets	1,519	—	—
Securities lending collateral, invested	5,607	—	—
Forward foreign exchange contracts	43	—	—
Receivables, net of allowances for uncollectibles:			
Employer contributions	3,351	—	—
Member contributions	—	—	—
Member loans	1,030	—	—
Accrued interest and dividends	395	—	—
Investment sales	243	—	—
Other	152	310	1,187
Due from other funds	—	2,769	—
Other assets	311	—	123
Total assets	**218,548**	**31,556**	**$ 8,657**
LIABILITIES:			
Securities lending obligations	5,615	—	$ —
Forward foreign exchange contracts	43	—	—
Accounts payable	—	—	210
Accounts payable—investments	473	—	—
Accounts payable—benefits	132	—	—
Other liabilities	208	86	6,610
Payable to local governments	—	—	1,837
Total liabilities	**6,471**	**86**	**$ 8,657**
NET POSITION:			
Restricted for pension benefits and other purposes	**$ 212,077**	**$ 31,470**	

See accompanying notes to the basic financial statements.

Statement of Changes in Fiduciary Net Position

FIDUCIARY FUNDS

Year Ended March 31, 2018
(Amounts in millions)

	Pension Trusts	Private Purpose Trusts
Additions:		
Investment earnings:		
Interest income	$ 1,313	$ 40
Dividend income	1,724	542
Securities lending income	73	—
Other income	1,105	574
Net increase in the fair value of investments	17,860	2,853
Total investment earnings	**22,075**	**4,009**
Less:		
Securities lending expenses	(49)	—
Investment expenses	(688)	(58)
Net investment earnings	**21,338**	**3,951**
Contributions:		
College savings	—	3,065
NY ABLE savings	—	1
Employers	4,823	—
Members	349	—
Interest on accounts receivable	130	—
Other	86	—
Total contributions	**5,388**	**3,066**
Total additions	**26,726**	**7,017**
Deductions:		
College aid redemptions	—	1,910
Benefits paid:		
Retirement allowances	11,826	—
Death benefits	201	—
Other benefits	101	—
Administrative expenses	123	—
Claims paid	—	432
Total deductions	**12,251**	**2,342**
Net increase (decrease) in net position	**14,475**	**4,675**
Net position restricted for pension benefits and other purposes at April 1, 2017	**197,602**	**26,795**
Net position restricted for pension benefits and other purposes at March 31, 2018	**$ 212,077**	**$ 31,470**

See accompanying notes to the basic financial statements.

Combining Statement of Net Position

DISCRETELY PRESENTED COMPONENT UNITS

March 31, 2018
(Amounts in millions)

	Major Component Units				
	Power Authority	Housing Finance Agency	Thruway Authority	Metropolitan Transportation Authority	Dormitory Authority
ASSETS:					
Cash and investments	$ 1,186	$ 2,428	$ 1,031	$ 6,671	$ 5,642
Receivables, net of allowances for uncollectibles:					
Loans, leases, and notes	172	15,714	—	—	47,606
Other	171	71	184	1,066	679
Net pension asset	—	—	—	—	—
Other assets	1,689	—	21	796	—
Capital assets:					
Construction in progress	565	—	2,102	16,978	—
Land, buildings and equipment, net of depreciation	4,877	7	4,941	51,082	34
Intangible assets	—	—	—	—	—
Derivative instruments	—	—	—	—	—
Total assets	**8,660**	**18,220**	**8,279**	**76,593**	**53,961**
DEFERRED OUTFLOWS OF RESOURCES:					
Pension activities	66	2	50	2,044	16
Derivative activities	—	18	—	408	—
Deferred loss on refunding	—	—	12	1,235	—
Other	—	—	—	—	—
Total deferred outflows of resources	**66**	**20**	**62**	**3,687**	**16**
LIABILITIES:					
Accounts payable	—	16	—	607	—
Accrued liabilities	406	193	399	3,187	2,476
Pension contributions payable	—	—	—	14	—
Unearned revenues	—	302	83	594	325
Notes payable	487	—	—	—	—
Bonds payable	60	158	143	1,806	3,527
Current portion of other long-term liabilities	31	—	3	38	5
Derivative instruments	—	—	—	—	—
Due in more than one year:					
Accrued liabilities	—	—	—	—	276
Pension contributions payable	—	—	—	—	—
Net pension liability	67	2	46	8,105	14
Other postemployment benefits	—	48	452	16,731	138
Pollution remediation	—	—	—	59	—
Unearned revenues	250	3	—	—	—
Notes payable	49	—	—	—	—
Bonds payable	720	16,623	5,894	38,292	46,944
Other long-term liabilities	1,569	—	10	4,695	71
Derivative instruments	—	18	—	422	—
Total liabilities	**3,639**	**17,363**	**7,030**	**74,550**	**53,776**
DEFERRED INFLOWS OF RESOURCES:					
Pension activities	10	—	9	480	2
Derivative activities	8	—	—	—	—
Deferred gain on refunding	—	1	—	26	—
Other	330	—	—	—	—
Total deferred inflows of resources	**348**	**1**	**9**	**506**	**2**
NET POSITION:					
Net investment in capital assets	2,973	—	1,319	28,250	10
Restricted for:					
Debt service	—	632	83	516	114
Higher education, research and patient care	—	—	—	—	—
Environmental projects and energy programs	32	—	—	—	—
Economic development, housing and transportation	—	—	144	983	—
Insurance and administrative requirements	—	—	—	182	—
Unrestricted	1,734	244	(244)	(24,707)	75
Total net position	**$ 4,739**	**$ 876**	**$ 1,302**	**$ 5,224**	**$ 199**

See accompanying notes to the basic financial statements.

Major Component Units							
Long Island Power Authority	Urban Development Corporation	State Insurance Fund	SONY Mortgage Agency	Environmental Facilities Corporation	Non-Major Component Units	Eliminations	Total
$ 1,425	$ 2,423	$ 17,238	$ 2,380	$ 2,878	$ 7,819	$ (1,948)	$ 49,173
—	13,216	—	2,795	10,034	952	(43,986)	46,503
603	87	294	20	121	760	(43)	4,013
—	—	—	—	—	1	—	1
1,775	239	9	23	—	262	(27)	4,787
461	—	—	—	—	139	—	20,245
7,627	2,591	—	—	—	3,082	—	74,241
989	—	—	1	—	7	—	997
3	—	—	—	—	—	—	3
12,883	**18,556**	**17,541**	**5,219**	**13,033**	**13,022**	**(46,004)**	**199,963**
1	9	—	2	3	134	—	2,327
—	54	—	3	—	18	(18)	483
274	1	—	5	—	93	—	1,620
—	—	—	—	—	1	—	1
275	**64**	**—**	**10**	**3**	**246**	**(18)**	**4,431**
—	—	—	—	—	116	—	739
545	337	12,248	177	173	1,481	(1,308)	20,314
—	—	—	—	—	—	—	14
—	—	419	—	1	158	(1)	1,881
360	75	—	—	—	11	—	933
193	968	—	148	383	141	(2,593)	4,934
177	105	—	—	—	52	—	411
7	—	—	—	—	—	—	7
56	—	—	—	—	73	(11)	394
—	—	—	—	—	5	—	5
1	8	—	3	3	166	—	8,415
1	45	51	52	30	1,130	—	18,678
—	2	—	—	—	1	—	62
—	—	—	—	10	808	—	1,071
—	13	—	—	—	48	—	110
7,979	13,746	—	2,405	5,905	2,267	(42,234)	98,541
2,698	327	—	—	—	227	—	9,597
128	—	—	16	—	73	(18)	639
12,145	**15,626**	**12,718**	**2,801**	**6,505**	**6,757**	**(46,165)**	**166,745**
1	2	—	—	1	37	—	542
3	54	—	—	—	—	—	65
—	—	—	—	—	—	(1)	26
537	261	—	—	—	15	—	1,143
541	**317**	**—**	**—**	**1**	**52**	**(1)**	**1,776**
(4)	2,014	—	—	—	1,945	—	36,507
100	—	—	657	—	74	2	2,178
—	—	—	—	—	2,973	—	2,973
—	—	—	—	6,523	887	—	7,442
—	663	—	—	—	609	—	2,399
—	—	—	1,795	—	45	—	2,022
376	—	4,823	(24)	7	(74)	142	(17,648)
$ 472	**$ 2,677**	**$ 4,823**	**$ 2,428**	**$ 6,530**	**$ 6,459**	**$ 144**	**$ 35,873**

Combining Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

Year Ended March 31, 2018

(Amounts in millions)

	Major Component Units				
	Power Authority	Housing Finance Agency	Thruway Authority	Metropolitan Transportation Authority	Dormitory Authority
EXPENSES:					
Program operations	$ 2,020	$ 125	$ 443	$ 14,248	$ 114
Interest on long-term debt	31	271	162	1,517	2,198
Other interest	117	—	—	—	—
Depreciation and amortization	242	—	430	2,611	—
Other expenses	73	2	10	—	191
Total expenses	**2,483**	**398**	**1,045**	**18,376**	**2,503**
PROGRAM REVENUES:					
Charges for services	2,573	379	792	8,084	2,308
Operating grants and contributions	—	6	4	4,707	—
Capital grants and contributions	—	—	288	2,662	—
Total program revenues	**2,573**	**385**	**1,084**	**15,453**	**2,308**
Net program revenue (expenses)	**90**	**(13)**	**39**	**(2,923)**	**(195)**
GENERAL REVENUES:					
Non-State grants and contributions not restricted to specific programs	—	—	—	1,786	—
Investment earnings:					
Restricted	—	13	—	—	32
Unrestricted	12	—	3	—	—
Miscellaneous	17	112	—	601	160
Total general revenues	**29**	**125**	**3**	**2,387**	**192**
Change in net position	**119**	**112**	**42**	**(536)**	**(3)**
Net position—beginning of year, as restated	**4,620**	**764**	**1,260**	**5,760**	**202**
Net position—end of year	**$ 4,739**	**$ 876**	**$ 1,302**	**$ 5,224**	**$ 199**

See accompanying notes to the basic financial statements.

Major Component Units							
Long Island Power Authority	Urban Development Corporation	State Insurance Fund	SONY Mortgage Agency	Environmental Facilities Corporation	Non-Major Component Units	Eliminations	Total
$ 2,905	$ 930	$ 2,135	$ 63	$ 234	$ 8,490	$ (23)	**$ 31,684**
337	590	—	80	263	59	(1,980)	**3,528**
—	—	—	—	—	4	—	**121**
309	37	—	—	—	188	—	**3,817**
—	77	11	90	—	286	(24)	**716**
3,551	**1,634**	**2,146**	**233**	**497**	**9,027**	**(2,027)**	**39,866**
3,482	22	2,315	132	335	2,995	(1,384)	**22,033**
—	1,870	—	1	63	4,502	(631)	**10,522**
—	—	—	—	225	195	—	**3,370**
3,482	**1,892**	**2,315**	**133**	**623**	**7,692**	**(2,015)**	**35,925**
(69)	**258**	**169**	**(100)**	**126**	**(1,335)**	**12**	**(3,941)**
42	—	—	—	—	295	—	**2,123**
—	—	912	1	80	182	—	**1,220**
13	7	—	—	—	221	(8)	**248**
31	385	18	134	2	845	(26)	**2,279**
86	**392**	**930**	**135**	**82**	**1,543**	**(34)**	**5,870**
17	**650**	**1,099**	**35**	**208**	**208**	**(22)**	**1,929**
455	**2,027**	**3,724**	**2,393**	**6,322**	**6,251**	**166**	**33,944**
$ 472	**$ 2,677**	**$ 4,823**	**$ 2,428**	**$ 6,530**	**$ 6,459**	**$ 144**	**$ 35,873**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

NOTES TO THE BASIC FINANCIAL STATEMENTS—INDEX

NOTES TO THE BASIC FINANCIAL STATEMENTS

March 31, 2018

Note 1 Summary of Significant Accounting Policies

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

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

a. Reporting Entity

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

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

Blended Component Units

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

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

Discretely Presented Component Units

The public benefit corporations (Corporations) listed in Note 14 were established by State statute with full corporate powers. The Governor, with the approval of the State Senate, appoints most members of the board of directors of most Corporations and either the Governor or the board of directors selects the chairman and chief executive officer. Corporations generally submit annual reports to the Governor, the Legislature and the State Comptroller on their operations and finances, accompanied by an independent auditors' report thereon. Corporations also submit to the Governor and the Legislature annual budget information on operations and capital construction. The State Comptroller is empowered to conduct financial and management audits of the Corporations. Financial assistance was provided in the fiscal year ended March 31, 2018 to certain Corporations, and such assistance is expected to be required in future years. Accordingly, the fiscal condition of the State is related to the fiscal stability of the Corporations. Since the Corporations are legally separate organizations for which the Governor and the Legislature are financially accountable, they are discretely presented as component units of the State.

Related Organizations and Joint Ventures

The State's officials are also responsible for appointing the members of the boards of various related organizations (e.g., the Nassau County Interim Finance Authority), but the State's accountability for these organizations does not extend beyond making the appointments. As discussed in more detail in Note 15, the State participates in several joint ventures but only reports on one due to materiality considerations.

b. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The State reports the following major and other governmental funds:

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

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

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

Other Governmental Funds—is a summarization of all the nonmajor governmental funds.

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

The State reports the following major Enterprise Funds:

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

Unemployment Insurance Benefit Fund—accounts for unemployment contributions from employers that are utilized for the payment of unemployment compensation benefits.

SUNY Fund—accounts for the operations of the State University of New York (SUNY). Information reported in this fund is obtained from the audited financial statements prepared by SUNY for the fiscal year ended June 30, 2017.

CUNY Fund—accounts for the operations of the City University of New York (CUNY) Senior Colleges. Information reported in this fund is obtained from the audited financial statements of the Senior Colleges prepared by CUNY for the fiscal year ended June 30, 2017.

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

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

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

Private Purpose Trust Funds—are used to account for resources legally held in trust as escheat property and resources held in trust to facilitate savings for higher education expenses and disability-related expenses, pursuant to New York's 529 College Savings and New York ABLE Savings programs, respectively. There is no requirement that any portion of these resources be preserved as capital. Information reported for the savings programs is obtained from the audited financial statements prepared by the programs for the fiscal year ended December 31, 2017.

Agency Funds—account for various employee benefit programs and for the disposition of various payroll-related deductions. These funds also include accounts for the transfer from other funds of the federal, State, and local shares of Medicaid program expenditures to a paying agent for payment to health care providers. In addition, the funds include various escrow, revenue collection and agency accounts for which the State acts in an agent's capacity until proper disposition of the assets can be made.

Additionally, the State includes discretely presented component units:

Component Units—the public benefit corporations' financial statements, except for the State Insurance Fund and the Aggregate Trust Fund, are prepared using the economic resources measurement focus and are accounted for on the accrual basis of accounting. The State Insurance Fund and the Aggregate Trust Fund prepare financial statements in conformity with accounting practices prescribed or permitted by the New York State Department of Financial Services. The Department of Financial Services recognizes only New York Statutory Accounting Practices for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under New York State Insurance Law. The impact of variances from GAAP is not material to the Corporations in total.

d. Cash and Investments

Cash balances of funds held in the State Treasury are commingled in a general checking account and several special purpose bank accounts. The available cash balance in the general checking account beyond immediate need is pooled for short-term investment purposes. The balances pooled are limited to legally stipulated investments, which are reported at cost, including accrued interest, which approximates fair value. Non-interest-bearing compensating balances of $1.5 billion are included in cash and investments at March 31, 2018. At various times during the year, compensating balances could be substantially higher.

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

Generally, for purposes of reporting cash flows, cash includes cash and cash equivalents. Cash equivalents are liquid assets with maturities of 90 days or less. The Enterprise Funds' Statements of Cash Flows use the direct method of reporting cash flows.

All investments with a maturity of more than one year are recorded on the Statements of Net Position and the balance sheets at fair value and all investment income, including changes in the fair value of investments, is reported as revenue. Fair values were determined using market values at the applicable entities' year-end. Investments of the short-term investment pool have a maturity of one year or less and are recorded at cost.

e. Receivables

Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions. The Due from federal government category represents amounts owed to the State to reimburse it for expenditures incurred pursuant to federally funded programs. The Other receivables category represents amounts owed to the State, including Medicaid drug rebates, financial service settlements, tobacco settlements, patient fees of SUNY and Health Department hospitals and various mental hygiene facilities, student loans and lottery ticket sales. Additional information about receivables is provided in Note 4.

f. Internal Balances

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

g. Other Assets

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

h. Capital Assets

Capital assets are reported in the Statement of Net Position for government-wide and enterprise funds and further disclosed in Note 5. Capital assets include: land in urban centers, rural areas and forest preserves; land improvements; land preparation for roads; buildings which house State offices, correctional facilities, hospitals and educational facilities; equipment used in construction work, hospitals, offices, etc.; construction in progress; intangible assets (i.e., easements and internally generated software); and infrastructure assets such as roads and bridges. Capital assets are reported at historical cost or estimated historical cost and donated capital assets are valued at their acquisition value at the date of donation.

For governmental activities, equipment that has a cost in excess of $40,000 at the date of acquisition and has an expected useful life of two or more years is capitalized. All initial building costs and building improvements and land and land improvements in excess of $100,000 are capitalized. Infrastructure assets in excess of $1 million are also capitalized. Software is capitalized when the costs exceed $1 million.

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

Capital assets in business-type activities and Enterprise Funds are from SUNY and CUNY. These capital assets are stated at cost, or in the case of gifts, acquisition value at the date of receipt. SUNY capitalizes building renovations and additions costing over $100,000, equipment items with a unit cost of $5,000 or more, and intangible assets, including internally generated computer software, costing $1 million or more. CUNY capitalizes renovations and improvements that significantly increase the value or extend the useful lives of the structures and equipment with a cost of more than $5,000 and useful lives of two or more years. CUNY reports intangible assets with a unit cost of more than $5,000.

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

Assets	Governmental Activities (Years)	Business-Type Activities (Years)
Buildings and building improvements	12-60	2-50
Equipment and vehicles . . .	4-30	2-50
Land improvements	12-30	2-50
Intangibles—easements . . .	20	2-50
Intangibles—computer software	10-12	2-50

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

The State has elected to use the modified approach for reporting and accounting for its highways and bridges, which are reported by the State Department of Transportation (DOT). The modified approach requires the State to commit to preserving and maintaining these infrastructure assets at levels established by DOT. No depreciation expense is reported for these assets and no amounts are capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their capacity or efficiency. DOT maintains an inventory of these assets and performs periodic condition assessments to ensure that the predetermined condition level is maintained. The Required Supplementary Information (RSI) contains additional information regarding infrastructure reported using the modified approach.

Capital asset reporting does not include historical artifacts, artwork and collections that are maintained by various State agencies, the State Archives, the State Museum and the State Library with the exception of SUNY and CUNY. These items are protected, preserved, and held for public exhibition and educational purposes, and the proceeds from any sale of such items are used to acquire new items for the collection. SUNY reports all artwork, historical treasures and library books. CUNY reports artwork, historical treasures and library books with a unit cost of more than $5,000.

i. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

The components of the deferred outflows of resources and deferred inflows of resources related to the primary government at March 31, 2018 are as follows (amounts in millions):

	Governmental Activities	Business-Type Activities	Primary Government
Deferred outflows of resources:			
Pension activities	$ 4,203	$ 359	**$ 4,562**
Derivative activities	43	53	**96**
Loss on refunding of debt	444	74	**518**
Total deferred outflows of resources	**$ 4,690**	**$ 486**	**$ 5,176**
Deferred inflows of resources:			
Pension activities	$ 724	$ 186	**$ 910**
Derivative activities	9	—	**9**
Gain on refunding of debt	23	—	**23**
Federal grants	150	—	**150**
Other	—	10	**10**
Total deferred inflows of resources	**$ 906**	**$ 196**	**$ 1,102**

The components of the deferred inflows of resources related to the governmental funds at March 31, 2018 are as follows (amounts in millions):

	General	Federal Special Revenue	General Debt Service	Other Governmental Funds	Total Governmental Funds
Deferred inflows of resources:					
Public health/patient fees	$ —	$ —	$ —	$ 3	**$ 3**
Taxes considered unavailable	693	—	130	54	**877**
Medicaid	66	574	—	—	**640**
Oil spill	—	—	—	73	**73**
Miscellaneous agency	30	—	—	23	**53**
Federal grants	—	150	—	—	**150**
ENCON* collections	—	—	—	6	**6**
Total	**$ 789**	**$ 724**	**$ 130**	**$ 159**	**$ 1,802**

**State Department of Environmental Conservation*

j. Long-Term Obligations

In the Government-wide Statement of Net Position and in the Enterprise Funds Statement of Net Position, long-term debt and other long-term obligations are reported as liabilities. For governmental activities, bond premiums and discounts are reported as a component of the related bonds payable, and gains and losses on refunding are reported as deferred inflows of resources or deferred outflows of resources. Both are amortized over the life of the bonds using the straight-line method. For business-type activities, SUNY losses on refunding are reported as deferred outflows of resources and amortized over the life of the related debt. CUNY bond premiums and discounts are reported as a component of the related bonds payable, and gains and losses on refunding are reported as deferred inflows of resources or deferred outflows of resources. Both are amortized over the life of the bonds using the straight-line method. Issuance costs are reported as an expense in the period incurred.

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

k. Compensated Absences

The estimated vacation leave liability for State employees at March 31, 2018 is $899 million, which represents an increase of $2 million over the prior year. State employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 25 days per year, but may accumulate no more than a maximum of 40 days.

SUNY employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 21 days per year and may accumulate no more than a maximum of 40 days. CUNY employees accrue vacation leave based upon the number of years employed, with the maximum accumulation generally ranging from 45 to 50 days. The liability for vacation leave approximated $290 million and $91 million for SUNY and CUNY, respectively, at June 30, 2017.

CUNY employees may receive payments of up to 50 percent of the value of their accumulated sick leave as of the date of retirement from CUNY. CUNY reported a liability of $43 million for sick leave credits in accrued liabilities at June 30, 2017.

Lottery's employees, upon termination, may receive vacation pay benefits up to a maximum of 30 days. Lottery recognizes employees' compensated absence benefits when earned. The liability for employees' compensated absences was approximately $1 million as of March 31, 2018.

l. Accounting for Lease/Purchase and Other Financing Arrangements

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

These lease/purchase and other financing arrangements, which the State will repay over the duration of the agreements, constitute long-term liabilities. The amount included in obligations under lease/purchase and other financing arrangements consists of total future principal payments and equals the outstanding balance of the related bonds and notes.

m. State Lottery

The State Lottery is accounted for as an Enterprise Fund. The revenues, administrative costs, aid to education and expenses for amounts allocated to prizes are reported, and uncollected ticket sales at March 31, 2018 are accrued. Prize monies to meet long-term prize payments are invested in United States government-backed obligations, New York City Transitional Finance Authority municipal bonds and U.S. Agency for International Development (AID) bonds, and are recorded at fair value. Lottery prize liabilities are recorded at a discounted value equivalent to the related investments. At March 31, 2018, the prize liabilities of approximately $1.9 billion were reported at a discounted value of approximately $1.3 billion (at interest rates ranging from 0.29 percent to 7.78 percent).

n. Net Position

On the government-wide, enterprise fund, component unit and fiduciary fund financial statements, "Net Position" is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

Net position is reported as restricted when constraints placed on net position use are either:

a. Externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments; or

b. Imposed by law through constitutional provisions or enabling legislation.

Enabling legislation, which restricts net position, authorizes the State to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups or the judiciary) can compel the government to honor. When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

At March 31, 2018, the Governmental Activities reported restricted net position of $2.7 billion due to restrictions externally imposed by creditors or enabling legislation. This included $1.8 billion restricted for debt service payments from various capital reserve funds, and $893 million restricted for other purposes (details of fund balance classification are available in Note 1.o.).

The following terms are used in the reporting of net position:

Net Investment in Capital Assets
Net investment in capital assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Higher Education, Research and Patient Care
Net position restricted for funding of various higher education instruction, research, scholarships, and operations, as well as medical research and patient care.

Environmental Projects and Energy Programs
Net position restricted for funding of various environmental projects and energy programs.

Economic Development, Housing and Transportation
Net position restricted for funding of various economic development, housing-related and transportation-related programs.

Insurance and Administrative Requirements
Net position restricted for funding certain insurance payments and administrative costs.

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

Future Lottery Prizes
Net position restricted for future lottery prize payments.

Pensions
Net position restricted for pension payments.

Other Government Programs
Net position restricted for the funding of legal and law enforcement programs, various gifts, grants or bequests received by the State, and other legally restricted programs.

Unrestricted
Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position described above.

o. Fund Balance

On governmental fund financial statements, "Fund Balance" is the difference between (a) fund assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

Fund Balance Hierarchy
Fund balance for governmental funds is reported in the following classifications which describe the relative strength of the constraints that control how specific amounts in the funds can be spent:

> Nonspendable fund balance includes amounts that cannot be spent because they (a) are either not in spendable form, or (b) are legally or contractually required to remain intact.
>
> Restricted fund balances have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
>
> Committed fund balances can only be used for specific purposes pursuant to constraints imposed by formal action of the State's highest level of decision-making authority, which includes establishment of laws of the State, and by bills passed by the Legislature and approved by the Governor of the State of New York, or any contracts approved by authorized State officials that are known to have their liability satisfied with the current fund balance. Commitments may be changed or lifted only by the State's highest level of decision-making authority taking the same formal action that originally imposed the constraint.
>
> Assigned fund balances are constrained by the intent to use amounts for specific purposes, but are neither restricted nor committed. The Director of the Budget is authorized to assign amounts to a specific purpose through the approval of budget certificates as required by statute.

Unassigned fund balance is the residual classification for the General Fund. Other governmental funds cannot report a positive unassigned fund balance but can report negative unassigned fund balance if expenditures incurred for specific purposes exceed the amounts restricted or committed to those purposes.

For classification of governmental fund balances, the State considers expenditures to be made from restricted resources first, then in the following order: committed, assigned, and unassigned resources.

Reserve Accounts

Tax Stabilization Reserve Account

The authority for establishing the Tax Stabilization Reserve Account is in State Finance Law Section 92. The account was established in 1984.

At the close of each fiscal year, any surplus funds up to 0.2 percent of 1 percent of the "norm" shall be transferred to the Tax Stabilization Reserve Account, which shall not cumulatively exceed 2 percent of the "norm." The norm is the aggregate amount disbursed from the State Purposes Account during the fiscal year.

In any given fiscal year, when receipts fall below the norm, funds shall be transferred from the Tax Stabilization Reserve Account to the State Purposes Account, in an amount equal to the difference between the norm and the receipts, to the extent that funds are available in the Tax Stabilization Reserve Account. Money in the Tax Stabilization Reserve Account may be temporarily loaned to the State Purposes Account during the year in anticipation of the receipt of revenues, but these funds must be repaid within the same fiscal year.

The balance in the Tax Stabilization Reserve Account at March 31, 2018 is $1.3 billion, and is included in the unassigned fund balance of the General Fund.

Rainy Day Reserve Account

The authority for establishing the Rainy Day Reserve Account is in State Finance Law Section 92-cc. The account was established in 2007.

Funds deposited to this account are transferred from the State Purposes Account. The maximum balance in this account shall not exceed 5 percent of the aggregate amount projected to be disbursed from the State Purposes Account during the fiscal year immediately following the current fiscal year.

The amounts in this account can be spent for two reasons:

a. In the event of an economic downturn, as evidenced by a composite index of business cycle indicators prepared by the Commissioner of Labor. If the index declines for five consecutive months, the Commissioner of Labor shall notify the Governor, the Speaker of the Assembly, the Temporary President of the Senate and the minority leaders of the Assembly and the Senate. Upon such notification, the Director of the Budget may authorize the State Comptroller to transfer funds from the Rainy Day Reserve Account to the State Purposes Account.

b. A catastrophic event, e.g., the need to repel invasion, suppress insurrection, defend the State in war, or to respond to any other emergency resulting from a disaster, including but not limited to a disaster caused by an act of terrorism.

The balance in the Rainy Day Reserve Account at March 31, 2018 is $540 million, and is included in the committed fund balance of the General Fund.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for future expenditures are established in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. These amounts generally will become liabilities in future periods.

Significant encumbrances at March 31, 2018 include (amounts in millions):

Fund Type	Amount
General	$ 319
Federal Special Revenue	789
Other Special Revenue	44
Other Capital Projects	8,671

Fund Balances

Fund balances at March 31, 2018 are as follows (amounts in millions):

	Major Funds			
	General Fund	Federal Special Revenue	General Debt Service	Other Governmental Funds
Restricted for:				
Education	$ —	$ —	$ —	$ 5
Public health	—	11	—	46
Environment and recreation	—	—	—	11
Transportation	—	—	—	285
General administration	—	—	—	106
Debt service	—	—	737	507
Capital purposes	—	—	—	106
Committed to:				
Education	5	—	—	77
Public health	—	—	—	92
Mental hygiene	8	—	—	—
Health care initiatives	—	—	—	1,220
Environment and recreation	—	—	—	150
Public safety	—	—	—	290
Transportation	—	—	—	358
Economic development	—	—	—	16
General administration	—	—	—	268
Debt service	—	—	19	586
Capital purposes	—	—	—	1,719
Fund reserves	3,272	—	—	—
Assigned to:				
Education	47	—	—	311
Public health	28	—	—	—
Mental hygiene	5	—	—	—
Public welfare	5	—	—	—
Environment and recreation	—	—	—	18
Transportation	—	—	—	49
Employee benefits	95	—	—	—
Workers' Compensation	—	—	—	2,250
Insurance	—	—	—	746
General administration	159	—	—	—
Debt service	—	—	—	3
Unassigned	1,048	—	—	(893)
Total fund balance	**$ 4,672**	**$ 11**	**$ 756**	**$ 8,326**

p. Postemployment Benefits

Other postemployment costs are measured and disclosed using the accrual basis of accounting in the government-wide and enterprise funds financial statements (Note 13). In addition to providing pension benefits, the State is statutorily required to provide health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the State's employees may become eligible for these benefits if they reach normal retirement age while working for the State. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the State and the retired employee. The State, including the Lottery, recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the respective fund in the year paid. Additionally, the survivor's benefit program provides for a death benefit to be paid by the State to a retiree's designated beneficiary. During the year, approximately $12 million was paid on behalf of 3,988 retirees for this benefit and recorded as an expenditure in the General Fund.

q. Deficit Fund Balances

As of March 31, 2018, fund deficits were reported in the following Capital Projects Funds: the Correctional Facilities Capital Improvement Fund ($221 million), the Housing Program Fund ($182 million), the Mental Hygiene Facilities Capital Improvement Fund ($135 million), the Hazardous Waste Remedial Fund ($83 million), and Miscellaneous Capital Projects Funds, in aggregate ($42 million). The deficits related to the

Capital Projects Funds are the result of differences in cash flow timing relating to the reimbursement of capital project costs and contractual commitments from bond proceeds, and are routinely resolved during subsequent fiscal years. The Mass Transportation Operating Assistance Fund ($49 million) and the ENCON (Department of Environmental Conservation) Special Revenue Fund ($10 million), both of which are Special Revenue Funds, also had fund deficits. The deficits are the result of timing differences between the receipt of cash and the transfer of funds to finance operating expenditures.

r. Estimates

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

s. Adoption of New Accounting Pronouncements

During the fiscal year ended March 31, 2018, the State adopted the following new accounting standards as issued by GASB:

> GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* (GASBS 74), replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. GASBS 74 addresses separate financial reporting by defined benefit OPEB plans that are administered through trusts that meet specified criteria. GASBS 74 also addresses how assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through trusts meeting the specified criteria should be reported. Additionally, the Statement describes note disclosure requirements for defined contribution OPEB plans that are administered through trusts that meet the specified criteria. Refer to Note 13 for additional information on the State's OPEB plan, which is not administered through a trust or equivalent arrangement. The implementation of this statement did not have a significant impact on the State's financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units* (GASBS 80), amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. Implementation of GASBS 80 resulted in a restatement of beginning net position in the State's business-type activities and discretely presented component units. A component unit of SUNY previously included in the State's discretely presented component units under SUNY Foundations and Auxiliary Corporations is now included in the SUNY Enterprise Fund, as it meets the new criteria for blended presentation.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (GASBS 81), provides recognition and measurement guidance for situations in which a government is a beneficiary of a split-interest agreement, a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. This Statement requires a government that has received resources pursuant to an irrevocable split-interest agreement to recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. It also requires a government to recognize assets representing its beneficial interests in irrevocable split-interest agreements administered by a third party, if the government controls the present service capacity of the beneficial interests, and requires a government to recognize revenue when the resources become applicable to the reporting period. The implementation of GASBS 81 did not have a significant impact on the State's financial statements.

t. Restatements

A number of the entities included in the State reporting entity made restatements of beginning net position as follows (amounts in millions):

	Net Position at March 31, 2017	Restatement	Net Position at April 1, 2017
Business-Type Activities/Enterprise Funds:			
SUNY	$ (2,423)	$ 1	**$ (2,422)**
Discretely Presented Component Units:			
New York Power Authority	$ 4,081	$ 539	**$ 4,620**
New York State Thruway Authority	1,799	(539)	**1,260**
Metropolitan Transportation Authority	5,607	153	**5,760**
State Insurance Fund	3,349	375	**3,724**
New York Convention Center Operating Corporation	42	4	**46**
SUNY Foundations and Auxiliary Corporations	2,515	(8)	**2,507**
	$ 17,393	$ 524	**$ 17,917**

The SUNY restatement is related to the implementation of GASBS 80 as noted in Note 1.s. The respective restatements of the New York Power Authority (NYPA) and the New York State Thruway Authority (NYSTA) relate to the transfer of the New York State Canal Corporation, formerly a subsidiary of NYSTA, to NYPA in accordance with enacted legislation (see Note 14). The Metropolitan Transportation Authority (MTA) restatement is related to a change made by an MTA subsidiary in the method used to amortize bond premiums and discounts. The State Insurance Fund (SIF) restatement resulted from a change in accounting principle to measure its share of the State's other postemployment benefits (OPEB) and compensated absences liability. The New York Convention Center Operating Corporation restatement is the result of early implementation of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The SUNY Foundations and Auxiliary Corporations restatement is related to the implementation of GASBS 80 by SUNY and the correction of an error.

Note 2 Cash and Investments

Governmental Activities, Private Purpose and Agency Funds

Deposits

The State maintains approximately 3,000 bank accounts for various purposes at locations throughout the State. Cash deposits in the State Treasury are under the joint custody of the State Comptroller and the Commissioner of Taxation and Finance. Cash balances not required for immediate use are invested in a short-term investment pool (STIP) administered by the State Comptroller or by the fund custodian to maximize interest earnings. Cash is invested in repurchase agreements involving United States (U.S.) Treasury obligations, U.S. Treasury bills, commercial paper, government-sponsored agency bonds, and certificates of deposit. Cash deposits not held in the State Treasury are under the sole custody of a specified State official and are generally held in interest-bearing accounts. Both the State Comptroller and the Commissioner of Taxation and Finance are sole custodians of certain accounts.

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

For demand accounts, checking accounts and certificates of deposit, the State requires that its depository banks pledge collateral or provide a surety bond based on actual and average daily available bank balances. All securities pledged as collateral are held by the State's fiscal agent in the name of the State and are valued on a monthly basis. Surety bonds will be accepted only from companies with the highest ratings issued by nationally recognized statistical rating organizations (NRSROs). The use of average daily available balances to determine collateral requirements may result in the available balances being undercollateralized at various times during the fiscal year. The State's cash management policy is to invest all major revenues as soon as the monies are available within the banking system, which limits undercollateralization. The State's cash deposits with financial institutions had a book and bank balance of $9.9 billion and were fully collateralized at the end of the 2018 fiscal year. Included in these balances were certificates of deposit held in the STIP with a book and bank balance of $3.2 billion. Also included are deposits with a book and bank balance of $502 million that were held by the State's fiscal agent and were exposed to custodial credit risk because they were uninsured and uncollateralized, except for $2 million in deposits that were fully collateralized.

For the fiscal year ended March 31, 2018, the average daily balance of the STIP was $13.9 billion, with an average annual yield of 1.3 percent and total investment income of $182 million.

Investments

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

Investments are made in accordance with State Finance Law and vary by fund but generally include: obligations of, or guaranteed by, the United States; obligations of New York State and its political subdivisions; certificates of deposit; savings bank trust company notes; bankers' acceptances; repurchase agreements; corporate bonds; and commercial paper.

As of March 31, 2018 (except for New York's 529 College Savings Program, which is as of December 31, 2017), the State had the following investments and maturities (amounts in millions):

Investment Type	Carrying Value	Investment Maturities (in Years) Less than 1	1-5	6-10
Commercial paper	$ 10,021	$ 10,021	$ —	$ —
U.S. Treasury bills	2,517	2,517	—	—
U.S. Treasury notes/bonds	1,527	1,464	63	—
Municipal bonds	713	11	617	85
Government-sponsored agency bonds	526	457	23	46
U.S. Treasury strips	2	2	—	—
Other	5	5	—	—
Subtotal	**15,311**	**$ 14,477**	**$ 703**	**$ 131**
Investments held in an agent or trust capacity	28,568			
Total	**$ 43,879**			

Included in the table are securities which either were not acquired for investment purposes or cannot be classified or categorized, and are being held by the State in an agent or trust capacity. Parents, grandparents and other parties wishing to save for a child's college education may deposit money into the College Savings Program. The State administers the program on behalf of the parents and holds the investment portfolio in a trust. The fair market value of the mutual fund portfolio was $28.2 billion at December 31, 2017. Employers seeking self-insurer status for workers' compensation purposes may deposit securities specified by Section 235 of the New York State Banking Law with the Chairman of the Workers' Compensation Board. Acting as an agent for the employers, the State holds these securities (carrying amount $201 million, which approximates fair value) only as an agent for the employers. Securities that are unclaimed at financial institutions are transferred periodically to the State and are held temporarily by the State until they can be liquidated. The securities or proceeds can be claimed by the owners under established procedures. These securities had a carrying amount and fair value of $209 million at March 31, 2018. The State holds cash and securities deposited by contractors in lieu of retainage on contract payments (carrying amount and fair value of $3 million).

In addition to the securities held by the Workers' Compensation Board noted above, the State holds $3 billion in surety bonds and letters of credit that are not included in the table above.

Credit Risk

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

The portfolios of the College Savings Program, a Private Purpose Trust Fund, have underlying fixed income mutual funds which are not rated by any NRSRO.

Custodial Credit Risk

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

Investment Type	Fair Value
U.S. Treasury notes	$ 1,524
U.S. Treasury bills	858
Government-sponsored agency bonds	403
U.S. Treasury strips	2
Total	**$ 2,787**

Interest Rate Risk

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

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

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the State's investment in a single issuer (which may not exceed 5 percent or more of total investments). To mitigate this risk, it is the policy of the State to maintain a diversified portfolio among a variety of investment instruments in which it is legally permitted to invest.

Foreign Currency Risk

The State Finance Law, Section 98-a, does not expressly permit investment in foreign currency and there is no formal policy related to foreign currency; however, the College Savings Plan has certain underlying mutual funds which invest in foreign securities. There are certain additional risks involved when investing in foreign securities that are not inherent with investments in domestic securities. These risks may involve foreign currency exchange rate fluctuations, adverse political and economic developments, and the possible prevention of currency exchange or other foreign governmental laws or restrictions. In addition, the liquidity of foreign securities may be more limited than that of domestic securities.

Fair Value

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), establishes a three-level valuation hierarchy of fair value measurements. This valuation hierarchy is based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions and other inputs subject to management judgment. These inputs are incorporated in the following fair value hierarchy:

- **Level 1** inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- **Level 2** inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- **Level 3** inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority.

The State's Level 1 investments in mutual funds and equity securities are reported at fair value using prices quoted in active markets for those securities. The Level 2 mutual funds, Treasury investments, municipal bonds, government-sponsored agency bonds, equity securities and debt securities are reported at fair value using quoted prices for similar assets or quoted prices for identical items that are not actively traded.

As of March 31, 2018, the State's composition of investments by levels within the fair value hierarchy were as follows (amounts in millions):

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Mutual funds	$ 28,185	$ 28,155	$ 30
Municipal bonds	703	—	703
Equity securities	172	119	53
Government-sponsored agency bonds	85	—	85
U.S. Treasury notes	63	—	63
Debt securities	5	—	5
Total	**$ 29,213**	**$ 28,274**	**$ 939**

Business-Type Activities

Deposits

SUNY does not have a formal policy for collateral requirements for cash deposits. At June 30, 2017, SUNY had $2 billion in deposits held by the State Treasury and invested in the STIP, and $99 million held by other local depositories. Deposits not held in the State Treasury that are not covered by depository insurance are: uncollateralized ($59 million), collateralized with securities held by a pledging financial institution ($90 million), and collateralized with securities held by a pledging financial institution's trust department or agency ($2 million). In addition, SUNY has $149 million in cash and cash equivalents deposited with trustees, which are registered in SUNY's name and held by an agent or in trust accounts in SUNY's name.

CUNY's cash and cash equivalents were held by depositories and amounted to $659 million, of which $176 million was insured and $483 million was uninsured and uncollateralized, or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in CUNY's name.

Lottery deposits are made in accordance with State Finance Law and State Tax Law. At March 31, 2018, Lottery had $719 million in deposits held by the State Treasury, which were invested in the STIP.

The Unemployment Insurance Benefit Fund has a total of $1.6 billion in a sole custody bank account, which is on deposit with the State Comptroller and invested in the STIP, and is subject to the same collateralization requirements as the State's investments.

Investments

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

The Lottery is authorized by State statute to invest in U.S. Government-backed obligations and New York City Transitional Finance Authority municipal bonds that provide for payment of prizes payable.

As of June 30, 2017 (except for the State Lottery which is as of March 31, 2018), the business-type activities had the following investments and maturities (amounts in millions):

Investment Type	Carrying Value	Investment Maturities (in Years) Less than 1	1-5	6-10	More than 10
U.S. Treasury strips	$ 625	$ 79	$ 160	$ 142	$ 244
Municipal bonds	475	32	130	115	198
U.S. Treasury notes/bonds	316	316	—	—	—
AID bonds	273	18	75	66	114
U.S. Treasury bills	161	161	—	—	—
Government-sponsored agency bonds	97	97	—	—	—
Mutual fund non-equities	26	—	1	24	1
Corporate bonds	14	6	8	—	—
International bonds	3	2	1	—	—
Certificates of deposit	3	3	—	—	—
Subtotal	**1,993**	**$ 714**	**$ 375**	**$ 347**	**$ 557**
External investment pools	916				
Cash equivalents	258				
U.S. equities	71				
Equity mutual funds	57				
Global equities	53				
Multi-strategy funds	45				
Hedge funds (equities)	42				
Private equity	24				
U.S. fixed income	19				
Variable annuity	11				
Credit securities	11				
Limited partnership	10				
Foreign equities	9				
U.S. money market funds	4				
Other	20				
Total	**$ 3,543**				

Credit Risk

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

CUNY's investment policy for the CUNY Investment Pool includes specific guidelines for investment managers with a target allocation to fixed income of 20 percent. All of the Pool's fixed income is invested in commingled funds. The Pool contains securities with an Average Quality Rating of AA to AA2. CUNY's investment policy does not otherwise place formal limitations on credit risk.

As of June 30, 2017 (except for the State Lottery, which is as of March 31, 2018), the business-type activities had the following investments with ratings (amounts in millions):

Investment Type	Total	AAA	AA	A	BBB	Not Rated
Municipal bonds	$ 475	$ 475	$ —	$ —	$ —	$ —
AID bonds	273	—	273	—	—	—
Government-sponsored agency bonds	97	77	20	—	—	—
Mutual fund non-equities	26	24	—	1	—	1
Corporate bonds	14	—	1	4	9	—
International bonds	3	—	—	3	—	—
Total	**$ 888**	**$ 576**	**$ 294**	**$ 8**	**$ 9**	**$ 1**

Custodial Credit Risk

At June 30, 2017, SUNY had $559 million in cash and investments held by the Dormitory Authority of the State of New York (DASNY), which represents bond proceeds needed to finance capital projects and to establish required building and equipment replacement and debt service reserves. These cash and investments are registered in SUNY's name and held by an agent or in a trust in SUNY's name. SUNY's investment policy does not formally address custodial credit risk.

At June 30, 2017, CUNY had $292 million in investments held by DASNY or the bond trustee, and not in CUNY's name. CUNY's policy for deposits of the CUNY Investment Pool does not allow for participation in programs that have uninsured investments held by counterparties and uses specific monitor initiatives for investments as a means of limiting custodial credit risk. CUNY's investment policy does not formally address custodial credit risk for investments not included in the Investment Pool.

Interest Rate Risk

SUNY has policies in place that limit fixed income investment duration within certain benchmarks, and a highly diversified portfolio is maintained which limits interest rate exposure. SUNY does not formally address any interest rate risk related to its investment pools. CUNY's investment policy for the CUNY Investment Pool specifies that its fixed income investments are made in long-term, non-callable, or call-protected high quality bonds. CUNY's investment policy does not otherwise formally limit investment maturities as a means of managing exposure to fair market value losses arising from increased interest rates. The Lottery's policy for managing interest rate risk is to hold investment securities to maturity, at which time the fair value of the investment is equal to the stated maturity value.

Investment Pool

SUNY has certain assets included in its financial statements that are attributable to the statutory colleges at Cornell University and Alfred University, and are held as a portfolio of investments in external investment pools. The fair value of the investments is primarily based on the unit value of the pools and the number of shares owned in each pool. The unit value of the pools, as well as their fair values at June 30, 2017 are presented in the table below (fair value amounts in millions):

Pool Type	Unit Value	Fair Value
Cornell Statutory Colleges:		
Endowments:		
Long-term Investment Pool	$ 55.51	$ 849
Charitable Gift Annuities Master Trust Units	1.68	10
Charitable Trusts:		
Endowment Strategy	55	25
Common Trust Fund—Growth	38	6
Common Trust Fund—Income	12.76	2
Common Trust Fund—Premier	8.52	1
Pooled Life Income Funds (PLIF):		
PLIF A	1.36	1
PLIF B	2.54	1
Alfred Ceramics:		
Endowment Long-term Investment Pool	6.74	21
Total External Investment Pools		**$ 916**

CUNY has certain assets included with investments in its financial statements, which are pooled on a fair value basis, with each individual fund subscribing to or disposing of units on the basis of the fair value per unit determined quarterly. At June 30, 2017, the investment pool had a fair value of $265 million.

Fair Value

Except for investments reported at net asset value (NAV) or its equivalent, as described in the table below, SUNY reports its investments at fair value. For investments in mutual funds and exchange-traded funds, fair value is determined based on quoted market prices as of balance sheet date June 30, 2017. Investments in limited liability partnerships and corporations represent investments measured at NAV or its equivalent and include hedge funds, real estate, domestic and foreign equity funds, fixed income securities, and private equity funds in various investment vehicles. These investments, which are not exchange-traded and for which fair values are not readily determinable, are typically redeemable at NAV under the terms of the investment agreements.

CUNY's investments in debt and equity securities and certain other investments with readily determinable fair values are reported at fair value, which is based upon values provided by CUNY's custodian or current market quotations. Investments in hedge funds, private equity funds, and limited partnerships are reported at NAV as determined by the fund managers, without adjustment when assessed as reasonable, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2017, CUNY had no plans or intentions to sell such investments at amounts different from NAV.

Lottery investments are measured based upon quoted prices for the security in active markets, or based upon quoted prices for identical or similar assets in markets that are not active or upon other observable inputs such as interest rates and yield curves observable at commonly quoted intervals.

As of June 30, 2017 (except for the State Lottery, which is as of March 31, 2018), the composition of investments for the State's business-type activities by levels within the fair value hierarchy were as follows (amounts in millions):

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury strips	$ 625	$ 586	$ 39	$ —
Municipal bonds	475	—	475	—
U.S. Treasury notes/bonds	316	—	316	—
AID bonds	273	—	273	—
U.S. Treasury bills	161	64	97	—
Government-sponsored agency bonds	97	—	97	—
U.S. equities	71	71	—	—
Equity mutual funds	57	57	—	—
Cash equivalents	57	56	1	—
Mutual fund non-equities	26	25	1	—
U.S. fixed income	19	19	—	—
Corporate bonds	14	14	—	—
Foreign equities	9	9	—	—
U.S. money market funds	4	4	—	—
Certificates of deposit	3	3	—	—
International bonds	3	3	—	—
Multi-strategy funds	2	2	—	—
Global equity	1	1	—	—
Other	12	11	—	1
Total	**$ 2,225**	**$ 925**	**$ 1,299**	**$ 1**

SUNY investments at June 30, 2017, measured at the NAV were as follows (amounts in millions):

Investment Type	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
External investment pools	$ 916	Monthly	Two months
Global equities	36	Monthly, Quarterly, Annually	15-90 days
Hedge funds (equities)	32	Quarterly	90 days
Multi-strategy funds	19	Monthly, Quarterly	45-95 days
Private equity	15	N/A—See below	N/A
Credit securities	11	Monthly, Quarterly	30-45 days
Other	8	N/A	N/A
Total	**$ 1,037**		

External investment pools represents ownership in Cornell University's and Alfred University's long-term investment pools (LTIP) or other split interest agreement pools. The objective of the LTIP investment policy is to maximize total return within a reasonable risk parameter; specifically, to achieve a total return, net of investment expenses, of at least 5 percent in excess of inflation as measured by a rolling average of the Consumer Price Index.

Private equity fund investments include non-controlling shares or interests in funds where the controlling general partner serves as the investment's manager. Such investments are generally not eligible for redemption from the fund or general partner, but can potentially be sold to third-party buyers in private transactions. It is SUNY's intent to hold these investments until the fund has fully distributed all proceeds to the investors. SUNY has unfunded commitments to private equity investments as of June 30, 2017 of approximately $7.5 million.

CUNY investments at June 30, 2017, measured at the NAV were as follows (amounts in millions):

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Multi-strategy funds	$ 24	$ —	Monthly, Quarterly	T-10, 60-90 days
Global equity	17	—	Semi-Monthly, Quarterly	45 days, N/A
Variable annuity	11	—	Monthly	30 Days
Event-driven hedge funds	10	—	Quarterly, Annually	45-65 days
Limited partnership	10	3	Illiquid, N/A	N/A
Privately offered partnership	8	—	Daily	T-10
Private investments	1	1	Illiquid	N/A
Total	**$ 81**	**$ 4**		

The multi-strategy funds category includes investments in: (1) hedge funds that invest in a diversified group of investment strategies utilizing both long and short positions in an unlimited range of financial instruments throughout the world; (2) hedge funds that invest in providing consistent long-term appreciation of assets through active investment in a diversified portfolio of underlying funds; and (3) a multiple common trust fund, which is a master fund of multiple strategically weighted global portfolios, which are tied to different underlying asset classes including global equities, commodities, inflation-linked and other types of fixed income securities. The weights, however, may vary on a tactical basis according to top-down views by utilizing cash or derivatives in an overlay portfolio. Global equity assets are invested in non-U.S. emerging and frontier markets and in global developed markets. CUNY's limited partnership investments include private real assets funds which invest in metal and mining companies with a focus in the post-discovery phases of the life cycle of four commodities (gold, copper, potash and coking coal), and in primarily North American upstream oil and gas operating companies at varying stages of development. The variable annuity category includes investments via a life insurance contract/group variable annuity invested in a public limited partnership that invests in Master Limited Partnerships (MLP). The returns on the variable annuity match the returns on the underlying investment less the annuity expenses. The event-driven hedge funds category includes investments in three hedge fund limited partnerships that focus on event-driven situations that attempt to extract value by using multiple strategies, including distressed and other credit investing, merger arbitrage, long/short equity investments and convertible securities globally. The privately offered partnership category includes a global fixed income fund, which invests primarily in global debt instruments. The private investments category includes two private investments: (1) a fund that invests primarily in a portfolio of venture capital firms that are diversified by geography, sector (information technology, communications, healthcare and life sciences), and stage (from early to late stage companies) as both direct investments and investments managed by other firms; and (2) floating rate residential mortgage-backed securities rated CA by Moody's and CCC by Standard & Poor's.

Retirement System—New York State and Local Retirement System

The financial statements of the New York State and Local Retirement System (System) are prepared using the accrual basis of accounting. Investments are reported at fair value. Stocks traded on a national or international exchange are valued at quoted market value. Investments that do not have an established market are reported at estimated fair value as determined by the general partner or by the investment manager. The System trades in foreign exchange contracts in the normal course of its investing activities in order to manage exposure to market risks. Such contracts, which are generally for a period of less than one year, are used to purchase and sell foreign currency at a guaranteed future price. These contracts are recorded at market value using foreign currency exchange rates. The System is exposed to various investment risks, which are discussed in the remainder of this Note.

Custodial Credit Risk

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

Credit Risk

New York State statutes and the System's investment policies provide investment guidance on credit risk. Approximately $24 billion or 54.45 percent of the System's $44.8 billion long-term bond portfolio is rated AAA by Moody's. For the balance of the portfolio: 20.94 percent is rated A or AA, 15.95 percent is rated B to BB, and 0.14 percent is rated C to CAA. Externally managed funds account for 8.52 percent and are rated in a range from AAA to D or not rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the System's fixed income securities. The price volatility of the System's fixed income holdings are measured by duration. The System attempts to mitigate price volatility by matching the duration of the assets with the duration of the retired lives liabilities so that any change in the market value of the assets resulting from a change in interest rates will result in a similar change in the value of the liabilities. The average duration of the System's core fixed income portfolio is 5.73 years.

Concentration of Credit Risk

Issuer limits for investments held by the System are established for each investment area by New York State Retirement and Social Security Law (RSSL), Article 2, Section 13 and Article 4A, Sections 176, 177, 178, and 313, and by policy guidelines adopted by the Comptroller.

Restrictions are placed on short-term fixed income investments such that any one issuer of commercial paper must have the highest rating by two NRSROs and a maximum of $1 billion of the short-term portfolio can be invested in any one issuer. In addition, simultaneous purchase and sales of U.S. Treasury obligations may be executed with primary government dealers; however, no more than $200 million may be invested with any one primary dealer.

Restrictions are placed on fixed income investments with maturities longer than one year. These investments are generally limited to obligations payable in U.S. dollars issued by: any department, agency or political subdivision of the U.S. government; any corporation, company or other issuer of any kind or description created or existing under the laws of the U.S.; any state of the U.S.; the District of Columbia; the Commonwealth of Puerto Rico; and Canada or any province or city of Canada, provided each obligation is rated investment grade by two NRSROs. The aggregate investment by the Fund in the obligations of any one issuer should not exceed 2 percent of the assets of the System or 5 percent of the direct liabilities of the issuer. In addition, the aggregate amount invested in interest-bearing obligations payable in U.S. dollars (which at the time of investment are rated one of the three highest grades by each NRSRO) may not exceed 1 percent of the assets of the System, and bonds issued or guaranteed by the State of Israel, payable in U.S. dollars, may not exceed 5 percent of the assets of the System.

As of March 31, 2018, the System did not hold any investments in any one issuer that totaled 5 percent or more of fiduciary net position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from the above referenced aggregate investment policy.

Securities Lending

Section 177-d of the RSSL authorizes the System to enter into security loan agreements with broker/dealers and New York State or national banks. The System has designated its master custodian bank (Custodian) to manage a securities lending program. This program is subject to a written contract between the System and the Custodian, who acts as security lending agent for the System. The Custodian is authorized to lend securities within the borrower limits and guidelines established by the System. Types of collateral received from borrowers for securities loaned are cash, government securities and federal agency obligations. The Custodian is authorized to invest the cash collateral in short-term investments that are legal for the System. These include domestic corporate and bank notes, U.S. Treasury obligations, obligations of federal agencies, repurchase agreements and specific asset-backed securities. All rights of ownership to securities pledged as collateral remain with the borrower except in the event of default. The System has not experienced any losses resulting from the default of a borrower or lending agent during the year ended March 31, 2018.

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

As of March 31, 2018, the fair value of securities on loan was $6.2 billion. The associated collateral was $6.4 billion, of which $5.6 billion was cash collateral and $776 million was securities held as collateral. The fair value of the invested cash collateral, as of March 31, 2018, was $5.6 billion and the securities lending obligations were $5.6 billion. The unrealized loss in invested cash collateral on March 31, 2018 was $7.9 million, which is included in the Statement of Changes in Fiduciary Net Position as part of "Net decrease in fair value of investments."

All open security loans can be terminated on demand by either the System or the borrower. To provide sufficient liquidity, the policy of the System is to maintain a minimum of 10 percent of collateral in overnight investments. While the Securities Lending Investment Guidelines allow investments up to a maximum of three years for U.S. Treasury and federal agency obligations and one full year for all other investments, the average term of open security loans at March 31, 2018 was 33 days. All loans were open loans. There were no direct matching loans. The collateral pool is valued at market value as obtained from independent pricing services.

Foreign Currency Risk

As of March 31, 2018, the System's current position in publicly traded international equity securities, invested directly in and through commingled funds, is approximately $34 billion. The System also has foreign investments held in U.S. dollars of $13.1 billion; $9 billion in private equity, opportunistic, absolute return strategy and real asset funds; $101 million in fixed income investments; and $2.7 billion in real property owned, made, or located outside the United States. The approximate total market value of the System's investments made outside of the United States is $58.9 billion.

Fair Value

The System categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the nature of valuation inputs used to measure the fair value of the investment.

Investments classified in Level 1 of the fair value hierarchy are valued from predetermined external pricing vendors or primary dealers who source quoted prices in active markets which are readily attainable exit values of these securities. Investments classified in Level 2 are subject to alternative pricing sources, including a combination of price sources, descriptive data and pricing models based on attributes such as spread data, sector, quality, duration, and prepayment characteristics. Investments classified as Level 3 are valued using best available sources such as property appraisals, discounted cash flow models and public market comparable of similar assets where applicable. The values are supplied by advisors or general partners who hold those or similar assets in investments vehicles they oversee. These pricing sources may or may not be indicative of realizable exit value attainable for the assets.

The System's composition of investments by levels within the fair value hierarchy as of March 31, 2018 were as follows (amounts in billions):

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic equities	$ 76	$ 76	$ —	$ —
Global fixed income securities	41	—	41	—
International equities	37	37	—	—
Direct equity real estate investments	8	—	—	8
Short-term instruments	3	—	3	—
Securities lending collateral, invested	4	—	4	—
Mortgages	1	—	—	1
Total	**$ 170**	**$ 113**	**$ 48**	**$ 9**

The System's investments at March 31, 2018, measured at the NAV were as follows (amounts in billions):

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity	$ 17	$ 11	N/A	N/A
Hedge funds	8	—	Monthly, Quarterly, Annually, Semi-Annually	5-120 Days
Commingled international equity funds	2	—	Daily, Monthly, Quarterly	2-120 Days
Real estate private equity	6	3	N/A	N/A
Global fixed income funds	4	—	Daily	0-30 Days
Opportunistic	2	2	N/A	N/A
Real assets	2	1	N/A	N/A
Total	**$ 41**	**$ 17**		

Global fixed income funds consist of three funds for which the System is the only limited partner. These funds invest primarily in both privately and publicly issued global fixed income securities. The investments are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments.

Commingled international equity funds consist of four commingled investment vehicles, which invest primarily in publicly traded global equity securities. The funds are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments.

The System's alternative investments portfolio includes private equity, absolute return strategy investments, opportunistic funds, real assets and real estate through limited partnership structures. Private equity (8.0 percent of the System's total investment assets at March 31, 2018) consists of buyout, co-investments, distressed debt and turnaround funds, fund of funds, growth capital, and venture capital. Absolute return strategy investments (3.7 percent) consist of investments in strategies including hedged equity, credit, global macro, managed futures, distressed debt, emerging markets, and long only equity strategies. Opportunistic (1.2 percent) consist of investments in both public and private companies, property, and real assets. Real assets (0.7 percent) consist of commodities, farmland, inflation-linked bonds, infrastructure, and renewables. The real estate private equity funds (2.7 percent) consist of investments in closed-end, open-end, and fund of funds. The fair values of the alternative investments have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partner's capital. The private equity, opportunistic funds, real assets, and real estate are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over a span of 5-10 years.

Note 3 Taxes Receivable, Tax Refunds Payable and Tax Abatements

Taxes Receivable

Taxes receivable represent amounts owed by taxpayers for the 2017 calendar year and the first quarter of the 2018 calendar year, including prior year assessments for underpayments, penalties and interest. Taxes receivable are recognized as revenue when they become both measurable and available, based on actual collections or estimates of amounts to be collected during the next 12 months.

Personal income tax (PIT) revenues are reported as income when earned by the taxpayers. The primary components of the PIT receivable are the estimated and withholding payments that relate to the first quarter of the 2018 calendar year, payments with final returns which relate to the 2017 calendar year, and assessments which relate to prior tax periods.

Consumption and use tax revenues are reported in the fiscal period when the sale is made. The principal component of this receivable is sales tax receivables, which include sales taxes due through March 31, 2018 and assessments which relate to prior tax periods.

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

Other taxes receivable comprise estate and gift taxes, real property gains taxes, real estate transfer taxes, metropolitan commuter transportation mobility taxes and assessments.

Net taxes receivable at March 31, 2018 for the governmental funds totaled $14 billion. The following table summarizes taxes receivable by major tax type for the governmental funds (amounts in millions):

	General	General Debt Service	Other Governmental Funds	Total Governmental Funds
Current taxes receivable:				
Personal income	$ 7,323	$ 2,667	$ 554	$ 10,544
Consumption and use	512	233	413	1,158
Business	397	—	86	483
Other	997	—	130	1,127
Subtotal	**9,229**	**2,900**	**1,183**	**13,312**
Long-term taxes receivable:				
Personal income	288	103	—	391
Consumption and use	55	27	29	111
Business	103	—	4	107
Other	249	—	—	249
Subtotal	**695**	**130**	**33**	**858**
Allowance for uncollectibles	(94)	(27)	(16)	(137)
Total	**$ 9,830**	**$ 3,003**	**$ 1,200**	**$ 14,033**

Tax Refunds Payable

Tax refunds payable primarily represent amounts owed to taxpayers because of overpayments of their 2017 calendar year and first quarter 2018 calendar year tax liabilities. Tax refunds payable, which reduce respective tax revenues, are accrued to the extent they are measurable based on payments and estimates. The amount of PIT refunds payable includes estimates of overpayments of the first calendar quarter 2018 tax liability and payments of 2017 calendar and prior year refunds. The remaining portion of tax refunds payable comprise payments made subsequent to the end of the fiscal year and estimates of a remaining refund liability. Tax refunds payable at March 31, 2018 are summarized as follows (amounts in millions):

	Current			Total	
	General	General Debt Service	Other Governmental Funds	Current	Long-Term
Governmental Activities:					
Personal income	$ 6,017	$ 2,149	$ 430	$ 8,596	$ 398
Consumption and use	74	37	60	171	391
Business	1,737	—	172	1,909	343
Other	80	—	50	130	33
Total	**$ 7,908**	**$ 2,186**	**$ 712**	**$ 10,806**	**$ 1,165**

Tax Abatements

For financial reporting purposes, a tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development in the taxing entity's jurisdiction or otherwise benefits the government or its citizens.

As of March 31, 2018, the State provided tax abatements through the following programs:

Program Name	Film and Commercial Production Credit	Brownfields
Program Purpose	The program is designed to increase the presence and overall positive impact of the film production and post-production industry on the State's economy.	The program encourages cleanup and development of brownfield sites across the State to revitalize economically blighted communities.
Taxes being abated	Personal income tax and Corporate franchise tax.	Personal income tax, Corporate franchise tax, Insurance tax, and Corporate tax.
Authority under which abatements are entered into	State tax law: Article 22, Section 606(gg), 606(jj) and 606(qq) Article 9-A, Section 210-B(20), Section 210-B(23) and Section 210-B(32) Article 1, Section 24, 28 and 31	State tax law: Article 22, Section 606(dd), 606(ee) and 606(ff) Article 9-A, Section 210-B(17), 210-B(18) and 210-B(19) Article 33, Section 1511(u), 1511(v) and 1511(w) Article 9, Sections 187-G, 187-H and 187-I
Criteria to be eligible to receive abatements and commitment of the taxpayer	The program is limited to feature films, television series, relocated television series, television pilots, and films for television. The filming must be substantially in the State or the post-production work must be completed by a State company.	The program requires an application with the project description, purpose, and start and end date of remediation. The applicant commits to undertake remedial activities under the direction of the Department of Environmental Conservation.
How taxes are reduced	Allowance of credit against taxes. Taxpayer receives the full amount of the credit regardless of its tax liability (refundable credit).	Allowance of credit against taxes. Refundable credit.
How amount of abatement is determined	The credit is 30 percent of qualified production and post-production costs. It increases by 5 percent if post-production costs are incurred upstate, and increases an additional 10 percent of any qualified labor expenses that are incurred in specific counties.	Credits result from various percentages of costs associated with three components of cleanup and development: site preparation, tangible property, and on-site groundwater remediation.
Provisions for recapturing abated taxes	N/A	N/A
Type of commitments other than taxes	N/A	N/A
Total revenue estimated to be reduced for calendar year 2017	$682 million	$130 million

Program Name	Empire Zones (EZ)	Qualified Empire Zones Enterprise (QEZE)
Program Purpose	The program is designed to bring new businesses and jobs to the State in areas that need revitalization.	This program is designed to create jobs and prevent loss of employment in the Empire Zone and to enhance economic climate in EZ areas.
Taxes being abated	Personal income tax, Corporate franchise tax, Bank and Insurance taxes, and Corporate tax.	Personal income tax, Sales and use tax, Corporate franchise tax, Bank and Insurance taxes, and Corporate tax.
Authority under which abatements are entered into	State tax law: Article 22, Section 606(j)(1), 606(k) and 606(l) Article 9-A, Section 210-B(3 & 4) and 210-B(46) Article 33, Section 1511(g) and 1511(h) Article 9, Section 187-K, 187-L, and 187-M	State tax law: Article 22, Section 606(bb) and 606(cc) Article 28, Section 1119(d) Article 9-A, Section 210-B(5) and 210-B(6) Article 9, Section 187-J Article 33, Section 1511(r) and 1511(s)
Criteria to be eligible to receive abatements and commitment of the taxpayer	An agreement is made between the State and a local government to designate an area as an EZ. Businesses will apply to be certified, and then will conduct business and make investments in the EZ to create new jobs, or prevent loss of employment.	Businesses in the EZ apply to be certified as QEZEs. QEZEs are certified businesses that meet the employment test (increase level of employment between tax year and base year).
How taxes are reduced	Allowance of credit against taxes. Taxpayer receives the amount of the credit only up to the amount of their liability (nonrefundable credit) and can carry forward the credit against future tax liability. Refundable credit available for new businesses.	Allowance of credit against taxes. Refundable credit.
How amount of abatement is determined	The Investment Tax Credit and Employment Incentive Credit are equal to a percentage of the cost or other basis of tangible personal property for federal income tax purposes, including buildings and structural components of buildings located within a designated EZ. The Wage Tax Credit is calculated on the average number of newly hired employees. It is $3,000 per targeted and $1,500 per nontargeted employee. The Capital Credit equals 25 percent of the sum of each type of investment.	A credit is available for tax paid on tangible personal property and certain services purchased by a QEZE and used or consumed in an EZ. The Real Property Tax Credit equals 25 percent of the wages plus health and retirement benefits of net new employees. The Tax Reduction Credit is based on benefit period, employment increase, zone allocation, and tax factors.
Provisions for recapturing abated taxes	N/A	N/A
Type of commitments other than taxes	N/A	N/A
Total revenue estimated to be reduced for calendar year 2017	$16 million	$115 million

Program Name	Industrial Development Agencies (IDAs)	Urban Youth Job Program
Program Purpose	The program is intended to foster economic development in specific localities.	The program is designed to provide employment for at-risk youth in full-time and part-time positions.
Taxes being abated	Sales and use tax.	Personal income tax and Corporate franchise tax.
Authority under which abatements are entered into	State tax law: Article 28, Section 1116(a)(1) General municipal law: Article 18-A	State tax law: Article 22, Section 606(tt) Article 9-A, Section 210-B(36)
Criteria to be eligible to receive abatements and commitment of the taxpayer	The IDA is an exempt government organization and receives all the benefits of that status. To extend the sales tax exemption benefit, the IDA can appoint an agent or project operator to make purchases for its project.	The taxpayer applies to be a qualified employer and receives a certificate of eligibility indicating the maximum amount of credit allowed to be claimed. The employer is required to hire high school students on a part-time or full-time basis and to retain those students for a period of time.
How taxes are reduced	Sales tax exemption on purchases.	Allowance of credit against taxes. Refundable credit.
How amount of abatement is determined	Purchases to acquire, build, and equip the project are exempt from sales taxes, including the 3/8 percent sales tax in the Metropolitan Commuter Transportation District (MCTD), to the extent provided by the terms of the IDA project agreement.	The credit is $250 to $1,000 per qualified employee, either part-time or full-time high school student, and additional amounts can be received if the employee is retained for additional time.
Provisions for recapturing abated taxes	N/A	N/A
Type of commitments other than taxes	N/A	N/A
Total revenue estimated to be reduced for calendar year 2017	$107 million	$50 million

Program Name	Excelsior Job Program and Empire State Job Retention Credit	Excelsior Business Program (formerly START-UP NY)
Program Purpose	The program encourages businesses to expand in and relocate to the State while maintaining a guarantee to deliver on job and investment commitments to better the economy in selected regions. It includes three programs: Job Tax Credit, Investment Tax Credit, and Research and Development Tax Credit.	The program is designed to encourage new business creation around colleges, universities, and correctional facilities by designating these areas as tax-free.
Taxes being abated	Personal income tax, Corporate franchise tax, Bank and Insurance taxes.	Personal income tax, Corporate franchise tax, Sales and use tax, and Excise tax.
Authority under which abatements are entered into	State tax law: Article 22, Section 606(qq) and Section 606(tt) Article 9-A, Section 210-B(31) and Section 210-B(37) Article 33, Section 1511(y) and Section 1511(bb)	State tax law: Article 22, Section 606(ww) and 612(c)(40) Article 9-A, Section 210-B(41) Article 28, Section 1119(d) Article 22, Section 606(yy) Article 9-A, Section 210-B(44)
Criteria to be eligible to receive abatements and commitment of the taxpayer	The taxpayer applies for a credit and, if approved, is issued a certificate entitling it to the credit. The taxpayer in return creates jobs or invests in the region as specified in the application submitted.	The business should be relocating or expanding to the State, to a college or university campus, and should be able to create new jobs for the local community.
How taxes are reduced	Allowance of credit against taxes. Refundable credit.	Allowance of credit against taxes (refundable credit), refund of taxes paid and tax exemptions.
How amount of abatement is determined	The Job Tax Credit is 6.85 percent of wages per net new job. The Investment Tax Credit is 2 percent of the qualified investments. The Research and Development Tax Credit is 50 percent of the federal research and development credit, and up to 6 percent of research expenditures in the State.	The first $200,000-$300,000 of wages earned by employees of participating businesses are excluded from federal adjusted gross income for State personal income tax purposes. Participating businesses also receive a reduction in the tax factor used to calculate their Corporate franchise tax. The sales and use tax abatement equals the excise tax assessed by the telecommunication service providers.
Provisions for recapturing abated taxes	N/A	N/A
Type of commitments other than taxes	N/A	N/A
Total revenue estimated to be reduced for calendar year 2017	$98 million	$180 million

Program Name	Low Income Housing Credit
Program Purpose	The program is designed to promote the development of and facilitate investment in low-income housing.
Taxes being abated	Personal income tax, Corporate franchise tax and Insurance tax.
Authority under which abatements are entered into	State tax law: Article 22, Section 606(x) Article 9-A, Section 210-B(15) Article 33, Section 1511(n) Article 1, Section 18
Criteria to be eligible to receive abatements and commitment of the taxpayer	The participant makes a long-term commitment to offer low-income housing where the buildings must serve households whose incomes are at or below 90 percent of the area median income.
How taxes are reduced	Allowance of credit against taxes. Non-refundable credit, can be carried forward.
How amount of abatement is determined	The credit is determined by the Division of Housing and Community Renewal and depends on the applicable percentage of the qualified basis of each low-income building. The credit amount allocated is allowed as a credit for the next 10 tax years.
Provisions for recapturing abated taxes	N/A
Type of commitments other than taxes	N/A
Total revenue estimated to be reduced for calendar year 2017	$36 million

The State had additional tax abatement programs each amounting to $10 million or less in revenue estimated to be reduced in calendar year 2017. In total, these programs resulted in $14 million in estimated tax abatements. These include the Workers with Disabilities Tax Credits, the Employee Training Incentive Program, the Musical and Theatrical Production Credit, and the Historical Homeowners Rehabilitation Tax Credit.

Note 4 Other Receivables

Other receivables at March 31, 2018 are summarized as follows (amounts in millions):

	General	Federal Special Revenue	Other Governmental Funds	Total Governmental Activities
Other current receivables:				
Public health/patient fees	$ 115	$ —	$ 783	$ 898
Medicaid	739	524	—	1,263
Financial settlements	194	—	—	194
Tobacco settlement	—	—	333	333
Miscellaneous agency	113	—	232	345
Oil spill	—	—	10	10
Public authorities	53	—	—	53
Casino	19	—	—	19
Other	154	27	19	200
Subtotal	**1,387**	**551**	**1,377**	**3,315**
Other long-term receivables:				
Medicaid	66	167	—	233
Appropriated loans	11	—	140	151
Miscellaneous agency	58	—	29	87
Oil spill	—	—	126	126
Unemployment insurance	—	—	805	805
Other	—	—	26	26
Subtotal	**135**	**167**	**1,126**	**1,428**
Gross receivables	**1,522**	**718**	**2,503**	**4,743**
Allowance for uncollectibles	(135)	(93)	(988)	(1,216)
Total other receivables	**$ 1,387**	**$ 625**	**$ 1,515**	**$ 3,527**

	Lottery	Unemployment Insurance Benefits	June 30, 2017 SUNY	June 30, 2017 CUNY	Total
Enterprise Funds:					
Other current receivables:					
Ticket sales	$ 485	$ —	$ —	$ —	$ 485
Public health/patient fees	—	—	844	—	844
Student loans	—	—	165	16	181
Contributions	—	2,634	—	—	2,634
Benefit overpayments	—	329	—	—	329
State agencies/municipalities	—	29	—	—	29
Other	6	22	265	308	601
Subtotal	**491**	**3,014**	**1,274**	**324**	**5,103**
Allowance for uncollectibles	(1)	(1,465)	(396)	(84)	(1,946)
Net current receivables	**490**	**1,549**	**878**	**240**	**3,157**
Other long-term receivables:					
Accounts, notes and loans	—	—	146	19	165
Contributions	—	—	60	—	60
Subtotal	**—**	**—**	**206**	**19**	**225**
Allowance for uncollectibles	—	—	(25)	(2)	(27)
Net long-term receivables	**—**	**—**	**181**	**17**	**198**
Total other receivables	**$ 490**	**$ 1,549**	**$ 1,059**	**$ 257**	**$ 3,355**

Note 5 Capital Assets

Capital asset activity for the year ended March 31, 2018 was as follows (amounts in millions):

	Balance April 1, 2017	Additions	Retirements	Balance March 31, 2018
Governmental Activities:				
Depreciable and amortizable assets:				
Buildings and building improvements	$ 11,571	$ 351	$ 116	$ 11,806
Land improvements	664	38	21	681
Infrastructure	399	28	2	425
Equipment	928	82	62	948
Intangible assets—easements	194	—	—	194
Intangible assets—computer software	709	150	—	859
Total depreciable and amortizable assets	**14,465**	**649**	**201**	**14,913**
Less accumulated depreciation and amortization:				
Buildings and building improvements	(7,242)	(333)	(58)	(7,517)
Land improvements	(450)	(23)	(16)	(457)
Infrastructure	(100)	(15)	(1)	(114)
Equipment	(564)	(72)	(44)	(592)
Intangible assets—easements	(63)	(10)	—	(73)
Intangible assets—computer software	(224)	(76)	—	(300)
Total accumulated depreciation and amortization	**(8,643)**	**(529)**	**(119)**	**(9,053)**
Total depreciable and amortizable assets, net	**5,822**	**120**	**82**	**5,860**
Nondepreciable and nonamortizable assets:				
Land	4,099	42	3	4,138
Land preparation	3,993	56	—	4,049
Construction in progress (buildings)	1,155	423	227	1,351
Construction in progress (roads and bridges)	2,057	657	950	1,764
Infrastructure (roads and bridges)	70,715	974	126	71,563
Total nondepreciable and nonamortizable assets	**82,019**	**2,152**	**1,306**	**82,865**
Governmental activities, capital assets, net	**$ 87,841**	**$ 2,272**	**$ 1,388**	**$ 88,725**

	Balance July 1, 2016, as Restated	Additions	Retirements	Balance June 30, 2017
Business-Type Activities:				
SUNY:				
Depreciable assets:				
Infrastructure and land improvements	$ 1,185	$ 72	$ 11	$ 1,246
Buildings	12,223	809	62	12,970
Equipment and library books	3,176	189	276	3,089
Total depreciable assets	**16,584**	**1,070**	**349**	**17,305**
Less accumulated depreciation:				
Infrastructure and land improvements	(539)	(53)	(9)	(583)
Buildings	(4,332)	(367)	(56)	(4,643)
Equipment and library books	(2,491)	(188)	(173)	(2,506)
Total accumulated depreciation	**(7,362)**	**(608)**	**(238)**	**(7,732)**
Total depreciable assets, net	**9,222**	**462**	**111**	**9,573**
Nondepreciable assets:				
Land	668	22	1	689
Construction in progress	2,183	930	949	2,164
Artwork	30	2	—	32
Total nondepreciable assets	**2,881**	**954**	**950**	**2,885**
SUNY capital assets, net	**12,103**	**1,416**	**1,061**	**12,458**
CUNY:				
Depreciable and amortizable assets:				
Buildings and building improvements	5,242	855	—	6,097
Land improvements	56	—	—	56
Equipment	449	19	22	446
Infrastructure	145	5	—	150
Intangible assets	246	6	—	252
Total depreciable and amortizable assets	**6,138**	**885**	**22**	**7,001**
Less accumulated depreciation and amortization:				
Buildings and building improvements	(2,667)	(166)	—	(2,833)
Land improvements	(51)	—	—	(51)
Equipment	(386)	(32)	(20)	(398)
Infrastructure	(67)	(8)	—	(75)
Intangible assets	(22)	(16)	—	(38)
Total accumulated depreciation and amortization	**(3,193)**	**(222)**	**(20)**	**(3,395)**
Total depreciable and amortizable assets, net	**2,945**	**663**	**2**	**3,606**
Nondepreciable assets:				
Land	321	—	—	321
Construction in progress	1,641	295	812	1,124
Artwork and historical treasures	10	1	—	11
Total nondepreciable assets	**1,972**	**296**	**812**	**1,456**
CUNY capital assets, net	**4,917**	**959**	**814**	**5,062**
Business-type activities, capital assets, net	**$ 17,020**	**$ 2,375**	**$ 1,875**	**$ 17,520**

For the year ended March 31, 2018, depreciation and amortization expense was charged to the following governmental functions (amounts in millions):

	Governmental Activities
Allocation of depreciation and amortization:	
Education	$ 4
Public health	168
Public welfare	21
Public safety	144
Transportation	56
Environment and recreation	28
Support and regulate business	3
General government	105
Total depreciation and amortization expense	**$ 529**

For the year ended June 30, 2017, depreciation and amortization expense was charged to the following business-type functions (amounts in millions):

	Business-Type Activities
Allocation of depreciation and amortization:	
SUNY	$ 608
CUNY	222
Total depreciation and amortization expense	**$ 830**

Note 6 Bonds Payable

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

Purpose	Outstanding April 1, 2017	Issued	Redeemed	Outstanding March 31, 2018
Accelerated capacity and transportation improvements of the 1990s	$ 63	$ —	$ 30	$ 33
Clean water/clean air	474	65	105	434
Environmental quality (1986):				
Land acquisition, development, restoration, and forests	12	2	6	8
Solid waste management	142	11	37	116
Environmental quality (1972):				
Land and wetlands	4	—	1	3
Water	22	1	7	16
Housing:				
Low income	13	—	3	10
Middle income	11	—	2	9
Pure waters	25	2	6	21
Transportation capital facilities:				
Aviation	4	—	1	3
Energy conservation through improved transportation	2	—	—	2
Rebuild New York transportation infrastructure renewal:				
Highways, parkways, and bridges	1	—	—	1
Rapid transit, rail, and aviation	5	—	1	4
Rebuild and Renew New York transportation:				
Highway facilities	747	—	56	691
Canals and waterways	12	5	2	15
Aviation	46	2	3	45
Mass transit—DOT	4	3	2	5
Mass transit—MTA	799	—	40	759
Rail and port	77	23	4	96
Smart Schools Bond Act	—	100	—	100
Total	**$ 2,463**	**$ 214**	**$ 306**	**$ 2,371**

Debt service expenditures (principal and interest) related to the above general obligation bonds during the year were approximately $336 million. Federal subsidies related to the interest payments made during the year on Build America Bonds were $3.6 million.

The total amount of general obligation bonds authorized but not issued at March 31, 2018 was $2.6 billion.

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

Fiscal Year	Principal	Interest	Total
2019	$ 200	$ 103	$ 303
2020	179	96	275
2021	162	88	250
2022	157	81	238
2023	146	74	220
2024-2028	652	277	929
2029-2033	438	147	585
2034-2038	275	73	348
2039-2043	158	16	174
2044-2048	4	—	4
Total	**$ 2,371**	**$ 955**	**$ 3,326**

Debt service requirements were calculated based upon actual rates ranging from zero percent to 6.02 percent.

During the fiscal year ended March 31, 2018, the State legally defeased $76 million in existing variable rate bonds by issuing general obligation refunding bonds in a par amount of $69 million at a $7 million premium and a cash contribution by the State of $738,000. The result will produce an estimated gain of $3.6 million in future cash flow, with an estimated present value gain of $3.1 million. The differences between the reacquisition prices and net carrying values of the refunded bonds generated deferred accounting losses which are reported as deferred outflows of resources. The total deferred accounting loss was $1.9 million, all of which will be amortized into interest expense in future years. The impact of the refunding issues is presented in the following table (amounts in millions):

Issue Description	Refunding Amount	Refunded Amount	Cash Flow Gain	Present Value Gain
General Obligation Bond Series 2018A	$ 58	$ 63	$ 3	$ 2
General Obligation Bond Series 2018C	11	13	1	1
Total	**$ 69**	**$ 76**	**$ 4**	**$ 3**

Note 7 Obligations Under Lease/Purchase and Other Financing Arrangements

Governmental Activities Debt

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

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

Chapter 59 of the Laws of 2000 enacted the Debt Reform Act (Act) which applies to all new State-supported debt issued on and after April 1, 2000. The Act imposes statutory limitations which restrict the issuance of State-supported debt to capital purposes only and establishes a maximum term of 30 years for such debt.

The Act also imposes phased-in caps that ultimately limit the amount of State-supported debt issued on and after April 1, 2000 to 4 percent of State personal income, and limit State-supported debt service on debt issued on and after April 1, 2000 to 5 percent of total governmental funds receipts. The Act requires that the limitations be calculated by October 31st of each year using the State-supported debt outstanding and State-supported debt service amounts from the previous fiscal year. As of March 31, 2017, the cumulative debt outstanding and debt service caps were at 4 and 5 percent, and there was $41.6 billion of State-supported debt outstanding applicable to the debt reform cap, which was about $5.4 billion below the statutory debt outstanding limitation. The debt service cost on this new debt was $4.3 billion, about $3.5 billion below the statutory debt service limitation. The Act does not apply to debt that is not considered State-supported and therefore does not encompass State-guaranteed debt, moral obligation debt, and contingent-contractual obligation financing.

The State and some of its public authorities which issue debt on behalf of the State have purchased letters of credit and standby purchase agreements from various providers to ensure that the liquidity needs of certain variable rate demand bonds can be met. As of March 31, 2018, these agreements covered $1.56 billion of variable rate demand bonds outstanding, with costs ranging from 40 to 55 basis points of the amount of credit provided and expiration dates ranging from November 16, 2018 to January 11, 2021.

In 2003, the State enacted legislation creating the TSFC to finance a portion of its future revenues expected to be received under the 1998 Master Settlement Agreement (MSA) with the settling cigarette manufacturers. The MSA revenues were intended to compensate the State for all claims for past, present, and future health care costs originating from health care expenses incurred by the State from the effects of cigarette smoking by its citizens. In accordance with the legislation, TSFC issued $4.6 billion in bonds to finance a payment of $4.2 billion to the State's General Fund, enabling the State to finance a portion of the budget deficits occurring in fiscal years ending March 31, 2003 through March 31, 2005, to establish $449 million in debt service reserves, and to provide $129 million to finance a portion of the first debt service payments due on TSFC bonds. In accordance with the legislation, all future revenues from the 1998 MSA would be used to repay the debt until it was fully retired, after which all MSA revenues would revert to the State. The State agreed to make additional payments for TSFC debt service, subject to annual appropriation, from other sources if the future revenues proved insufficient to meet TSFC debt service requirements of the State. However, the State was never called upon to make any payments pursuant to the contingency agreement on the TSFC bonds. During the fiscal year, pledged MSA revenues of $333 million were recognized and reported in the Special Revenue Fund—Health Care Reform Act Resources and $676 million was paid from the Tobacco Settlement Financing Corporation account of the General Debt Service Fund. As of March 31, 2018, all TSFC bonds were retired.

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

Chapter 62 and Chapter 63 of the Laws of 2003 enacted, among other provisions, the Municipal Assistance Refinancing Act (Refinancing Act), effective July 1, 2003 and deemed repealed July 1, 2034. The Refinancing Act created an incentive for the State to seek an appropriation to provide $170 million per year, from Other Governmental Funds (Local Government Assistance Tax Fund (Fund)) to the City of New York (City) for each of the City's fiscal years beginning July 1, 2003 and ending June 30, 2034. The Refinancing Act requires LGAC to annually certify $170 million so that the State, subject to annual State appropriation by the Legislature, can provide for a series of payments to the City or the Mayor's assignee in each City fiscal year, beginning July 1, 2003 and ending June 30, 2034, totaling $5.3 billion. Based on current law, until the Legislature enacts an appropriation of $170 million, LGAC certifies the release of the funds, the $170 million State payment is made, and LGAC receives the amount it has certified for its needs, no excess sales tax receipts can be transferred from the Fund to the State's General Fund. During the fiscal year ended March 31, 2018, LGAC certified the release for the State payment of $170 million to the City. Pursuant to Chapter 54 of the Laws of 2016, the State will receive $16.7 million monthly, not to exceed $200 million annually, from City sales tax collected from April 1, 2016 through March 31, 2019. This amount represents a portion of the savings the City realized from a 2014 refunding of Sales Tax Asset Receivable Corporation (STARC) bonds for which the City assigned the $170 million State payment.

Chapter 56 of the Laws of 1993 authorized the New York State Thruway Authority to issue up to $2.93 billion in bonds for State highway and bridge projects (the amount of authorized bonds has been raised three times, most recently in 2005, up to $16.5 billion). The bonds are secured and funded by a dedication of portions of the State's petroleum business tax, motor fuel tax, highway and fuel use tax, motor vehicle registration fees, auto rental tax, transmission and transportation tax and certain miscellaneous revenues.

In 2001, the State enacted legislation providing for the issuance of State Personal Income Tax Revenue Bonds (PIT bonds) to be issued by several State public benefit corporations. The legislation provides that 25 percent of personal income tax receipts, excluding refunds owed to taxpayers, be deposited to the Revenue Bond Tax Fund which is an account of the General Debt Service Fund. These deposits are used to make debt service payments on PIT bonds, with excess amounts returned to the General Fund. In the event that the State Legislature fails to appropriate amounts required to make debt service payments on the PIT bonds, or if required payments have not been made when due, the legislation requires that deposits continue to be made to the Revenue Bond Tax Fund until amounts on deposit equal the greater of 25 percent of personal income tax receipts or $6 billion. Amounts in excess of that needed for current debt service are subsequently transferred to the General Fund. The first PIT bonds were issued on May 9, 2002 and approximately $33.6 billion issued for both governmental and business-type activities were outstanding as of March 31, 2018.

In 2013, the State enacted legislation providing for the issuance of State Sales Tax Revenue Bonds to be issued by certain State public benefit corporations. The legislation created the Sales Tax Revenue Bond Tax Fund, an account of the General Debt Service Fund, to provide for the debt service payments on these bonds. The bonds are secured by the pledge of payments from this fund, which will receive 25 percent of the State's sales and use tax receipts. Upon the satisfaction of all of the obligations and liabilities of LGAC, this share will increase to 50 percent of the State's sales tax receipts. Amounts in excess of that needed for current debt service will be transferred to the General Fund. The first sales tax bonds were issued on October 24, 2013 and approximately $7.4 billion issued for both governmental and business-type activities were outstanding as of March 31, 2018.

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

Issuer	Outstanding April 1, 2017	Issued	Redeemed	Outstanding March 31, 2018
Public Benefit Corporations:				
Dormitory Authority	$ 14,697	$ 3,726	$ 1,822	$ 16,601
Environmental Facilities Corporation	114	—	50	64
Housing Finance Agency	220	—	53	167
Local Government Assistance Corporation	1,758	256	644	1,370
Municipal Bond Bank Agency	204	—	32	172
Metropolitan Transportation Authority	107	—	73	34
Tobacco Settlement Financing Corporation	660	—	660	—
Thruway Authority	4,321	—	1,212	3,109
Urban Development Corporation	12,839	1,693	1,058	13,474
Total	**$ 34,920**	**$ 5,675**	**$ 5,604**	**$ 34,991**

Debt service expenditures (principal and interest) for the aforementioned obligations during the fiscal year were $5.2 billion. These expenditures were financed primarily by the revenues reported in the governmental funds. Federal subsidies related to the interest payments made during the year on Build America Bonds and Qualified School Construction Bonds were $74.9 million ($36.3 million related to governmental activities and $38.6 million for business-type activities related to SUNY and CUNY).

Certain of the underlying bond indentures require the maintenance of various reserves. Such amounts totaled $352 million at March 31, 2018 and are reported as cash and investments in the General Debt Service Fund and appropriate Other Governmental Funds, with a corresponding restriction of fund balance.

Following is a summary of the future minimum rental payments for lease/purchase and contractual obligation financing arrangements, including fixed rate interest at rates ranging from 1 percent to 6.8 percent and variable rate interest at rates ranging from 1.2 percent to 2.3 percent (amounts in millions):

Fiscal Year	Principal	Interest	Net Swap Amount	Total
2019	$ 2,696	$ 1,627	$ 23	$ 4,346
2020	2,930	1,508	22	4,460
2021	3,409	1,366	20	4,795
2022	2,599	1,222	17	3,838
2023	2,311	1,109	14	3,434
2024-2028	9,956	4,045	44	14,045
2029-2033	6,529	1,964	13	8,506
2034-2038	3,115	730	—	3,845
2039-2043	1,137	217	—	1,354
2044-2048	309	33	—	342
Total	**$ 34,991**	**$ 13,821**	**$ 153**	**$ 48,965**

Future debt service is calculated using rates in effect at March 31, 2018 for variable rate bonds. The net swap payment amounts were calculated by subtracting the future variable rate interest payment subject to swap agreements based on rates in effect at March 31, 2018 from the synthetic fixed rate amount intended to be achieved by the swap agreements.

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

The State is also committed under numerous Customer Installation Commitments with the New York Power Authority (NYPA) for energy efficiency projects, and other capital leases for computer network and telecommunications equipment. Debt service expenditures for capital lease obligations during the year were $2 million. Following is a summary of the debt service payments for the remaining lease periods of these capital leases (amounts in millions):

Fiscal Year	Principal	Interest	Total
2019	$ 2	$ —	$ 2
2020	2	—	2
2021	2	—	2
2022	2	—	2
2023	1	—	1
2024-2028	4	—	4
Total	**$ 13**	**$ —**	**$ 13**

Refunding

During the fiscal year ended March 31, 2018, the State, acting through certain public authorities, refunded $2.1 billion in existing fixed rate bonds related to lease/purchase and other financing arrangements by issuing refunding bonds in a par amount of $1.9 billion at a $275 million premium and releasing a net amount of $132 million from reserves and debt service accounts. The result will produce an estimated gain of $196 million in future cash flow, with an estimated present value gain of $202 million. The differences between the reacquisition prices and the net carrying values of the refunded bonds generated deferred accounting gains and losses, resulting in deferred inflows and outflows of resources. The accounting gain was $4.2 million, of which $3.9 million was deferred and will be amortized as an adjustment to interest expense in future years. The accounting loss was $7 million, of which $6.6 million was deferred and will be amortized into interest expense in future years. The impact of the refunding issues is presented in the following table (amounts in millions):

Issue Description	Refunding Amount	Refunded Amount	Cash Flow Gain	Present Value Gain
Dormitory Authority PIT General Purpose Bond Series 2017A	$ 1,068	$ 1,162	$ 112	$ 122
Dormitory Authority PIT General Purpose Bond Series 2017B	427	504	59	55
New York Local Government Assistance Corporation Bond Series 2018A	256	333	13	12
Urban Development Corporation PIT General Purpose Bond Series 2017CD	105	114	12	13
Total	**$ 1,856**	**$ 2,113**	**$ 196**	**$ 202**

In prior years, the State defeased certain of its obligations under lease/purchase and other financing arrangements, whereby proceeds of new obligations were placed in an irrevocable trust to provide for all future debt service payments on the defeased obligations. At March 31, 2018, approximately $2.2 billion of such defeased obligations were outstanding. The assets and liabilities related to these defeased obligations are not reported in the accompanying basic financial statements.

Business-Type Activities Debt

The State has issued bonds for educational facilities for SUNY and CUNY Senior Colleges through DASNY. Such debt, totaling $13.4 billion, is funded by payments from the State's General Fund. The remainder of the debt of SUNY and CUNY ($1.3 billion) is funded from student fees and other operating aid provided by the State.

The following represents year-end principal balances (at June 30, 2017 for SUNY and CUNY) for lease/purchase and other financing arrangements for business-type activities (amounts in millions):

	Beginning Outstanding, as Restated	Issued	Redeemed	Ending Outstanding
Dormitory Authority:				
SUNY educational facilities	$ 8,360	$ —	$ 227	$ 8,133
Unamortized premium	688	—	35	653
SUNY dormitory facilities	682	—	32	650
Unamortized premium	61	—	3	58
CUNY educational facilities	4,253	192	188	4,257
Unamortized premium	306	43	21	328
Total Dormitory Authority	**14,350**	**235**	**506**	**14,079**
SUNY capital lease commitments	407	58	53	412
SUNY certificates of participation	11	—	3	8
SUNY other State-supported debt	48	—	5	43
SUNY other long-term debt	41	—	6	35
CUNY capital lease commitments	44	1	—	45
CUNY mortgage loan commitments	67	—	1	66
CUNY certificates of participation	10	—	2	8
Total (See Note 8)	**$ 14,978**	**$ 294**	**$ 576**	**$ 14,696**

The following represents a year-end summary at June 30, 2017 of future minimum debt service payments on the bonds issued by DASNY for SUNY, including interest rates ranging from 1.39 percent to 5.88 percent (amounts in millions):

Fiscal Year	Principal	Interest	Total
2018	$ 388	$ 434	$ 822
2019	312	417	729
2020	252	404	656
2021	261	393	654
2022	373	381	754
2023-2027	2,121	1,593	3,714
2028-2032	1,726	1,106	2,832
2033-2037	1,695	678	2,373
2038-2042	1,380	257	1,637
2043-2047	275	22	297
Total	**$ 8,783**	**$ 5,685**	**$ 14,468**

The following represents a year-end summary at June 30, 2017 of future minimum debt service payments on the bonds issued by DASNY for CUNY Senior Colleges, including interest rates ranging from 2 percent to 6.1 percent (amounts in millions):

Fiscal Year	Principal	Interest	Net Swap Amount	Total
2018	$ 161	$ 207	$ 10	$ 378
2019	183	200	10	393
2020	209	191	9	409
2021	251	179	8	438
2022	153	169	7	329
2023-2027	835	742	25	1,602
2028-2032	774	538	4	1,316
2033-2037	870	335	—	1,205
2038-2042	667	130	—	797
2043-2047	154	12	—	166
Total	**$ 4,257**	**$ 2,703**	**$ 73**	**$ 7,033**

Future debt service on the bonds issued by DASNY for CUNY Senior Colleges, together with the net swap amount, is calculated assuming current interest rates remain the same. The actual amounts of future interest to be paid are affected by changes in variable interest rates. The actual amounts of future net swap payments are also affected by changes in published indexes—the LIBOR and the SIFMA floating rate.

The following represents a year-end summary at June 30, 2017 for SUNY and CUNY of future minimum debt service payments on capital lease commitments, mortgage loan commitments, certificates of participation, other State-supported debt and other long-term debt for business-type activities (amounts in millions):

	SUNY		CUNY		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 63	$ 27	$ 4	$ 1	$ 67	$ 28
2019	60	25	3	2	63	27
2020	51	23	3	2	54	25
2021	45	20	3	1	48	21
2022	39	18	2	1	41	19
2023-2027	161	59	60	10	221	69
2028-2032	61	9	5	10	66	19
2033-2037	8	3	14	6	22	9
2038-2042	10	1	22	3	32	4
2043-2047	—	—	3	—	3	—
Total	**$ 498**	**$ 185**	**$ 119**	**$ 36**	**$ 617**	**$ 221**

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

Debt service expenditures (principal and interest) for all of the aforementioned obligations during the year ended June 30, 2017 totaled $1.2 billion.

During SUNY's fiscal year ending June 30, 2017, no new debt was issued for the educational facilities program. In prior years, SUNY defeased various obligations, whereby proceeds of new obligations were placed in an irrevocable trust to provide for all future debt service payments on the defeased obligations. Accordingly, the trust account assets and liabilities for the defeased obligations are not included in SUNY's financial statements. As of March 31, 2017, outstanding educational facility obligations of $93.5 million and outstanding dormitory facilities obligations of $206.8 million were considered defeased.

During CUNY's fiscal year ending June 30, 2017, DASNY issued bonds for new construction with a par value of $186.1 million and original issue premium of $41.7 million, and issued refunding bonds with a par value of $6 million and original issue premium of $713,000 on behalf of CUNY Senior Colleges. Bond proceeds of $6.6 million were used to defease $6.5 million of existing debt. Under the terms of the resolutions for the defeased bonds, bond proceeds were paid directly to the bondholders of the defeased bonds. As a result, the refunded debt is considered defeased. The economic gain related to the defeased bonds amounted to $706,000. The excess of the bond proceeds over the amount of debt defeased of $127,000 and the remaining unamortized premium and discount of $302,000 are deferred and amortized in a systematic and rational manner over the remaining life of the old debt or new debt, whichever is shorter. There were no remaining unamortized bond issue costs, underwriter discounts, or any other related costs affiliated with the refunded debt.

At June 30, 2017, a total of $13.6 million of previously defeased CUNY Senior Colleges debt was still outstanding.

Interest Rate Exchange Agreements (Swaps)

Article 5-D of the State Finance Law authorized the use of a limited amount of swaps equal to 15 percent of statutorily defined State-supported debt. Starting in November 2002, the State began to enter into swap agreements to "synthetically" change the interest cost associated with bonds it had issued from either variable rate to fixed rate or from fixed rate to variable rate. The intention of each of the swaps was to lower the cost of borrowing to the State below what could have been achieved on bonds without the use of the associated swap agreements and to reduce the risks associated with the variability of cash flows or fair values of the underlying debt.

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

- Counterparties have a credit rating from at least one NRSRO that is within the two highest investment grade categories;
- An independent financial advisor certifies that the terms and conditions of all swaps reflect a fair value;
- A standardized interest rate exchange agreement is utilized;
- Monthly reports are issued by the public benefit corporations to provide monitoring and swap performance assessment; and
- The agreements comply with uniform interest rate exchange guidelines.

The State manages the swaps as a single portfolio, although they relate to debt reported under both governmental activities and business-type activities.

Swap Activity and Terms

The State has a notional amount of approximately $1.5 billion of swaps outstanding ($1.07 billion of which related to governmental activities and $415 million related to business-type activities) that were issued to synthetically create fixed rate debt from variable rate debt. The $1.5 billion portfolio includes 35 separate pay-fixed, receive-variable interest rate swap agreements with seven counterparties. The maturities of the synthetic fixed rate swaps are coterminous with the underlying debt.

The table below summarizes fair value balances and notional amounts of derivative instruments outstanding on March 31, 2018 for governmental activities and on June 30, 2017 for business-type activities, and the changes in fair value of those derivatives for the years then ended as reported in the State's 2018 financial statements (amounts in millions):

Issuer/Type	Notional Amount	Changes in Fair Value		Fair Value	
		Classification	Amount	Classification	Amount
Governmental Activities:					
Cash Flow Hedges:					
Dormitory Authority Pay-fixed interest rate swaps	$ 162	Deferred Outflow	$ 6	Derivative Instruments	$ (12)
Urban Development Corporation Pay-fixed interest rate swaps	387	Deferred Outflow	15	Derivative Instruments	(53)
Housing Finance Agency Pay-fixed interest rate swaps	69	Deferred Outflow	3	Derivative Instruments	(2)
Local Government Assistance Corporation Pay-fixed interest rate swaps	367	Deferred Outflow	18	Derivative Instruments	(24)
Subtotal	**985**		**42**		**(91)**
Investment Derivatives:					
Housing Finance Agency Pay-fixed interest rate swaps	80	Investment Earnings	3	Derivative Instruments	(11)
Subtotal	**1,065**		**45**		**(102)**
Business-Type Activities (as of June 30, 2017):					
Cash Flow Hedges:					
Dormitory Authority—CUNY Pay-fixed interest rate swaps	415	Deferred Outflow	25	Derivative Instruments	(53)
Total	**$ 1,480**		**$ 70**		**$ (155)**

The fair values were calculated utilizing an income approach based on Level 2 (observable) inputs. These inputs include mid-market valuation and then incorporate the credit risk of the State and the bid/offer spread that would be charged to the State in order to transact. The mid-market values of the swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement date.

During the year, LGAC terminated the 2004 pay-fixed interest rate swap agreement through a refunding and defeasance of the hedged debt. The State made termination payments totaling $3.4 million to the counterparty involved.

The table below summarizes the terms of the State's derivative instruments outstanding at March 31, 2018 for governmental activities and at June 30, 2017 for business-type activities (amounts in millions):

Issuer/Type	Underlying Debt	Notional Amount	Effective Date	Final Maturity Date	Terms
Governmental Activities:					
Dormitory Authority:					
Pay-fixed interest rate swaps	CUNY 5th Res. Series 2008C, D Bonds	$ 21	4/10/2003	1/1/2025- 7/1/2031	Pay 3.36%; Receive 65% LIBOR
Pay-fixed interest rate swaps	Mental Health Series 2003D-2 Bonds	141	7/15/2003	2/15/2031	Pay 3.044%; Receive 65% LIBOR
Urban Development Corporation:					
Pay-fixed interest rate swaps	Correctional/ Youth Series 2008A Bonds	163	11/26/2002	1/1/2030	Pay 3.578%; Receive 65% LIBOR
Pay-fixed interest rate swaps	PIT (State Fac. & Equip.) Series 2004A-3 Bonds	224	12/22/2004	3/15/2033	Pay 3.49%; Receive 65% LIBOR
Housing Finance Agency:					
Pay-fixed interest rate swaps	Service Contract Revenue Series 2003L, M Bonds	69	8/28/2003	9/15/2021	Pay 3.66%; Receive 65% LIBOR
Pay-fixed interest rate swaps	PIT (Eco. Dev. & Housing) Series 2005C Bonds	80	3/10/2005	3/15/2033	Pay 3.336%; Receive 65% LIBOR
Local Government Assistance Corporation:					
Pay-fixed interest rate swaps	Series 2003A, 2008B Bonds	367	2/20/2003	4/1/2022- 4/1/2024	Pay 3.15% to 3.26%; Receive 65% LIBOR
Subtotal		**1,065**			
Business-Type Activities (as of June 30, 2017):					
Dormitory Authority—CUNY:					
Pay-fixed interest rate swaps	CUNY 5th Res. Series 2008C, D Bonds	415	4/10/2003	1/1/2025- 7/1/2031	Pay 3.36%; Receive 65% LIBOR
Total		**$ 1,480**			

Risks

Credit Risk

The State is exposed to credit risk on interest rate swap agreements in asset positions (positive fair values). To minimize its exposure to loss related to credit risk, it is the State's policy to require each counterparty to have credit ratings from at least one NRSRO within the two highest investment grade categories and ratings from any other NRSRO within the three highest investment grade categories, or the counterparty's payment obligations shall be unconditionally guaranteed by an entity with such credit ratings. The swap agreements and Article 5-D of the State Finance Law also require that should the credit rating of a counterparty or an entity unconditionally guaranteeing the counterparty's payment obligations, if so secured, fall below the rating required, that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by, the United States of America, with a net market value of at least 102 percent of the net market value of the contract to the issuer and such collateral shall be deposited with the issuer or its agent. The following table presents the counterparty credit ratings as of March 31, 2018 and includes scheduled notional reductions to the CUNY business-type activity swap that occurred after June 30, 2017 (amounts in millions):

Counterparty	Notional Amount	Credit Ratings Moody's	S&P	Fitch
Citibank	$ 318	A1	A+	A+
Goldman	192	Aa2	AA–	—*
JP Morgan	238	Aa3	A+	AA–
Merrill Lynch	106	A3	A–	A
Morgan Stanley	215	A3	BBB+	A
Societe Generale	94	A2	A	A
UBS	275	A1	A+	AA–
Total	**$ 1,438**			

Not rated

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

There were no interest rate swap agreements in asset positions at March 31, 2018; therefore, the State was not exposed to credit risk and no collateral was required to be posted by counterparties. However, should interest rates change and the fair values of interest rate swap agreements become positive, the State would be exposed to credit risk in the amount of those swaps' fair value.

Basis Risk

The State is exposed to basis risk on its pay-fixed interest rate swaps, which is the possibility that the variable rate payments received by the State in the swap are less than the variable rate payments made by the State on the underlying bonds issued. Because the swaps are based on a percentage of LIBOR, there is a possibility that this floating rate will not match the actual interest rates set in the tax-exempt market on the underlying bonds. Times when the mismatch may be out of favor to the State are in very low interest rate environments or if major changes in the tax code were to be enacted causing tax-exempt floating-rate bonds to trade less favorably in comparison to taxable floating rate bonds. Should the relationship between LIBOR and the actual variable rate payments converge, the expected cost savings may not materialize.

Termination Risk

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

Rollover Risk

The State is exposed to rollover risk on interest rate swap agreements that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these swap agreements terminate, or in the case of a termination option, when the option is exercised, the State will be re-exposed to the risks being hedged by the swap agreement. Currently, the maturity dates of the State's interest rate swap agreements and hedged debt are coterminous.

Operating Leases

The State is also committed under numerous operating leases covering real property and equipment. Rental expenditures, reported for the year ended March 31, 2018 under such operating leases, totaled $307 million and were financed primarily from the General Fund.

The following is a summary of future minimum rental commitments under real property and equipment leases with terms exceeding one year (amounts in millions):

Fiscal Year	Governmental Activities
2019	$ 263
2020	217
2021	193
2022	169
2023	160
2024-2028	552
2029-2033	232
2034-2038	11
2039-2043	12
2044-2048	13
2049-2053	15
2054-2058	15
Total	**$ 1,852**

Business-type activities reported rental expenditures of $129 million and the following future minimum rental commitments under real property and equipment leases with terms exceeding one year at year-end (June 30, 2017 for SUNY and CUNY and March 31, 2018 for Lottery) (amounts in millions):

Fiscal Year	Business-Type Activities
2018	$ 115
2019	115
2020	112
2021	103
2022	95
2023-2027	378
2028-2032	285
2033-2037	120
2038-2042	57
2043-2047	80
Total	**$ 1,460**

Governmental Activities—Collateralized Borrowings

In December 2010, $102 million of Pledged Assessment Revenue Bonds, Series 2010A, were issued by DASNY. These bonds are special revenue obligations of DASNY. Principal and interest on the Series 2010A Bonds are payable from the pledged assessments to be assessed and collected by the Chair of the Workers' Compensation Board. At March 31, 2018, principal and interest outstanding were $29 million and $3 million, respectively. Annual principal and interest payments will be continuing through December 1, 2020.

In December 2013, $370 million of Employer Assessment Revenue Bonds, Series 2013A, were issued by DASNY. These bonds are special revenue obligations of DASNY. Principal and interest on the Series 2013A Bonds are payable from employer assessments to be assessed and collected by the Chair of the Workers' Compensation Board. At March 31, 2018, principal and interest outstanding were $327 million and $147 million, respectively. Annual principal and interest payments will continue through December 1, 2034.

The State determined that these transactions meet the criteria for collateralized borrowings under GASBS No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, since the pledged revenues are formally committed to directly collateralize or secure debt of a component unit. These Pledged and Employer Assessment Revenue Bonds are reported as collateralized borrowings in the State's financial statements (amounts in millions):

Fiscal Year	Principal	Interest	Total
2019	$ 24	$ 15	$ 39
2020	24	14	38
2021	25	13	38
2022	15	13	28
2023	16	12	28
2024-2028	89	51	140
2029-2033	111	29	140
2034-2038	52	3	55
Total	**$ 356**	**$ 150**	**$ 506**

Business-Type Activities—Collateralized Borrowings

In March 2013, the State enacted legislation that authorized SUNY to assign all its rights, title and interest in revenues of certain dormitory facilities to DASNY, and authorized DASNY to issue SUNY Dormitory Facilities Revenue Bonds payable from and secured by the dormitory facility revenues assigned to it by SUNY. The legislation also created a special fund to be held by the State's Commissioner of Taxation and Finance on behalf of DASNY. All dormitory facility revenues collected by SUNY are required to be deposited in this special fund.

The outstanding obligations under these bonds are reported as a collateralized borrowing, since these bonds are not payable from any money of SUNY or the State and neither SUNY nor the State has any obligation to make any payments with respect to the debt service on the bonds. The pledged revenues recognized during SUNY's fiscal year ended June 30, 2017 amounted to $554.3 million. There were principal payments of $29.6 million and interest payments of $47.7 million during the fiscal year ending June 30, 2017. At June 30, 2017, total principal and interest outstanding on the bonds were $955.8 million and $487 million, respectively. Annual principal and interest payments will continue through July 1, 2047 (amounts in millions):

Fiscal Year	Principal	Interest	Total
2018	$ 38	$ 46	$ 84
2019	44	44	88
2020	48	42	90
2021	53	39	92
2022	53	37	90
2023-2027	263	145	408
2028-2032	243	80	323
2033-2037	121	35	156
2038-2042	57	16	73
2043-2047	36	3	39
Total	**$ 956**	**$ 487**	**$ 1,443**

During April 2017, bonds with a par amount of $344.7 million at a premium of $64 million were issued for financing capital construction as well as to refinance $211.7 million of SUNY's existing residential facility obligations. The result will produce an estimated savings of $19.7 million in future cash flow, with an estimated present value gain of $19.4 million. These bonds are special obligations of DASNY payable solely from the dormitory facilities revenues collected by SUNY as agent for DASNY.

Note 8 Liabilities

Changes in Long-Term Liabilities

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

CHANGES IN LONG-TERM LIABILITIES—GOVERNMENTAL ACTIVITIES

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Tax refunds payable	**$ 1,169**	**$ —**	**$ 4**	**$ 1,165**	**$ —**
Accrued liabilities:					
Payroll and fringe benefits	$ 160	$ 7	$ —	$ 167	—
Compensated absences	897	57	55	899	48
Medicaid	748	—	153	595	182
Health insurance	192	—	—	192	—
Litigation	212	36	191	57	52
Workers' compensation reserve	4,254	893	529	4,618	573
Arbitrage rebate	10	10	19	1	—
Secured hospitals	74	17	23	68	20
Due to component unit	258	—	43	215	43
Miscellaneous	14	16	15	15	1
Total	**$ 6,819**	**$ 1,036**	**$ 1,028**	**$ 6,827**	**919**
Payable to local governments:					
Education aid	$ 309	$ 3	$ —	$ 312	—
Miscellaneous	27	31	25	33	—
Total	**$ 336**	**$ 34**	**$ 25**	**$ 345**	**—**
Due to federal government	**$ 1,000**	**$ —**	**$ 100**	**$ 900**	**100**
Pension contributions payable	**$ 2,051**	**$ —**	**$ 335**	**$ 1,716**	**—**
Net pension liability	**$ 6,916**	**$ —**	**$ 2,719**	**$ 4,197**	**—**
Other postemployment benefits	**$ 17,302**	**$ 4,284**	**$ 1,575**	**$ 20,011**	**—**
Pollution remediation	**$ 1,086**	**$ 196**	**$ 155**	**$ 1,127**	**117**
Collateralized borrowings	**$ 378**	**$ —**	**$ 22**	**$ 356**	**24**
General obligation bonds payable:					
General obligation bonds payable	$ 2,463	$ 214	$ 306	$ 2,371	200
Deferred amounts:					
Unamortized premiums	151	23	9	165	11
Total	**$ 2,614**	**$ 237**	**$ 315**	**$ 2,536**	**211**
Other financing arrangements:					
Capital leases	$ 14	$ 4	$ 5	$ 13	2
Other financing arrangements	34,920	5,675	5,604	34,991	2,696
Deferred amounts:					
Unamortized premiums	3,671	771	430	4,012	270
Unamortized discounts	(5)	—	—	(5)	(1)
Accreted discount on bonds	13	1	6	8	—
Total	**$ 38,613**	**$ 6,451**	**$ 6,045**	**$ 39,019**	**2,967**
Derivative instruments	**$ 147**	**$ —**	**$ 45**	**$ 102**	**—**
Total due within one year					**$ 4,338**

CHANGES IN LONG-TERM LIABILITIES—BUSINESS-TYPE ACTIVITIES

Description	Beginning Balance, as Restated	Additions	Deletions	Ending Balance	Due Within One Year
Accrued liabilities:					
Compensated absences	$ 401	$ 183	$ 159	$ 425	$ 262
Litigation	698	2	9	691	34
Miscellaneous	596	5	100	501	3
Total	**$ 1,695**	**$ 190**	**$ 268**	**$ 1,617**	**299**
Lottery prizes payable	**$ 1,334**	**$ 74**	**$ 125**	**$ 1,283**	**132**
Pension contributions payable:					
SUNY (June 30, 2017)	$ 182	$ —	$ 24	$ 158	—
Lottery	2	1	—	3	—
Total	**$ 184**	**$ 1**	**$ 24**	**$ 161**	**—**
Net pension liability:					
SUNY (June 30, 2017)	$ 874	$ 337	$ 659	$ 552	—
CUNY (June 30, 2017)	1,036	—	288	748	—
Lottery	8	—	3	5	—
Total	**$ 1,918**	**$ 337**	**$ 950**	**$ 1,305**	**—**
Other postemployment benefits:					
SUNY (June 30, 2017)	$ 5,528	$ 1,254	$ 562	$ 6,220	—
CUNY (June 30, 2017)	708	100	—	808	—
Total	**$ 6,236**	**$ 1,354**	**$ 562**	**$ 7,028**	**—**
Collateralized borrowings:					
SUNY (June 30, 2017)	$ 985	$ —	$ 29	$ 956	38
Unamortized premiums	110	—	5	105	4
Total	**$ 1,095**	**$ —**	**$ 34**	**$ 1,061**	**42**
Other financing arrangements:					
SUNY (June 30, 2017)	$ 9,549	$ 58	$ 326	$ 9,281	451
CUNY (June 30, 2017)	4,374	193	191	4,376	165
Unamortized premiums:					
SUNY (June 30, 2017)	749	—	38	711	38
CUNY (June 30, 2017)	306	43	21	328	21
Total	**$ 14,978**	**$ 294**	**$ 576**	**$ 14,696**	**675**
Derivative instruments	**$ 78**	**$ —**	**$ 25**	**$ 53**	**—**
Total due within one year					**$ 1,148**

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

Accrued Liabilities—Governmental Activities

The following table summarizes accrued liabilities at March 31, 2018 for governmental activities (amounts in millions):

Description	General	Federal Special Revenue	General Debt Service	Other Governmental Funds	Total Governmental Activities
Payroll	$ 696	$ 39	$ —	$ 95	$ 830
Fringe benefits	—	11	—	4	15
Medicaid	1,408	4,303	—	—	5,711
Health programs	430	4	—	—	434
Public school aid	7	566	—	—	573
Public welfare	10	66	—	—	76
Miscellaneous	566	6	11	223	806
Total Governmental Funds	**$ 3,117**	**$ 4,995**	**$ 11**	**$ 322**	**8,445**
Payable to fiduciary funds					2,769
Total					**$ 11,214**

Payable to Local Governments—Governmental Funds

The following table summarizes amounts payable to local governments at March 31, 2018 for governmental funds (amounts in millions):

Description	General	Federal Special Revenue	General Debt Service	Other Governmental Funds	Total
Education programs	$ 1,482	$ 21	$ —	$ 3	$ 1,506
Temporary and disability assistance	554	1,539	—	—	2,093
Local health programs	621	534	—	—	1,155
Mental hygiene programs	24	—	—	—	24
Criminal justice programs	36	—	—	—	36
Children and family services programs	283	—	—	—	283
Local share of tax revenues	—	—	175	—	175
Public safety	—	1	—	—	1
Emergency management	—	2,603	—	—	2,603
Miscellaneous	129	51	—	284	464
Total	**$ 3,129**	**$ 4,749**	**$ 175**	**$ 287**	**$ 8,340**

Accrued Liabilities—Business-Type Activities

The following table summarizes current accrued liabilities at March 31, 2018 for business-type activities (June 30, 2017 for SUNY and CUNY) (amounts in millions):

Description	Lottery	Unemployment Insurance Benefit	SUNY	CUNY	Total
Payroll	$ —	$ —	$ 216	$ 140	$ 356
Fringe benefits	—	—	78	89	167
Employer overpayments	—	43	—	—	43
Benefits due claimants	—	7	—	—	7
Unclaimed and future prizes	588	—	—	—	588
Miscellaneous	—	—	207	72	279
Total	**$ 588**	**$ 50**	**$ 501**	**$ 301**	**1,440**
Long-term accrued liabilities—due within one year					299
Total					**$ 1,739**

Note 9 Interfund Transactions and Other Transfers

Interfund Transfers

Interfund transfers for the year ended March 31, 2018 consisted of the following (amounts in millions):

	Transfers To							
Transfers From	General	General Debt Service	Other Governmental	Elimination	Total Governmental Funds	SUNY	CUNY	Total
General	$ —	$ 1,073	$ 2,780	$ —	**$ 3,853**	$ 3,252	$ 1,216	**$ 8,321**
Federal Special Revenue	189	—	1,306	—	**1,495**	596	—	**2,091**
General Debt Service	14,169	—	107	—	**14,276**	605	367	**15,248**
Other Governmental	5,974	1,705	192	—	**7,871**	225	—	**8,096**
Elimination	—	—	—	(27,495)	**(27,495)**	—	—	**(27,495)**
Total Governmental Funds	**20,332**	**2,778**	**4,385**	**(27,495)**	**—**	**4,678**	**1,583**	**6,261**
SUNY	212	—	73	—	**285**	—	—	**285**
Lottery	—	—	3,372	—	**3,372**	—	—	**3,372**
Non-current	—	—	2	—	**2**	7	—	**9**
Total	**$ 20,544**	**$ 2,778**	**$ 7,832**	**$ (27,495)**	**$ 3,659**	**$ 4,685**	**$ 1,583**	**$ 9,927**

Transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Significant transfers include transfers to the General Fund from other funds representing excess revenues not needed in those funds. Transfers to the General Fund from the General Debt Service Fund for excess funds not needed for debt service on revenue bonds backed by personal income and sales tax revenues totaled $13.7 billion. Transfers to the General Fund from Other Governmental Funds are primarily due to: mental health patient fees in excess of debt service and rental reserve requirements of $1.3 billion; excess sales tax receipts not needed for LGAC debt service requirements of $2.9 billion; and excess real property transfer tax receipts from clean water and clean air programs of $944 million. Transfers from the General Fund to the General Debt Service Fund comprise State debt service payments of $1 billion. Transfers from the General Fund to Other Governmental Funds include $1.1 billion to the Dedicated Infrastructure Investment Fund and $175 million to the State Capital Project Fund for capital projects. Transfers from the General Fund to the Enterprise Funds comprise State support to the SUNY and CUNY Funds ($4.5 billion). Transfers from the Federal Special Revenue Fund and Other Governmental Funds comprise the federal share of Medicaid payments for a variety of purposes, including transfers to the Mental Health Services Fund for recipients residing in State-operated facilities ($1.4 billion). Transfers from the Lottery to Other Governmental Funds represent Lottery support for school aid payments ($3.4 billion). The eliminations of $27.5 billion represent transfers made between the governmental funds.

Transfers from the governmental funds to the SUNY and CUNY Funds are reported as transfers to other funds by the governmental funds and as State appropriations by the SUNY and CUNY Funds. As explained in Note 1, the amounts reported for the SUNY and CUNY Funds are derived from their annual financial statements for the fiscal year ended June 30, 2017. Therefore, because of the different fiscal year-end for the SUNY and CUNY Funds, total transfers to other funds exceed total transfers from other funds by $528 million. The following is a reconciliation of transfers resulting from different year-ends (amounts in millions):

Governmental Activities transfers:	
SUNY	$ (4,400)
CUNY	(1,583)
Lottery (Education aid)	3,372
Total Governmental Activities transfers	(2,611)
Business-Type Activities transfers:	
State	4,522
Federal and State hospital support transfers	431
Education aid	(3,372)
Capital	502
Total Business-Type Activities transfers	2,083
Total transfers	**$ (528)**

Due To/From Other Funds

The following is a summary of the amounts due to other funds and due from other funds at March 31, 2018 (amounts in millions):

	Due To Other Funds								
Due From Other Funds	**General**	**Federal Special Revenue**	**General Debt Service**	**Other Governmental**	**Elimination**	**Total Governmental Funds**	**Business-Type Activities**	**Non-Current**	**Total**
General	$ —	$ 615	$ 491	$ 1,674	$ —	**$ 2,780**	$ —	$ —	**$ 2,780**
Federal Special Revenue	19	—	—	—	—	**19**	—	—	**19**
Other Governmental	258	225	—	—	—	**483**	961	—	**1,444**
Elimination	—	—	—	—	(3,282)	**(3,282)**	—	—	**(3,282)**
Total Governmental Funds	**277**	**840**	**491**	**1,674**	**(3,282)**	**—**	**961**	**—**	**961**
Business-Type Activities	359	—	—	81	—	**440**	—	781	**1,221**
Fiduciary	2,769	—	—	—	—	**2,769**	—	—	**2,769**
Total	**$ 3,405**	**$ 840**	**$ 491**	**$ 1,755**	**$ (3,282)**	**$ 3,209**	**$ 961**	**$ 781**	**$ 4,951**

The more significant balances in due to/from other funds include $1.6 billion due to the General Fund to cover cash overdrafts in the short-term investment pool. These temporary interfund loans include $230 million to the Federal Special Revenue Fund and $1.3 billion to Other Governmental Funds. Due from the General Fund to the Fiduciary Funds related to escheat property that is estimated to be reclaimed and paid to claimants is $2.8 billion. Due to other funds in the General Debt Service Fund includes $491 million for amounts owed to the General Fund for excess personal income revenues. Due from Non-current to Business-type Activities includes $724 million related to SUNY litigation for incurred but not reported claims and $61 million for accrued interest for SUNY-related debt.

As explained in Note 1, the amounts reported for the SUNY and CUNY Funds are derived from their annual financial statements for the fiscal year ended June 30, 2017. Therefore, because the fiscal year-end of the SUNY and CUNY Funds differs from the State's fiscal year-end, the total amount reported as due to other funds exceeds the total amount reported as due from other funds by $99 million.

Note 10 Commitments and Contingencies

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

Pursuant to legislation enacted in 1985, the State entered into service contracts establishing a contingent-contractual obligation with respect to financings related to the DASNY Secured Hospital Program for the purpose of enabling certain financially distressed not-for-profit hospitals to gain access to the capital markets. The State service contracts obligate the State to pay debt service, subject to annual appropriations, on bonds in the event of shortfalls in hospital resources. The bonds mature annually through February 15, 2028, with semiannual interest payments. As of March 31, 2018, there are $193 million of outstanding bonds in the program with a scheduled annual debt service requirement of $38 million. Authorization to issue bonds under this program expired on March 1, 1998.

Three of the four remaining hospitals in the State's Secured Hospital Program are in poor financial condition and are included in the liability recognized by the State. During the fiscal year, the State paid $14 million, resulting in cumulative payments of $99 million under the obligation since fiscal year 2014 when the State's contingent contractual obligation was first invoked. Of the $99 million paid, $64 million is related to those obligations outstanding at March 31, 2018. The State has recognized a liability under the guarantee of approximately $68 million based on the present value of expected debt service payments required through fiscal year 2028, net of the present value of anticipated revenues from a lease agreement on one of the properties and the estimated market value of other properties assumed by affiliates of DASNY through bankruptcy proceedings, that will be used to offset the debt service payments. This amount would cover the debt service costs for one hospital which had its debt service obligation discharged in bankruptcy, a second hospital which closed in 2010 and a third hospital that is currently delinquent in its payments. The State has estimated an additional exposure of $9 million annually if all hospitals fail to meet their terms and available reserve funds are depleted.

In order to provide additional inducement to investors to purchase the obligations of certain public benefit corporations, the legislation creating these corporations authorizes the State to make up any deficiencies in their debt service reserve funds, subject to legislative appropriation (effectively, a “moral obligation” debt to back the corporations’ credit). Such “moral obligation” debt does not constitute a full faith and credit obligation of the State. As of March 31, 2018, approximately $800 thousand in moral obligation bonds were outstanding. During the year, the State was not called on to make any payments.

Health care providers have a right to appeal Medicaid reimbursement rates. Based on an analysis of appeals, a liability of $528 million has been recognized in the government-wide Statement of Net Position. Settlements were reached between the State and the majority of nursing home providers in 2016 for $850 million in rate appeals. The settlements are being paid in five annual payments of approximately $170 million each, starting in the fiscal year ended March 31, 2016. To date, $501 million has been paid. Accordingly, the State has reported the remaining liability of $349 million, which is reflected in the $528 million amount noted above.

The Centers for Medicare and Medicaid Services (CMS) disallowed Medicaid claims for services provided by the New York State Office for People with Developmental Disabilities in fiscal years 2011, 2012 and 2013. The State and CMS reached a settlement agreement on March 20, 2015 on this matter, whereby the State agreed to pay a total of $1.95 billion to CMS. The agreement called for the State to adjust the federal and State shares of Medicaid costs over 12 years to yield repayments of $850 million in fiscal year 2016, and $100 million in fiscal years 2017 through 2027. Through March 31, 2018, the State has reimbursed the federal government $1.05 billion and accordingly, has reported the remaining liabilities of $900 million in the governmental activities.

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

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

Workers’ compensation is provided with the State Insurance Fund acting as the State’s administrator and claims processing agent. Under an agreement with the State Insurance Fund, the State pays only what is necessary to fund claims. Based on actuarial calculations, discounted at 0.35 percent as of March 31, 2018, the State is liable for unfunded claims and incurred but not reported claims totaling $4.6 billion, which are reported as accrued liabilities in the government-wide Statement of Net Position.

Changes in the State’s liability relating to workers’ compensation claims, litigation and incurred but not reported loss estimates related to medical malpractice claims (Note 11), and auto claims in fiscal years 2017 and 2018 were (amounts in millions):

Fiscal Year	**Claim Liability Beginning of Year**	**Increase in Liability Estimate**	**Payments and Decrease in Liability Estimate**	**Claim Liability End of Year**
2016-2017	$ 4,637	$ 1,093	$ 552	$ 5,178
2017-2018	$ 5,178	$ 961	$ 739	$ 5,400

The State Finance Law requires the Abandoned Property Fund, a Private Purpose Trust Fund, to have a maximum cash balance of $750,000 at fiscal year-end. All Abandoned Property receipts are recorded in the General Fund and receipts recorded in the Abandoned Property Fund are for payment upon approval of a claim. At March 31, 2018, the Abandoned Property Fund included $209 million of securities not yet liquidated and not subject to the State Finance Law's cash provisions. Net collections from inception (1942) to March 31, 2018 of approximately $15.4 billion, excluding interest, represent a contingent liability to the State since the owners of such property may file claims for refunds.

Restricted net position, representing the probable amount of escheat property that will be reclaimed and paid to claimants, is reported in the Abandoned Property Fund (Fund). To the extent that assets in the Fund are less than the claimant liability, a receivable (due from other funds) is reported in that Fund and an equal liability (due to other funds) is reported in the General Fund. At March 31, 2018, the amount reported in the Fund for net position restricted for claimant liability is $3.2 billion and the amount reported in the General Fund as due to the Fund is $2.8 billion. Since receipts in the Fund are expected to be adequate to pay current claims, it is not expected that General Fund support for that purpose will be required. Claims paid from the Fund during the year totaled $432 million.

The State is liable for costs relating to the closure and post-closure of landfills totaling $12 million, which is recorded in accrued liabilities. Closure and post-closure requirements are generally governed by Title 6, Part 360 of the New York Code of Rules and Regulations. Since most landfills are inactive, the liability reflects the total estimated closure and post-closure cost at year-end. Liability estimates are based on engineering studies or on estimates by agency officials that are updated annually.

GASBS No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, provides guidance for state and local governments in estimating and reporting the potential costs of pollution remediation. While GASBS 49 does not require the State to search for pollution, it does require the State to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and the State is compelled to take action;
- The State is in violation of a pollution-related permit or license;
- The State is named or has evidence that it will be named as responsible party by a regulator;
- The State is named or has evidence that it will be named in a lawsuit to enforce a cleanup; or
- The State commences or legally obligates itself to conduct remediation activities.

Site investigation, planning and design, cleanup and site monitoring are typical remediation activities underway across the State. Several State agencies have dedicated programs, rules and regulations that routinely deal with remediation-related issues; others become aware of pollution conditions in the fulfillment of their missions. The State has the knowledge and expertise to estimate its remediation obligations based upon prior experience in identifying and funding similar remediation activities. The standard requires the State to calculate pollution remediation liabilities using the expected cash flow technique. Where the State cannot reasonably estimate a pollution remediation obligation, it does not report a liability; however, the State has not identified any such situation.

The State's estimated pollution remediation obligations are subject to change over time. Costs may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimated obligations. Prospective recoveries from responsible parties may reduce the State's obligation. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

During the fiscal year, the State recognized estimated additional liabilities of $196 million, spent $147 million in activities related to pollution remediation obligations and recognized adjustments decreasing the liability by $8 million. The State recovered $37 million from other responsible parties. At March 31, 2018, the State had an outstanding pollution remediation liability of $1.1 billion, with an estimated potential recovery of $91 million from other responsible parties.

A lawsuit was filed in 2006 by the Attorney General of New York to recover the settlement payments that were withheld from the State by Tobacco Settlement Financing Corporation (TSFC). In addition, Participating Manufacturers brought a nationwide arbitration against the settling states, including New York, asserting that those states failed to diligently enforce their respective escrow statutes in 2003 as required to maintain the base settlement payments per the Master Settlement Agreement. This was settled in 2003. On September 11, 2013, New York was found to have diligently enforced its qualifying statute in 2003 and, thus, is not subject to the adjustment for 2003. The same claim for the 2004-2012 years has been raised, but none of those years is yet in arbitration. The Participating Manufacturers had indicated their intent to bring a nationwide NPM Adjustment Arbitration for sales year 2004 against New York and the other states that rejected the term sheet. On October 20, 2015, New York and the Participating Manufacturers announced a settlement of all outstanding disputes between them concerning non-participating manufacturers' adjustments and related disputed payment account deposits relating to all prior sales years under the Master Settlement Agreement (MSA). The settlement released to New York 90 percent of the funds currently held in the deposit payment account for past adjustment claims. Future MSA annual payments will be discounted based on a fixed amount per pack but modified based on overall volume. Beyond the stipulated discount, New York will not be at risk of losing any of its future annual payments as a result of extended arbitration proceedings. Under the settlement, there will be no future non-participating manufacturer adjustment arbitrations involving New York, and New York will no longer risk losing its entire annual MSA payment.

Several unions have not reached labor settlement agreements with the State at this time. Settlements may result in added costs to the State. The Enacted Budget assumes spending related to these settlements, but the actual settlements could exceed the amounts in the budget.

Note 11 Litigation

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

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

With respect to pending and threatened litigation, the State has reported, in the governmental activities, liabilities of $781 million, of which $724 million pertains to SUNY, for awarded claims, anticipated unfavorable judgments, and incurred but not reported loss estimates related to medical malpractice claims. In addition, the State is party to other claims and litigation that its legal counsel has advised may result in possible adverse court decisions with estimated potential losses of approximately $65 million.

Note 12 Retirement Systems

New York State and Local Retirement System

The Office of the State Comptroller administers the following plans: the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS), which are collectively referred to as the New York State and Local Retirement System (the System). The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. ERS and PFRS are cost-sharing, multiple-employer, defined benefit pension plans. The Public Employees' Group Life Insurance Plan (GLIP) provides death benefits in the form of life insurance. For financial reporting purposes, GLIP amounts are apportioned to and included as part of either ERS or PFRS.

The System issues a publicly available Comprehensive Annual Financial Report that includes financial statements, expanded disclosures, and required supplementary information for the System. The report may be obtained by writing to the New York State and Local Retirement System, Office of the State Comptroller, 110 State Street, Albany, New York, 12244-0001 or at *www.osc.state.ny.us/retire*.

Plan Benefits

The System provides retirement benefits as well as death and disability benefits. Retirement benefits are established by the New York State Retirement and Social Security Law (RSSL) and are dependent upon the point in time at which the employees last joined the System. The RSSL has established distinct classes of membership. The System uses a tier concept within ERS and PFRS to distinguish these groups, as follows:

ERS

Tier 1	Those persons who last became members before July 1, 1973.
Tier 2	Those persons who last became members on or after July 1, 1973, but before July 27, 1976.
Tier 3	Generally, those persons who are State correction officers who last became members on or after July 27, 1976, but before January 1, 2010, and all others who last became members on or after July 27, 1976, but before September 1, 1983.
Tier 4	Generally, except for correction officers, those persons who last became members on or after September 1, 1983, but before January 1, 2010.
Tier 5	Those persons who last became members on or after January 1, 2010, but before April 1, 2012.
Tier 6	Those persons who first became members on or after April 1, 2012.

PFRS

Tier 1	Those persons who last became members before July 31, 1973.
Tier 2	Those persons who last became members on or after July 31, 1973, but before July 1, 2009.
Tier 3	Those persons who last became members on or after July 1, 2009, but before January 9, 2010.
Tier 4	N/A
Tier 5	Those persons who last became members on or after January 9, 2010, but before April 1, 2012, or who were previously PFRS Tier 3 members and elected to join Tier 5.
Tier 6	Those persons who first became members on or after April 1, 2012.

Generally, members of ERS and PFRS must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Full benefits may be collected at age 55 for Tier 1 members. Members of Tiers 2, 3 and 4 must generally have five years of service to be eligible to collect a retirement benefit. The full benefit age for members of Tiers 2, 3 and 4 is 62. Members in Tiers 3 and 4 with less than five years of service may withdraw and obtain a refund, including interest, of the accumulated employee contributions. Tier 5 members must have ten years of service to be eligible to collect a retirement benefit. The full benefit age for Tier 5 members is 62. Tier 6 members must have ten years of service to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members. Members who joined the System prior to January 1, 2010 generally need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) need 10 years of service credit to be 100 percent vested.

Typically, the benefit for members in all Tiers within ERS and PFRS is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a Tier 1 or 2 member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. If a Tier 3, 4 or 5 member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a Tier 3, 4 or 5 member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Final average salary for Tiers 1 through 5 is the average of the wages earned in the three highest-paid consecutive years of employment. For Tier 1 members, earnings in any year included in the final average salary calculation cannot exceed the previous year's earnings by more than 20 percent. For Tier 2 members, earnings in any year included in the final average salary calculation cannot exceed the average of the previous two years by more than 20 percent. For Tier 3, 4 and 5 members, the earnings for any year used in computing final average salary cannot exceed the average of the previous two years by more than 10 percent. The benefit for Tier 6 members who retire with 20 years of service is 1.75 percent of final average salary for each year of service. If a Tier 6 member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. The final average salary for a Tier 6 member is computed as the average of the wages earned in the five highest-paid consecutive years. Earnings for each year used in the final average salary calculation cannot exceed the average of the previous four years by more than 10 percent.

A cost-of-living adjustment is provided annually to: pensioners who have attained age 62 and have been retired for five years; pensioners who have attained age 55 and have been retired for 10 years; all disability pensioners, regardless of age, who have been retired for five years; ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed $18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or greater than 3 percent.

Contributions

Employee contribution requirements depend upon the point in time at which an employee last joined the System. Most Tier 1 and Tier 2 members of ERS and most members of PFRS are not required to make employee contributions. Employees in Tiers 3, 4 and 5 are required to contribute 3 percent of their salaries. However, as a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees who have ten or more years of membership or credited service within the System are not required to contribute. The Tier 6 contribution rate varies from 3 percent to 6 percent, depending on salary. Tier 5 and 6 members are required to contribute for all years of service. Members cannot be required to begin contributing or to make increased contributions beyond what was required when their memberships began.

Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2018 was approximately 15.3 percent of payroll. The average contribution rate for PFRS for the fiscal year ended March 31, 2018 was approximately 24.4 percent of payroll. The State's contributions for the year ended March 31, 2018 were $1.6 billion for ERS and $166 million for PFRS.

Chapter 57 of the Laws of 2010 authorized the State and local employers to amortize a portion of their annual pension costs over ten years during periods when actuarial contribution rates exceed thresholds established by the statute. Specific provisions include:

- The thresholds for the fiscal year ended 2011 were 9.5 percent of payroll for ERS and 17.5 percent of payroll for PFRS. The interest rate was 5 percent. The amortized amount receivable due to the System as of March 31, 2018 from the State is $88.1 million and from participating employers is $10.7 million.
- The thresholds for the fiscal year ended 2012 were 10.5 percent of payroll for ERS and 18.5 percent for PFRS. The interest rate was 3.75 percent. The amortized amount receivable due to the System as of March 31, 2018 from the State is $250.8 million and from participating employers is $77.3 million.
- The thresholds for the fiscal year ended 2013 were 11.5 percent of payroll for ERS and 19.5 percent for PFRS. The interest rate was 3 percent. The amortized amount receivable due to the System as of March 31, 2018 from the State is $418.7 million and from participating employers is $167.4 million.
- The thresholds for the fiscal year ended 2014 were 12.5 percent of payroll for ERS and 20.5 percent for PFRS. The interest rate was 3.67 percent. The amortized amount receivable due to the System as of March 31, 2018 from the State is $603.5 million and from participating employers is $115 million.
- The thresholds for the fiscal year ended 2015 were 13.5 percent of payroll for ERS and 21.5 percent for PFRS. The interest rate was 3.15 percent. The amortized amount receivable due to the System as of March 31, 2018 from the State is $522.9 million and from participating employers is $97.7 million.
- The thresholds for the fiscal year ended 2016 were 14.5 percent of payroll for ERS and 22.5 percent for PFRS. The interest rate was 3.21 percent. The amortized amount receivable due to the System as of March 31, 2018 from the State is $294.2 million and from participating employers is $53.6 million.
- The thresholds for the fiscal year ended 2017 are 15.1 percent of payroll for ERS and 23.5 percent for PFRS. The interest rate is 2.33 percent. The amortized amount receivable due to the System as of March 31, 2018 from the State is zero and from participating employers is $5.6 million.
- The thresholds for the fiscal year ended 2018 are 14.9 percent of payroll for ERS and 24.3 percent for PFRS. The interest rate is 2.84 percent. The amortized amount receivable due to the System as of March 31, 2018 from the State is zero and from participating employers is $4.4 million.

Amounts owed by the State under these programs have been allocated among the governmental activities, and the SUNY and Lottery enterprise funds.

The fiscal year 2014 Enacted Budget included an alternate contribution program (the Alternate Contribution Stabilization Program) that provided certain participating employers with a one-time election to amortize slightly more of their required contributions than would be available for amortization under the 2010 legislation. In addition, the maximum payment period was increased from ten years to twelve years. The election was available to counties, cities, towns, villages, BOCES, school districts and the four public health care centers operated in the counties of Nassau, Westchester and Erie. The State was not eligible to participate in the Alternate Contribution Stabilization Program. Further specific provisions include:

- The thresholds for the fiscal year ended 2014 were 12 percent of payroll for ERS and 20 percent for PFRS. The interest rate was 3.76 percent. The amortized amount receivable due to the System as of March 31, 2018 from participating employers is $171.7 million.
- The thresholds for the fiscal year ended 2015 were 12 percent of payroll for ERS and 20 percent for PFRS. The interest rate was 3.5 percent. The amortized amount receivable due to the System as of March 31, 2018 from participating employers is $154.5 million.
- The thresholds for the fiscal year ended 2016 were 12.5 percent of payroll for ERS and 20.5 percent for PFRS. The interest rate was 3.31 percent. The amortized amount receivable due to the System as of March 31, 2018 from participating employers is $115.2 million.
- The thresholds for the fiscal year ended 2017 were 13 percent of payroll for ERS and 21 percent for PFRS. The interest rate is 2.63 percent. The amortized amount receivable due to the System as of March 31, 2018 from participating employers is $86.2 million.
- The thresholds for the fiscal year ended 2018 were 13.5 percent of payroll for ERS and 21.5 percent for PFRS. The interest rate is 3.31 percent. The amortized amount receivable due to the System as of March 31, 2018 from participating employers is $74.9 million.

Net Pension Liabilities and Other Pension-Related Amounts

For purposes of determining net pension liability and other pension-related amounts, information about the fiduciary net position of ERS and PFRS and additions to and deductions from the fiduciary net position of ERS and PFRS have been determined on the same basis reported by the System. Benefits are recognized when due and payable. Investments are recorded at fair value as further described in Note 2.

The State's proportionate share of the collective net pension liability for ERS and PFRS reported at March 31, 2018, was measured as of March 31, 2017, and was determined using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. The State's share of the ERS and PFRS net pension liabilities measured at March 31, 2017, were 43.2 percent for ERS and 21 percent for PFRS, as compared to 42.5 percent for ERS and 19.1 percent for PFRS at March 31, 2016. The State's shares related to each plan were determined consistently with the manner in which contributions to the pension plan are determined. The State's total projected long-term contribution effort to ERS and PFRS was compared to the total projected long-term contribution effort from all employers to ERS and PFRS in order to determine the State's proportionate share of the respective plan's net pension liability.

State employees engaged in governmental activities, as well as those employed by the SUNY and Lottery enterprise funds, are generally members of ERS. The State proportion of the ERS collective net pension liability measured at March 31, 2017 of 43.2 percent was allocated 40.3 percent to governmental activities, 2.8 percent to the SUNY enterprise fund, and 0.05 percent to the Lottery enterprise fund, as compared to the March 31, 2016 proportion being allocated 39.6 percent to governmental activities, 2.8 percent to the SUNY enterprise fund, and 0.05 percent to the Lottery enterprise fund. In addition to its allocation of the State proportion, SUNY recognized a proportion of the ERS collective net pension liability of 2.6 percent associated with specific related entities excluded from the State proportion. The State proportion of the PFRS collective net pension liability measured at March 31, 2017 of 21 percent was allocated 20 percent to governmental activities and 1 percent to the SUNY enterprise fund, as compared to the March 31, 2016 proportion that was allocated entirely to governmental activities.

The State recognized net pension liability of $3.8 billion and $415.2 million in governmental activities for its respective proportionate shares of the ERS and PFRS collective net pension liabilities. Pension expense recognized by the State in governmental activities was $2.2 billion for ERS and $238.8 million for PFRS for the year ended March 31, 2018. The State reported the following deferred outflows of resources and deferred inflows of resources in governmental activities for ERS and PFRS at March 31, 2018 (amounts in millions):

	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 95	$ 574	$ 54	$ 72
Net difference between projected and actual investment earnings on pension plan investments	755	—	62	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	50	49	7	29
Changes in assumptions	1,292	—	205	—
Contributions made subsequent to measurement date	1,525	—	158	—
Total	**$ 3,717**	**$ 623**	**$ 486**	**$ 101**

The amounts of deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2019. The remaining cumulative net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the governmental activities will be recognized in future pension expense as follows (amounts in millions):

Fiscal Year	ERS	PFRS
2019	$ 720	$ 77
2020	720	77
2021	640	72
2022	(511)	(7)
2023	—	8
Total	**$ 1,569**	**$ 227**

SUNY recognized net pension liability of $510.4 million and $21.8 million for its proportionate shares of the ERS and PFRS net pension liabilities, respectively, measured on March 31, 2017. For the year ended June 30, 2017, SUNY recognized pension expense of $282.6 million and $12.5 million for ERS and PFRS, respectively. Deferred outflows of resources and deferred inflows of resources related to ERS and PFRS are from the following sources (amounts in millions):

	SUNY			
	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 13	$ 77	$ 3	$ 4
Net difference between projected and actual investment earnings on pension plan investments	102	—	3	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	6	35	—	2
Changes in assumptions	175	—	11	—
Total	**$ 296**	**$ 112**	**$ 17**	**$ 6**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for SUNY ERS and SUNY PFRS will be recognized in future pension expense as follows (amounts in millions):

	SUNY	
Fiscal Year	ERS	PFRS
2018	$ 87	$ 4
2019	87	4
2020	81	3
2021	(71)	—
Total	**$ 184**	**$ 11**

The Lottery recognized a net pension liability of $4.8 million for its proportionate share of the ERS net pension liability. For the year ended March 31, 2018, Lottery recognized pension expense of $2.8 million related to ERS. Deferred outflows of resources and deferred inflows of resources related to ERS are from the following sources (amounts in millions):

	Lottery	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 1
Net difference between projected and actual investment earnings on pension plan investments	1	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	—
Changes in assumptions	2	—
Contributions made subsequent to measurement date	2	—
Total	**$ 5**	**$ 1**

The amounts of deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for Lottery will be recognized in future pension expense in the amount of $1 million each year over the next three fiscal years and ($1) million in the fourth year.

Actuarial Assumptions

The total pension liability for the March 31, 2017 measurement date was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. The actuarial valuation for both ERS and PFRS used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.5 percent
Salary scale	3.8 percent in ERS; 4.5 percent in PFRS, indexed by service
Investment rate of return, including inflation	7 percent compounded annually, net of investment expenses
Cost of living adjustments	1.3 percent annually
Decrements	Developed from each plan's 2015 experience study for period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for ERS and PFRS as of April 1, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic equities	36%	4.55%
International equities	14%	6.35%
Private equities	10%	7.75%
Real estate	10%	5.80%
Absolute return strategies	2%	4.00%
Opportunistic portfolio	3%	5.89%
Real assets	3%	5.54%
Bonds and mortgages	17%	1.31%
Cash	1%	(0.25%)
Inflation-indexed bonds	4%	1.50%
Total	**100%**	

Discount Rate

The discount rate used to measure the ERS and PFRS total pension liabilities as of March 31, 2017 was 7 percent, unchanged from the discount rate of 7 percent for the March 31, 2016 measurement date. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon these assumptions, the ERS and PFRS fiduciary net positions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the current period net pension liability of the State governmental activities, SUNY and Lottery calculated using the current period discount rate assumption of 7 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current assumption (amounts in millions):

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
Governmental activities ERS net pension liability (asset)	$ 12,077	$ 3,781	$ (3,233)
Governmental activities PFRS net pension liability (asset)	$ 1,177	$ 415	$ (224)
SUNY—ERS net pension liability (asset)	$ 1,630	$ 510	$ (436)
SUNY—PFRS net pension liability (asset)	$ 62	$ 22	$ (12)
Lottery net pension liability (asset)	$ 15	$ 5	$ (4)

Voluntary Defined Contribution Plan

The Voluntary Defined Contribution Plan (VDCP) is offered though the Teachers Insurance and Annuity Association (TIAA, formerly known as TIAA-CREF). TIAA is an Optional Retirement Program (ORP) and provides retirement and death benefits through annuity contracts to those employees who elected to participate in the ORP. The VDCP is a defined contribution pension plan. The SUNY ORP is the administrator of the VDCP.

Prior to March 16, 2012, a limited number of employees, most notably employees of SUNY and CUNY Senior Colleges, had the option of enrolling in this plan. Legislation signed into law on March 16, 2012, made the existing VDCP available to all eligible State employees who choose the plan as their retirement selection. The VDCP is available to unrepresented employees of New York State public employers who were hired on or after July 1, 2013 and who earn $75,000 or more on an annual basis. The VDCP includes a 366-day vesting period, after which a participant has full and immediate vesting in all retirement benefits provided by the annuities purchased through the employee and employer contributions. The employer and employee contributions are not deposited into accounts until the completion of the 366-day vesting period. Until that time, the funds are held in escrow by the Office of the State Comptroller. A participant who does not complete the vesting period is entitled to a refund of contributions, plus interest, upon request. The VDCP is the employee's personal retirement account, and is supported by employer and employee contributions plus any applicable earnings. A participant's income in retirement will be determined by the account balance. The employee has the opportunity for higher or lower retirement income based on his or her investment decisions and the performance of the investment options selected by the employee. The retirement income benefit will depend on several factors including salary, duration of contributions, investment earnings and age at retirement. Income is not guaranteed.

Contribution rates are established by legislation passed by the State. Currently, the employer contribution of 8 percent of compensable salary is made to participants' accounts while enrolled in this plan. For the first three years of membership, the employee contribution rate is based on the reported annual wage. After the first three years of membership, the employee contribution will be based on actual wages earned during the prior two years. Legislation signed into law on March 16, 2012 established the contribution rates. Employee contributions increase in a progressive fashion based on salary:

Annual Wage	Employee Contribution Rate
$45,000 or less	3.00%
$45,000 to $55,000	3.50%
$55,000 to $75,000	4.50%
$75,000 to $100,000	5.75%
More than $100,000	6.00%

Employer and employee contributions for governmental activities to the VDCP were $2.5 million and $1.9 million, respectively, for March 31, 2018.

Other SUNY-related Pension Plans

New York State Teachers' Retirement System

SUNY participates in the New York State Teachers' Retirement System (TRS). TRS was created and exists pursuant to Article 11 of the New York State Education Law. TRS is a cost-sharing, multiple-employer, defined-benefit public plan separately administered by a ten-member board to provide pension and ancillary benefits to teachers employed by participating employers in the State of New York, excluding New York City. The System issues a publicly available financial report that includes financial statements, expanded disclosures, and required supplementary information for the System. The report may be obtained at *www.nystrs.org/Library/Publications/Annual-Report*.

Plan Benefits

Plan benefits for TRS are similar to those for ERS. Benefits vary based on the date of membership, years of credited service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments.

The RSSL has established distinct classes of membership. The System uses a Tier concept within TRS to distinguish these groups, as follows:

Tier 1	Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.
Tier 2	Members who last joined on or after July 1, 1973, and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the RSSL.
Tier 3	Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.
Tier 4	Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.
Tier 5	Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.
Tier 6	Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2 percent of final average salary per year of credited service. Tiers 2 through 5 are eligible for the same benefit, but with the following limitations: (1) Tier 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service, or a reduced benefit for retirement at ages 55 through 61 with less than 30 years of service; and (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service, or a reduced benefit for retirement at ages 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service. Tier 6 members are eligible for a service retirement allowance of 1.75 percent of final average salary per year of credited service for the first 20 years of service plus 2 percent of final average salary per year for years of service in excess of 20 years. Tier 6 members receive an unreduced benefit for retirement at age 63, and receive a reduced benefit at ages 55 through 62 regardless of service credit. Plan benefits vest after five years of credited service for members of Tiers 1 through 4 who joined prior to January 1, 2010. For members of Tiers 5 and 6, benefits generally vest after 10 years of service. Obligations of employers and employees to contribute, and related benefits, are governed by the RSSL and the Education Law and may only be amended by the Legislature with the Governor's approval.

Permanent cost-of-living adjustment (COLA) benefits for both current and future retired members are provided in Section 532-a of the Education Law. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for five years or who have attained age 55 and have been retired for 10 years. Disability retirees must have been retired for five years, regardless of age, to be eligible. The annual COLA percentage is equal to 50 percent of the increase in the consumer price index, not to exceed 3 percent nor be lower than 1 percent. It is applied to the first $18,000 of the annual benefit.

Contributions

Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3 percent of salary to the System. Tier 5 members are required by law to contribute 3.5 percent of salary throughout their active membership. Tier 6 members are required by law to contribute between 3 percent and 6 percent of salary throughout their active membership, in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or less than 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5 percent per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

Employers are required to contribute at an actuarially determined rate adopted annually by the Retirement Board, pursuant to Article 11 of the New York State Education Law. The actuarially determined contribution rate applicable to 2016-17 salaries was 11.72 percent. For the fiscal year ended June 30, 2017, SUNY employer contributions were $16.7 million.

Net Pension Liability and Asset and Pension-Related Amounts

SUNY's proportionate share of the collective TRS net pension liability reported at June 30, 2017 of $8.7 million was measured at June 30, 2016. SUNY's proportion of the collective TRS net pension liability was based on the ratio of the SUNY employer contribution to the total TRS contractually required employer contributions for the year ended June 30, 2016. SUNY's proportion of the collective TRS net pension liability measured at June 30, 2016 was 0.82 percent, compared to SUNY's proportion of the collective TRS net pension asset of 0.74 percent measured at June 30, 2015.

For purposes of determining net pension liability and other pension-related amounts, information about the fiduciary net position of TRS and additions to and deductions from the TRS fiduciary net position have been determined on the same basis reported by the System. Plan benefits are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

For the year ended June 30, 2017, SUNY recognized pension expense of $13.6 million related to TRS. At June 30, 2017, SUNY reported deferred outflows of resources and deferred inflows of resources related to TRS from the following sources (amounts in millions):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 3
Net difference between projected and actual investment earnings on pension plan investments	20	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	5
Changes in assumptions	49	—
Employer contributions subsequent to measurement date	25	—
Total	**$ 94**	**$ 8**

The employer contributions of $25 million subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2018. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to TRS will be recognized in pension expense as follows (amounts in millions):

Fiscal Year	
2018	$ 5
2019	5
2020	20
2021	16
2022	7
Thereafter	8
Total	**$ 61**

Actuarial Assumptions

The net pension liability for the June 30, 2016 measurement date was determined by using an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the net pension liability to June 30, 2016. The actuarial valuation used the following actuarial assumptions:

Inflation	2.5 percent
Investment rate of return, including inflation	7.5 percent compounded annually, net of investment expenses
Cost-of-living adjustments	1.5 percent compounded annually

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvement based on Society of Actuaries Scale MP-2014. Rates of projected salary increases differ based on service. They have been calculated based on recent TRS member experience and range from 1.9 percent to 4.7 percent.

Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standards of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations* (ASOP No. 27), which provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to the expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of the valuation date of June 30, 2016 are as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic equities	37%	6.1%
International equities	18%	7.3%
Real estate	10%	5.4%
Private equities	7%	9.2%
Domestic fixed income securities	17%	1.0%
Global fixed income securities	2%	0.8%
Mortgages	8%	3.1%
Short-term investments	1%	0.1%
Total	**100%**	

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2016 was 7.5 percent, as compared to 8 percent at the June 30, 2015 measurement date. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability (asset) of SUNY, calculated using the discount rate of 7.5 percent as well as what SUNY's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) and 1 percentage point higher (8.5 percent) than the current year rate (amounts in millions):

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Net pension liability (asset)	$ 114.1	$ 8.7	$ (79.6)

Upstate Medical University Plan for Former Employees of Community General Hospital

SUNY administers a single-employer defined-benefit plan, the Upstate Medical University Retirement Plan for Former Employees of Community General Hospital (CGH) (Upstate Plan). This plan provides for retirement benefits for former employees of CGH, and can be amended subject to applicable collective bargaining and employment agreements. For those who opted out of this plan, benefit accruals were frozen. No new participants can enter this plan. SUNY established a Pension Oversight Committee (Committee) which has the primary fiduciary responsibility for oversight of the Upstate Plan. The Committee is permitted to invest plan assets pursuant to various provisions of State law, including the RSSL.

The Upstate Plan provides retirement, disability, termination and death benefits to plan participants and their beneficiaries. Pension benefits are generally based on the highest five-year average compensation of the final ten years of employment, and years of credited service as outlined in the plan. Covered employees with five or more years of service are entitled to a pension benefit beginning at normal retirement age (65). Participants become fully vested after five years of service. Participants with less than five years of service are not vested. The funding policy is to contribute enough to the Upstate Plan to satisfy the annual required contribution. Employer contributions for 2017 were $2.8 million. Employees do not contribute to the plan. At December 31, 2016, membership of the Upstate Plan totaled 1,564 members, comprising 421 active members, 408 inactive vested members, and 735 retirees and beneficiaries currently receiving benefits.

The Upstate Plan issues a stand-alone financial report on a calendar year basis that includes disclosure about the elements of the plan's basic financial statements.

These financial statements are prepared on the accrual basis of accounting in accordance with GAAP, with investments reported at fair value and benefits recognized when due and payable in accordance with the terms of the Upstate Plan. The Upstate Plan's fiduciary net position for purposes of determining net pension liability has been determined on the same basis used by the Upstate Plan. The pension plan financial statements may be requested at *FOIL@upstate.edu*.

Net Pension Liability and Other Pension-Related Amounts

SUNY recognized a net pension liability related to the Upstate Plan of $10.5 million as of June 30, 2017, based on the net pension liability as reported by the plan as of December 31, 2016, as follows (amounts in millions):

Total pension liability	$ 106.0
Plan fiduciary net position	95.5
Net pension liability	**$ 10.5**

Pension expense for the year was $3.4 million. At June 30, 2017, SUNY reported deferred outflows of resources and deferred inflows of resources related to the Upstate Plan from the following sources (amounts in millions):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ 4	$ 1
Changes in assumptions	—	1
Employer contributions subsequent to measurement date	2	—
Total	**$ 6**	**$ 2**

The employer contributions of $2 million made subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2018. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to the Upstate Plan will be recognized in pension expense as follows (amounts in millions):

Fiscal Year	
2018	$ 0.5
2019	1.0
2020	1.0
2021	(0.3)
Total	**$ 2.2**

Actuarial Assumptions

The total pension liability at December 31, 2016 was determined by using an actuarial valuation as of December 31, 2016. The actuarial assumptions included in the December 31, 2016 measurement included an inflation factor of 3 percent, projected salary increases of 3.5 percent and an investment rate of return of 6.5 percent. Mortality rates were based on the RP-2014 Mortality Tables with full generational projections using Scale MP-2016.

Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined in accordance with ASOP No. 27, which provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to the expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in the Upstate Plan's target asset allocation as of December 31, 2016 is as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
U.S. equities	50%	4.60%
Non-U.S. equities	15%	4.50%
Fixed income	30%	0.75%
Alternatives (Real assets)	5%	3.50%
Total	**100%**	

Discount Rate

The discount rate used to measure the net pension liability measured at December 31, 2016 was 6.5 percent, which is consistent with the December 31, 2015 measurement date. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from members will be made at statutorily required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability calculated using the discount rate of 6.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.5 percent) or 1 percentage point higher (7.5 percent) than the current rate (amounts in millions):

	1% Decrease (5.5%)	Current Assumption (6.5%)	1% Increase (7.5%)
Net pension liability	$ 23	$ 10	$ —

Optional Retirement Program

SUNY employees may also participate in an Optional Retirement Program (ORP) under IRS Section 401(a), which is a multiple-employer, defined contribution plan administered by separate vendors—TIAA, Fidelity, Metropolitan Life, VALIC, and VOYA. ORP employer and employee contributions are dictated by State law. The ORP provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in an ORP. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. Employer contributions are not remitted to an ORP plan until an employee is fully vested. As such, there are no forfeitures reported by these plans if an employee is terminated prior to vesting. Employees who joined an ORP after July 27, 1976, are required to contribute 3 percent of their salary until they have reached 10 years of service or membership. Those joining on or after April 1, 2012 are required to contribute between 3 percent and 6 percent, dependent upon their salary, for their entire working career. Employer contributions range from 8 percent to 15 percent depending upon when the employee was hired. Employee contributions are deducted from their salaries and remitted on a current basis to the respective ORP. For the year ended June 30, 2017, SUNY recognized a pension expense of $232.7 million for the ORP.

The Research Foundation

The Research Foundation for SUNY is a separate, private, nonprofit educational corporation that administers the majority of SUNY's sponsored programs. These programs are for the exclusive benefit of SUNY. The Research Foundation maintains a separate noncontributory plan through TIAA for substantially all nonstudent employees. Contributions are based on a percentage of earnings and range from 8 percent to 15 percent, depending on date of hire. Employees become fully vested after completing one year of service. Contributions are allocated to individual employee accounts. The Research Foundation pension contributions, which represents pension expense, were $31 million for 2017, which is 100 percent of the required contribution.

CUNY Senior Colleges' Pension Plans

NYCERS and NYCTRS

CUNY Senior Colleges participate in the New York City Employees' Retirement System (NYCERS) and the Teachers' Retirement System of the City of New York Qualified Pension Plan (NYCTRS). NYCERS and NYCTRS are cost-sharing, multiple-employer defined benefit plans administered by the City of New York. NYCERS and NYCTRS provide retirement benefits, as well as death and disability benefits.

NYCERS and NYCTRS provide benefits to members who are in different Tiers. A member's Tier is determined by the date of membership. Subject to certain conditions, members generally become fully vested as to benefits upon the completion of five years of service. Annual pension benefits are calculated as a percentage of final average salary multiplied by the number of years of service, and change with the number of years of membership within the plan. Benefits for members can be amended under the RSSL.

Contribution requirements of the active employees and the participating New York City agencies are established and may be amended by the NYCERS and NYCTRS Board. Employees' contributions are determined by their Tier and number of years of service. They may range between zero and 9.1 percent of their annual pay. Statutorily required contributions to NYCERS and NYCTRS are actuarially determined in accordance with State statues and City laws and are funded by the employer within the appropriate fiscal year. CUNY made its contractually required contributions to both NYCERS and NYCTRS for the year ended June 30, 2017 in the amounts of $38.8 million and $84.6 million, respectively.

Each of these retirement plans issue publicly available financial reports that include financial statements and required supplementary information. Please refer to *www.nycers.org* and *www.trsnyc.org* for additional information about NYCERS and NYCTRS, respectively.

Net Pension Liability and Other Pension-Related Amounts

At June 30, 2017, CUNY reported liabilities of $242.3 million and $505.2 million for NYCERS and NYCTRS, respectively, for its proportionate share of each plan's net pension liability, measured as of June 30, 2017.

CUNY's proportion of the respective net pension liability at June 30, 2017 was based on CUNY's actual contributions to NYCERS and NYCTRS relative to the total contributions of participating employers for each plan for fiscal year 2017, which was 1.2 percent and 2.2 percent for NYCERS and NYCTRS, respectively. CUNY's proportion of the net pension liabilities of NYCERS and NYCTRS were 1.2 percent and 2.8 percent for fiscal year 2016, respectively.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net positions of NYCERS and NYCTRS and additions to and deductions from NYCERS' and NYCTRS' respective fiduciary net positions have been determined on the same basis as they are reported by NYCERS and NYCTRS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CUNY's annual pension expense for NYCERS and NYCTRS for the fiscal year ended June 30, 2017 was approximately $33.7 million and $77.7 million, respectively. The following presents a summary of the deferred outflows of resources and deferred inflows of resources at June 30, 2017 (amounts in millions):

	NYCERS		NYCTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ —	$ 6	$ 39	$ —
Net difference between projected and actual investment earnings on pension plan investments	—	10	—	71
Changes in proportion and differences between employer contributions and proportionate share of contributions	(14)	(3)	(121)	(27)
Changes in assumptions	12	—	25	—
Total	**$ (2)**	**$ 13**	**$ (57)**	**$ 44**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts in millions):

Fiscal Year	NYCERS	NYCTRS
2018	$ (1)	$ (5)
2019	4	7
2020	(5)	(29)
2021	(11)	(37)
2022	(2)	(17)
Thereafter	—	(20)
Total	**$ (15)**	**$ (101)**

Actuarial Assumptions

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and rolled forward to CUNY's measurement date of June 30, 2017 for both NYCERS and NYCTRS. The total pension liability in the June 30, 2015 actuarial valuation for both NYCERS and NYCTRS was determined using the following actuarial assumptions:

Inflation	2.5 percent
Salary increases	Generally 3 percent per year and increases for merit and promotion
Investment rate of return including inflation	7 percent net of investment expenses and actual return for variable funds
Cost-of-living adjustments	1.5 percent and 2.5 percent for various Tiers

Mortality rates and methods used in determination of the total pension liability for both NYCERS and NYCTRS were adopted by the New York City Retirement System (NYCRS) Boards of Trustees during fiscal year 2017. Pursuant to Section 96 of the New York City Charter, studies of the actuarial assumptions used to value liabilities of the five actuarially funded NYCRS plans are conducted every two years.

Mortality tables for service and disability pensioners were developed from an experience study of NYCERS and NYCTRS. The mortality tables for beneficiaries were developed from an experience review.

Expected Rate of Return

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for both NYCERS and NYCTRS are summarized in the following tables:

	NYCERS		
Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Rate of Return
U.S. public market equities	29%	5.70%	1.65%
International public market equities	13%	6.10%	0.79%
Emerging public market equities	7%	7.60%	0.53%
Private market equities	7%	8.10%	0.57%
U.S. fixed income	33%	3.00%	0.99%
Alternatives	11%	4.70%	0.52%
Total	**100%**		**5.05%**

	NYCTRS		
Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Rate of Return
U.S. public market equities	29%	5.70%	1.65%
International public market equities	12%	6.10%	0.73%
Emerging public market equities	9%	7.60%	0.68%
Private market equities	6%	8.10%	0.49%
U.S. fixed income	33%	3.00%	0.99%
Alternatives	11%	4.70%	0.52%
Total	**100%**		**5.06%**

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2017 for both NYCERS and NYCTRS was 7 percent. The projection of cash flow used to determine the discount rate assumed that employee contributions will be made at the rates applicable to the current Tier for each member and that the employer contributions will be made based on rates determined by the Actuary. Based on those assumptions, the respective fiduciary net positions of NYCERS and NYCTRS were projected to be available to make all projected future benefit payments of current active and non-active NYCERS and NYCTRS members. Therefore, the long-term expected rate of return on NYCERS and NYCTRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents CUNY's proportionate share of the net pension liabilities calculated using the discount rate of 7 percent, as well as what CUNY's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate (amounts in millions):

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
NYCERS	$ 350.2	$ 242.3	$ 147.5
NYCTRS	$ 672.1	$ 505.2	$ 365.6

TIAA

CUNY also provides pension plans for its employees through the Teachers' Insurance and Annuity Association (TIAA). TIAA provides retirement and death benefits for or on behalf of those full-time professional employees and faculty members electing to participate in this optional retirement program.

TIAA is a privately operated, multi-employer defined contribution retirement plan. The obligations of employers and employees to contribute to TIAA and of employees to receive benefits from TIAA are governed by the New York State Education Law and applicable New York City laws.

Employer and employee contribution requirements to TIAA are determined by the RSSL. Participating employees in Tiers 1 through 4 contribute 1.5 percent of salary on an after-tax basis. Participating employees in Tier 5 contribute 3 percent of salary on an after-tax basis. Employer contributions range from 10.5 percent to 13.5 percent for Tiers 1 through 4, depending upon the employee's compensation, and 8 percent to 10 percent of salary for Tier 5, depending upon the employee's years of service. Employee contributions for fiscal year 2017 amounted to approximately $110.9 million. The employer contributions recognized as pension expense for the year ended June 30, 2017 were $131.7 million.

Note 13 Other Postemployment Benefits (OPEB)

Governmental Activities

The New York State Health Insurance Program (NYSHIP) was established by the State Legislature in 1957 to provide health insurance to New York State employees, retirees and their eligible dependents. Public authorities, public benefit corporations, and other quasi-public entities that choose to participate in NYSHIP are participating employers (PEs). Local government units that choose to participate in NYSHIP are called participating agencies (PAs). At present, there are approximately 304 New York State agencies, 98 PEs, and 809 PAs in NYSHIP. NYSHIP currently covers approximately 608 thousand employees and retirees. Eligible covered dependents bring the total number of covered individuals to approximately 1.2 million. SUNY participates in NYSHIP, but CUNY does not. Of the State's 42 discretely presented component units, which are considered PEs, a majority participate in NYSHIP. NYSHIP does not issue a standalone financial report, but NYSHIP's activities are included within the State's financial statements. NYSHIP is classified as a single-employer, defined benefit plan and financial information is reported in an agency fund and accounted for on the accrual basis of accounting. Information related to investment valuations is presented in Note 2.

Enrollment	State[(1)]	PEs	PAs	Total
Current active participants[(2)]	182,559	38,397	103,442	324,398
Vestee participants	297	186	232	715
COBRA participants	674	567	269	1,510
Other inactive participants[(3)]	162,382	19,878	98,977	281,237
Total participants	**345,912**	**59,028**	**202,920**	**607,860**

(1) Includes State and SUNY participants.

(2) Excludes active employees (7,815 State and 175 Roswell Park PE employees) who have opted out of NYSHIP in return for a biweekly reimbursement—for State employees, equal to $1,000 and $3,000 annually for opting out of individual-only coverage and family coverage, respectively.

(3) Includes retirees, dependent survivors, long-term disability enrollees, extended benefit enrollees, young adult program enrollees and preferred list enrollees.

During the fiscal year ended March 31, 2018, NYSHIP provided health insurance coverage through: the Empire Plan, an indemnity health insurance plan with managed care components; eight Health Maintenance Organizations (HMOs); and the Student Employee Health Plan (SEHP). Generally, these plans include hospital, medical, mental health and substance abuse benefits, and prescription drug benefits.

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

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

Contributions

The authority under which the obligations of the plan members, employers and other contributing entities to contribute to the plan are established or may be amended can be found in Article XI, Section 167 of the Civil Service Law. Contributions are determined in accordance with Civil Service Law—Article XI, Sections 165, 165-a and 167, which assigns the authority to NYSHIP to establish and amend the benefit provisions of the plans and to establish maximum obligations of the plan members to contribute. The costs of administering the plan are charged as part of the health insurance premium to all payors under the authority of Section 163.2 of Civil Service Law. A retiree is generally required to pay on a monthly basis either 12 percent or 27 percent of the health insurance premium for enrollee coverage, or either 27 percent or 31 percent of the healthcare insurance premium for dependent coverage, which is reduced by the amount of sick leave credits available at the time of retirement factored by the employee's retirement age. Required employer contribution rates, depending upon enrollee or dependent coverage, are presented in the following table:

EMPLOYER CONTRIBUTIONS
(As Percentages of Premium Rates)

Enrollee Group	Enrollee Coverage	Dependent Coverage
Active Graduate Student Employees Union (GSEU)	88%	73%
Active (Union and Management-Confidential [MC])—Below Grade 10	88%	73%
Active (Union and MC)—Grade 10 and above	84%	69%
Preferred list	90%	75%
Retired before January 1, 1983	100%	75%
Retired on/after January 1, 1983 but before January 1, 2012	88%	73%
Retired on/after January 1, 2012—Below Grade 10	88%	73%
Retired on/after January 1, 2012—Grade 10 and above	84%	69%
Amended dependent survivors[1]	75%	75%
Full share dependent survivors/long term disability	—%	—%
Dependent survivors	90%	75%
Attica dependent survivors	100%	100%
Vestees	—%	—%
COBRA	—%	—%
Young Adult Option enrollees	—%	—%
Participating employers and participating agencies[2]	50%	35%

(1) State contribution for enrollee and dependent coverage is 75 percent of dependent coverage.
(2) Values reported are minimum employer share. Employers can pay greater percentages of premiums for their retirees.

The State reimburses Medicare eligible enrollees 100 percent of the cost of the monthly Medicare Part B premium. However, the funding of the cost of the Medicare reimbursements is not the sole responsibility of the employer. A Medicare Part B component has been incorporated into the NYSHIP Premium Rates. It is just one component of the NYSHIP premiums in which the above listed employer contribution percentages are applicable. The premium generated from the Medicare Part B NYSHIP rate component is utilized to make the Medicare Part B reimbursement payments to Medicare Primary NYSHIP enrollees.

In addition, the State reduces the retiree health insurance contributions for the value of a retiree's unused sick leave credit at retirement (converted to a monthly fixed value). The cost is paid by the State.

Funding Policy

The contribution requirements of NYSHIP members and the State are established and may be amended by the State Legislature. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide current benefits to retirees. For the fiscal year ended March 31, 2018, the State paid $1.6 billion on behalf of the plan. The RSI contains a schedule of funding progress that presents multiyear trend information for the actuarial values of plan assets and accrued liabilities.

Annual OPEB Cost and Net OPEB Obligation

The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. Amounts "required" but not actually set aside to pay for these benefits are accumulated with interest as part of the net OPEB obligation, after adjusting for amounts previously "required." The State's annual OPEB cost for the year, the amount actually paid on behalf of the plan, and changes in the State's net OPEB obligation to the plan for the year ended March 31, 2018 are as follows (amounts in millions):

Governmental Activities:		
Annual required contribution	$	4,390
Interest on net OPEB obligation at beginning of year		456
Adjustment to annual required contribution		(562)
Annual OPEB cost		**4,284**
Contributions made		(1,575)
Increase in OPEB obligation		2,709
Net obligation at beginning of year		17,302
Net obligation at end of year	**$**	**20,011**
Actuarial accrued liability (AAL) April 1, 2016	$	72,830
Funded OPEB plan assets		—
Unfunded actuarial accrued liability (UAAL) April 1, 2016	**$**	**72,830**
Funded ratio		— %
Covered payroll	$	8,676
UAAL as percentage of covered payroll		839.4%

In accordance with GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the actuarial valuation of OPEB also includes the value of sick leave that will be converted to reduce the retiree's share of health insurance premiums.

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
03/31/18	$ 4,284	36.76%	$ 20,011
03/31/17	$ 3,242	44.63%	$ 17,302
03/31/16	$ 3,246	41.31%	$ 15,507

Actuarial Methods and Assumptions

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

The State's $4.3 billion annual OPEB cost, determined using the April 1, 2016 actuarial valuation with results projected to April 1, 2017 for the fiscal year ended March 31, 2018, was determined using the frozen entry age actuarial cost method, allocating costs on a level percentage of earnings basis.

The State's $72.8 billion unfunded actuarial accrued liability was calculated in the April 1, 2016 actuarial valuation using the frozen entry age actuarial cost method, and was amortized over an open period of 30 years using the level percentage of projected payroll amortization method. Health care trends were split to reflect separate trends for claims before age 65 and claims after age 65, given that current standards suggest post-65 claims grow at a smaller rate than do pre-65 claims. The pre-65 trend assumption begins at 6.75 percent and decreases to a 4.75 percent long-term trend rate for all health care benefits after seven years. The trend assumption for post-65 benefits begins at 5.3 percent and decreases to a 4.75 percent long-term trend rate after seven years. The drug benefits assumption begins at 10 percent and decreases to a 4.75 percent long-term trend rate after seven years. Additionally, a trend starting at 5 percent per year and decreasing to 4.75 percent after six years was assumed for the Employer Group Waiver Plan (EGWP) benefits. Other actuarial assumptions include a salary growth rate of 3 percent, an inflation rate of 2.5 percent and a discount rate of 2.637 percent that was the average short-term investment pool rate for the past 20 years at the time of the valuation.

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

Business-Type Activities

The State, on behalf of SUNY, provides health insurance coverage for eligible retired SUNY employees and their spouses as part of NYSHIP. Employee contribution rates for NYSHIP are established by the State and are generally either 12 percent or 27 percent of the health insurance premium for enrollee coverage, or either 27 percent or 31 percent of the health insurance premium for dependent coverage. The frozen entry age actuarial cost method is used to determine the annual required contribution amounts and the annual net OPEB obligation. The actuarial assumptions include a 2.637 percent discount rate, salary growth rate of 3 percent, an inflation rate of 2.5 percent, and an annual healthcare cost trend rate for medical coverage of 6.75 percent initially, reduced by decrements to a rate of 4.75 percent after 7 years.

SUNY's annual OPEB costs and changes in net OPEB obligations for the year ended June 30, 2017 are as follows (amounts in millions):

Annual required contribution	$ 1,220
Interest on net OPEB obligation at beginning of year	140
Adjustment to annual required contribution	(173)
Annual OPEB cost	**1,187**
Contributions made	(309)
Increase in OPEB obligation	878
Net obligation at beginning of year	5,319
Net obligation at end of year	**$ 6,197**
Actuarial accrued liability (AAL) April 1, 2016	$ 17,699
Funded OPEB plan assets	—
Unfunded actuarial accrued liability (UAAL) April 1, 2016	**$ 17,699**
Funded ratio	— %
Covered payroll	$ 3,785
UAAL as percentage of covered payroll	467.6%

The SUNY Research Foundation, a blended component unit of SUNY, is not included in the numbers reported above. The SUNY Research Foundation reports OPEB in accordance with the Accounting Standards Codification (ASC) Topic 715, *Compensation—Retirement Benefits*. SUNY's OPEB liability reported in the Statement of Net Position, Enterprise Funds ($6.2 billion), includes SUNY's net obligation above ($6.2 billion), and the net obligation of the SUNY Research Foundation's plan as of June 30, 2017 ($23 million).

SUNY's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for SUNY's three most recent fiscal years were as follows (amounts in millions):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
06/30/17	$ 1,187	26.03%	$ 6,197
06/30/16	$ 923	30.77%	$ 5,319
06/30/15	$ 926	28.51%	$ 4,680

CUNY retirees receive retiree healthcare benefits through the New York City Health Benefits Program, which is a single-employer defined benefit healthcare plan. The program covers individuals who receive pensions from one of the following three pension plans within the New York City Retirement System (NYCRS): New York City Employees' Retirement System; New York City Teachers' Retirement System;

and New York City Board of Education Retirement System. The program also covers individuals under alternate retirement arrangements. The most significant alternate arrangement is coverage under TIAA rather than through NYCRS. New York City pays for the coverage (Basic Coverage and Welfare Fund contributions) for retirees in NYCRS who retired from community colleges. The entry age actuarial cost method is used to determine the annual required contribution (ARC) and the unfunded actuarial accrued liability (UAAL). The actuarial assumptions include a 4 percent discount rate, payroll growth rate of 3 percent, and an annual healthcare cost trend rate for medical coverage of 7.5 percent initially, reduced to a rate of 5 percent by 2023.

CUNY's annual OPEB costs and changes in net OPEB obligations for the year ended June 30, 2017 are as follows (amounts in millions):

Annual required contribution	$	130
Interest on net OPEB obligation at beginning of year		28
Adjustment to annual required contribution		(28)
Annual OPEB cost		**130**
Contributions made		(31)
Increase in OPEB obligation		99
Net obligation at beginning of year		708
Net obligation at end of year	**$**	**807**
Actuarial accrued liability (AAL) June 30, 2016	$	1,239
Funded OPEB plan assets		—
Unfunded actuarial accrued liability (UAAL) June 30, 2016	**$**	**1,239**
Funded ratio		— %
Covered payroll	$	1,069
UAAL as percentage of covered payroll		115.9%

The CUNY Research Foundation, a blended component unit of the CUNY Senior Colleges, reports OPEB in accordance with ASC Topic 715, *Compensation—Retirement Benefits*. CUNY Senior Colleges' OPEB liability reported in the Statement of Net Position, Enterprise Funds ($808 million), includes the CUNY Senior Colleges' net obligation above ($807 million), and the funded status of the CUNY Research Foundation's plan as of June 30, 2017 ($1.2 million).

CUNY's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for CUNY's three most recent fiscal years were as follows (amounts in millions):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
06/30/17	$ 130	23.85%	$ 807
06/30/16	$ 123	23.58%	$ 708
06/30/15	$ 120	24.17%	$ 614

Note 14 Discretely Presented Component Units—Public Benefit Corporations

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

Corporations are generally supported by revenues derived from their activities, although the State has provided financial assistance, in some cases of a recurring nature, to certain Corporations for operating and other expenses. Financial assistance in the form of appropriated loans, contributed capital or operating subsidies for certain Corporations, principally the Metropolitan Transportation Authority, the Roswell Park Cancer Institute, and the Urban Development Corporation, was provided in the fiscal year ended March 31, 2018 and such assistance is expected to be required in future years. Accordingly, the fiscal condition of the State is related to the fiscal stability of the Corporations.

Thirty-six of the 42 entities listed below are discretely presented component units of the State because the Governor, with the approval of the State Senate, appoints the voting majority of the boards of directors of these corporations, and the State is able to impose its will on the corporations and/or has a financial benefit or burden relationship with the corporations. The Governor does not have substantive appointment authority over the board of directors of the Rochester-Genesee Regional Transportation Authority. However, it is a discretely presented component unit because it is fiscally dependent upon, and has a financial benefit or burden relationship with the State. Health Research, Inc., Metropolitan Transportation Authority, Research Foundation for Mental Hygiene, Inc., State University of New York Foundations and Auxiliary Corporations, and City University of New York–Senior College Supporting Organizations are included as component units of the State because the nature and significance of their relationships with the State are such that it would be misleading to exclude them.

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

Entities Audited by KPMG LLP:	Fiscal Year-End
City University of New York—Senior College Supporting Organizations	June 30, 2017***
Dormitory Authority of the State of New York	March 31, 2018*
Long Island Power Authority	December 31, 2017*
New York Power Authority	December 31, 2017*
New York Racing Association, Inc.	December 31, 2017*
New York State Energy Research and Development Authority	March 31, 2018*
New York State Environmental Facilities Corporation	March 31, 2018*
New York State Higher Education Services Corporation	March 31, 2018*
State University of New York Foundations and Auxiliary Corporations	June 30, 2017**

Entities Audited by Other Auditors:	Fiscal Year-End
Aggregate Trust Fund	December 31, 2017
Agriculture and New York State Horse Breeding Development Fund Corporation	December 31, 2017*
Albany Convention Center Authority	December 31, 2017*
Capital District Transportation Authority	March 31, 2018*
Central New York Regional Transportation Authority	March 31, 2018*
Health Research, Inc.	March 31, 2018
Homeless Housing and Assistance Corporation	March 31, 2018*
Housing Trust Fund Corporation	March 31, 2018*
Hudson River-Black River Regulating District	June 30, 2017*
Hugh L. Carey Battery Park City Authority	October 31, 2017*
Metropolitan Transportation Authority (MTA)	December 31, 2017*
Metro-North Commuter Railroad Company	December 31, 2017
The Long Island Rail Road Company	December 31, 2017
Triborough Bridge and Tunnel Authority	December 31, 2017
New York City Transit Authority	December 31, 2017
Staten Island Rapid Transit Operating Authority	December 31, 2017
MTA Capital Construction Company	December 31, 2017
MTA Bus Company	December 31, 2017
First Mutual Transportation Assurance Company	December 31, 2017
Municipal Bond Bank Agency	October 31, 2017*
Natural Heritage Trust	March 31, 2018*
Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation	March 31, 2018*
New York Convention Center Operating Corporation	March 31, 2018
New York State Affordable Housing Corporation	March 31, 2018*
New York State Bridge Authority	December 31, 2017*
New York State Health Foundation	December 31, 2017
New York State Housing Finance Agency	October 31, 2017*
New York State Job Development Authority	March 31, 2018*
New York State Olympic Regional Development Authority	March 31, 2018*
New York State Thoroughbred Breeding and Development Fund Corporation	December 31, 2017*
New York State Thruway Authority	December 31, 2017*
Niagara Frontier Transportation Authority	March 31, 2018*
Ogdensburg Bridge and Port Authority	March 31, 2018*
Port of Oswego Authority	March 31, 2018*
Research Foundation for Mental Hygiene, Inc.	March 31, 2018*
Rochester-Genesee Regional Transportation Authority	March 31, 2018*
Roosevelt Island Operating Corporation	March 31, 2018*
Roswell Park Cancer Institute	March 31, 2018*
State Insurance Fund	December 31, 2017
State of New York Mortgage Agency	October 31, 2017*
Urban Development Corporation	March 31, 2018*

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

***KPMG LLP audited 37 percent of the total assets and 24 percent of the total revenues of the State University of New York Foundations and Auxiliary Corporations. The remaining balances were audited by other auditors.*

****KPMG LLP audited 6 percent of the total assets and 32 percent of the total revenues of the City University of New York—Senior College Supporting Organizations. The remaining balances were audited by other auditors.*

Financial Information

Substantially all of the financial data for the Corporations was derived from audited annual financial statements and summarized into the combining statement format in the basic financial statements. Ten of the 42 discrete entities presented comprise 95 percent of the combined assets and 80 percent of the combined program revenues of the Corporations (before eliminations). The remaining portion of this note contains a brief description of the operations of the ten major discretely presented component units. A presentation of their accounts is included in the Combining Statement of Net Position and the Combining Statement of Activities. Additional information about each of the Corporations can be obtained by contacting the Corporations directly and requesting a copy of their annual financial reports, or by visiting their websites.

Certain Corporations issue revenue bonds for independent third-party entities to provide funding for the projects of those third parties. These bonds are considered conduit debt and are secured by payments made by third-party entities and in some cases certain other pledged funds. These bonds do not constitute a debt or pledge of the faith and credit of the Corporations or the State. DASNY, the New York State Housing Finance Agency (HFA), the Environmental Facilities Corporation (EFC), the New York State Energy Research and Development Authority (NYSERDA) and the New York Job Development Authority (JDA) have issued conduit debt and have elected different, but permissible, methods of accounting for it under GAAP. DASNY has elected to report conduit debt and related assets on its Statement of Net Position. At March 31, 2018, the liability DASNY reported for such debt was approximately $19.5 billion. HFA reports conduit debt and related assets on its Statement of Net Position. At October 31, 2017, the liability HFA reported for such debt was approximately $13.9 billion. At March 31, 2018, EFC's Statement of Net Position did not include $125 million in bonds it issued for certain private companies. NYSERDA has issued conduit debt for participating gas and electric utility companies and other private purpose users, the principal of which totaled approximately $2.4 billion at March 31, 2018, which is not included on NYSERDA's Statement of Net Position. Local Development Corporations that are blended component units of JDA have issued conduit debt which is not included on JDA's combined Statement of Net Position. At March 31, 2018, the principal on these bonds totaled approximately $10.2 billion.

Power Authority

The New York Power Authority (NYPA) was created in 1931 to help provide a continuous adequate supply of dependable electric power and energy to the people of the State. NYPA generates, transmits, and sells electric power and energy principally at wholesale to various customers including private and municipal utilities. Three of NYPA's largest facilities are the Niagara Power Project at Lewiston, the Blenheim-Gilboa Pumped Storage Power Project at Blenheim and Gilboa and the St. Lawrence-Franklin D. Roosevelt Power Project at Massena. These hydroelectric facilities have a net dependable capability of producing 2,681,200, 1,168,700 and 839,800 kilowatts, respectively.

NYPA has an outstanding receivable of approximately $215 million representing loaned reserves to the State treasury. The State has recorded a corresponding liability in its financial statements.

In accordance with legislation enacted on April 4, 2016, the New York State Canal Corporation (NYSCC), formerly a subsidiary of the New York State Thruway Authority, became a subsidiary of NYPA, effective January 1, 2017. The NYSCC exists primarily to operate, improve, maintain, repair and promote the New York State Canal System. Columns headed "New York Power Authority" reflect the operations of NYPA and the NYSCC.

The individual financial statements of NYPA are available on the web at *www.nypa.gov*.

Housing Finance Agency

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

To finance low income housing, HFA raises funds through the issuance of municipal securities and the making of mortgage loans to eligible borrowers. HFA is authorized to issue bonds in the amount of approximately $26.8 billion to finance housing projects, and approximately $5.4 billion in Service Contract Obligation Revenue Bonds, Service Contract Revenue Bonds and Personal Income Tax Revenue Bonds. Total bond indebtedness reported as of October 31, 2017 is approximately $16.8 billion.

Individual financial statements can be obtained by contacting HFA at *www.nyshcr.org*.

Thruway Authority

The New York State Thruway Authority (NYSTA) was created as a public benefit corporation by the State Legislature in 1950 with powers to construct, operate and maintain a Thruway system. In August 1992, the Legislature created the New York State Canal Corporation (NYSCC) as a subsidiary corporation of NYSTA to accept jurisdiction and control over the State Canal System from the State. The State's 2016-2017 enacted budget included legislation establishing the NYSCC as a subsidiary of NYPA. NYPA assumed financial responsibility for the NYSCC on April 1, 2016. Assets and liabilities of the NYSCC were transferred effective January 1, 2017. In 2017, NYSTA recognized a loss approximating $539.5 million representing the net assets transferred to NYPA. For purposes of presentation in the State's Combining Statement of Activities—Discretely Presented Component Units, this transaction is reflected as a restatement of net position.

In 1991, the Legislature empowered NYSTA to issue Local Highway and Bridge Service Contract (LHB) Bonds to provide funds to municipalities throughout the State for qualifying capital expenditures under State programs. In 1993, the Legislature authorized NYSTA to issue Highway and Bridge Trust Fund (HBTF) Bonds to reimburse the State for expenditures made by the State's Department of Transportation in connection with the State's multi-year Highway and Bridge Capital Program. In 2001, the Legislature authorized NYSTA to issue Personal Income Tax (PIT) Revenue Bonds to provide funds to municipalities and other project sponsors throughout the State for qualifying local highway, bridge and multi-modal capital project expenditures under established State programs.

The financial position of and activities relating to the special bond programs (LHB, HBTF and PIT) are reported within the funds of the State, rather than under the NYSTA, because these special bond programs are not separate legal entities but are considered funds of the State.

In 2016, the State approved an additional $700 million for the Thruway Stabilization Program, bringing the State's total commitment to $1.99 billion. Since 2015, the State has contributed $1.18 billion to the Governor Mario M. Cuomo Bridge and other Thruway capital projects.

Individual financial statements can be obtained by contacting NYSTA at *www.thruway.ny.gov*.

Metropolitan Transportation Authority

The Metropolitan Transportation Authority (MTA) was created in 1965 to continue, develop and improve public transportation and to develop and implement a unified public transportation policy in the New York City metropolitan area. The accounts presented as the MTA are the combined accounts of its headquarters and eight affiliates and subsidiaries. The MTA operates the largest transit and commuter rail transportation system in North America and one of the largest in the world. The MTA is dependent upon the State for a portion of its revenues. During the MTA fiscal year ended December 31, 2017, the MTA reported $4.5 billion in payments from the State. A significant portion of that aid was in payments from the State's Mass Transportation Operating Assistance Fund, a Special Revenue Fund, which derives a major portion of its receipts from taxes imposed in the Metropolitan Transportation District for this purpose. Another significant portion of that aid came from the Metropolitan Commuter Transportation Mobility Tax enacted in 2009, which is a tax imposed on certain employers and self-employed individuals engaging in business within the Metropolitan Transportation District. The State also provides funding to pay the debt service on State Service Contract bonds issued by the MTA for its capital projects. At December 31, 2017, $68 million of MTA State Service Contract bonds remain outstanding.

Capital assets acquired prior to April 1982 for the New York City Transit Authority (NYCTA) were funded primarily by New York City through capital grants. New York City has title to a substantial portion of such assets, which are not included among the assets reported under MTA. In certain instances, title to MTA Bridges and Tunnels' real property may revert to New York City in the event the MTA determines it is unnecessary for corporate purposes. The federal government has a contingent equity interest in assets acquired by the MTA with federal funds, and upon disposal of such assets, the federal government may have a right to its share of the proceeds from the sale.

MTA's financial statements can be found at *www.mta.info*.

Dormitory Authority

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

DASNY's outstanding bonds and notes of $50.5 billion consist mainly of debt issued for New York State agency projects ($15.6 billion), SUNY projects ($11.7 billion), independent institutions ($11 billion), health care facilities ($3.8 billion) and CUNY projects ($5 billion). The remaining debt was issued for projects for municipal facilities.

The financial statements of DASNY can be obtained at *www.dasny.org*.

Long Island Power Authority

The Long Island Power Authority (LIPA) was established in 1985 as a corporate municipal instrumentality of the State. On May 28, 1998, the LIPA Acquisition Corporation, a wholly owned subsidiary of LIPA, was merged with and into the Long Island Lighting Company (LILCO) pursuant to an Agreement and Plan of Merger dated as of June 26, 1997. LIPA financed the cost of the merger and the refinancing of certain of LILCO's outstanding debt through the issuance of $6.7 billion aggregate principal amount of Electric System General Revenue Bonds and Electric System Subordinated Revenue Bonds. In addition, LIPA assumed responsibility for $1.2 billion of LILCO's General and Refunding Bonds, which were defeased immediately upon the closing of the merger. The excess of the acquisition costs over the fair value of net position acquired ($3.5 billion) has been reported as an "intangible asset," which is being amortized through 2026.

Chapter 173 of the Laws of 2013 established the Utility Debt Securitization Authority (UDSA) for the sole purpose of retiring certain outstanding indebtedness of LIPA through the issuance of restructuring bonds by UDSA. In accordance with GASBS No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, UDSA is considered a blended component unit of LIPA. On March 30, 2015, the Securitization Law was amended to allow for a total issuance of up to $4.5 billion of UDSA restructuring bonds, inclusive of the $2 billion of restructuring bonds issued in December 2013. Between October 15, 2015 and December 31, 2017 the remaining restructuring bonds were issued, exhausting the statutory authority allowed under the Securitization Law.

LIPA, as owner of the transmission and distribution (T&D) system located in Nassau, Suffolk and a small portion of Queens counties, is responsible for supplying electricity to customers in the service area. Under a contract starting January 1, 2014, responsibility for major operational and policy-making services for the T&D system effectively shifted from LIPA to PSEG Long Island LLC for a period of twelve years.

Financial statements can be obtained by contacting LIPA at *www.lipower.org*.

Urban Development Corporation

The New York State Urban Development Corporation (UDC) was established by legislative act in 1968 as a corporate governmental agency of the State. UDC conducts business as Empire State Development. UDC is engaged in various activities for the State, three of which are: promoting economic development and job creation; financing special projects throughout the State with revenue bonds; and marketing the State as a great place to do business and as a vacation destination.

UDC is the State's primary agent for economic development and works in partnership with the public and private sectors to create an environment that spurs innovation and economic development while enhancing the State's competitive advantage as the world capital for many industries, ranging from finance and media to technology and agriculture.

UDC continues its efforts to foster economic development through the State. Its mission is to promote a vigorous and growing State economy, encourage business investment and job creation, and support diverse, prosperous local economies across the State through efficient use of loans, grants, tax credits, real estate development, marketing and other forms of assistance. Financial assistance is provided primarily through State appropriated funds received by the UDC and State supported bonds issued by UDC which are disbursed to projects.

UDC continues to administer and manage a robust marketing program to help strengthen the State economy. The program has multiple components, which are broadly focused on two areas: (1) increasing the State's tourism through consumer and trade programs that heighten the visibility of New York's tourism attractions as vacation destinations; and (2) attracting companies looking to expand, move or begin their operations in New York. UDC is also the administrative agency for the New York State Film Tax Credit Program, which is designed to increase the film production and post-production industry presence in and overall economic benefits to the State.

The financial statements of the UDC are available at *www.esd.ny.gov*.

State Insurance Fund

The State Insurance Fund (SIF) was created in 1914 and comprises the Workers' Compensation Fund and the Disability Benefits Fund and is primarily engaged in providing workers' compensation and disability benefit insurance for employers in the State of New York.

During previous fiscal years, the SIF transferred approximately $1.3 billion to the State's General Fund and Other Governmental Funds. The statutes authorizing these transfers required that the State appropriate amounts annually for the potential repayment of the transfers. Such repayment is required only to maintain the solvency, as defined, of the Workers' Compensation Fund. The entire receivable and equity related to these transfers were eliminated from the presentation of the SIF, resulting in a fund balance of approximately $4.8 billion.

The SIF's financial statements are prepared in conformity with the accounting practices prescribed by the New York State Department of Financial Services, which is a comprehensive basis of accounting other than the accounting principles generally accepted in the United States of America.

A complete list of departures from GAAP is disclosed in the SIF's financial statements, which may be obtained from *ww3.nysif.com*.

State of New York Mortgage Agency

The State of New York Mortgage Agency (SONYMA) was established in 1970 and makes mortgages available to first-time and other qualifying home buyers through its Low Interest Rate Program and other specialized home ownership programs. To accomplish this purpose, SONYMA issues tax-exempt and taxable mortgage revenue bonds for direct issuance of forward commitments for new mortgage loans through participating financial institutions. SONYMA also provides mortgage insurance for qualifying real property loans through its Mortgage Insurance Program. By statute, all costs of providing mortgage insurance are recovered from a State mortgage recording tax surcharge, which is a dedicated tax revenue stream received directly by SONYMA. In April 2009, SONYMA's statutory authority to purchase education loans was updated and expanded in order to permit the Agency to work with the New York State Higher Education Services Corporation in developing a new program to offer education loans to eligible students attending colleges and universities in New York State. In 2016, legislation was adopted authorizing the creation of the New York State Community Restoration Fund, a program to assist homeowners affected by the national mortgage crisis. The fund is held by SONYMA and managed by a newly-created subsidiary of SONYMA called the SONYMA Community Restoration Fund. The agency is a partner in a joint venture with New Jersey Community Capital, and currently owns approximately 398 defaulted mortgage loans.

Financial statements can be obtained by contacting SONYMA at *www.nyshcr.org*.

Environmental Facilities Corporation

The New York State Environmental Facilities Corporation (EFC) is a public benefit corporation, formed in 1970 pursuant to the New York State Environmental Facilities Corporation Act. The mission of EFC is to assist communities throughout New York State to undertake critical water quality infrastructure projects by providing access to low cost capital, grants, and expert technical assistance. A primary goal is to ensure that these projects remain affordable while safeguarding essential water resources. We support this mission by consistently using an innovative approach to developing and advancing new financing strategies to maximize the funding that can be made available to our clients, aiding compliance with Federal and State requirements, and promoting green infrastructure practices. EFC is governed by a board of directors, which consists of seven members.

The Corporation is empowered by State law to: administer and finance the Clean Water and Drinking Water State Revolving Funds (SRFs), established by the State as set forth in the EFC Act pursuant to the federal Water Quality Act of 1987 and the federal Safe Drinking Water Act Amendments of 1996; finance certain State Contributions to the SRFs and for certain environmental infrastructure projects; finance, through the issuance of special obligation revenue bonds under its Industrial Finance Program, water management, solid waste disposal, sewage treatment and pollution control projects undertaken by or on behalf of private entities; and to provide technical advice and assistance to private entities, state agencies and local government units on sewage treatment and collection, pollution control, recycling, hazardous waste abatement, solid waste disposal, and other related subjects.

The complete audited financial statements and related notes as well as additional information regarding EFC can be obtained by visiting EFC at *www.efc.ny.gov*.

Eliminations

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

Note 15 Joint Ventures

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

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

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

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

The compact envisions the Port Authority as being financially self-sustaining and, as such, it must obtain the funds necessary for the construction or acquisition of facilities upon the basis of its own credit. The Port Authority does not have the power to pledge the credit of either state or any municipality, or the authority to levy taxes or assessments.

The liabilities of the Port Authority include $21.7 billion of consolidated bonds. Consolidated bonds and notes are equally and ratably secured by a pledge of the net revenues of all existing facilities and any additional facilities, which may be financed in whole or in part through the medium of consolidated bonds and notes.

The Port Authority's Comprehensive Annual Financial Report is available from the Port Authority website at *www.panynj.gov*.

Consolidated financial statements of the Port Authority for the fiscal year ended December 31, 2017 disclosed the following (amounts in millions):

Financial Position

Total assets	$ 46,581
Total deferred outflows of resources	402
Total liabilities	(29,787)
Total deferred inflows of resources	(115)
Net position	**$ 17,081**

Operating Results

Operating revenues	$ 5,220
Operating expenses	(3,133)
Depreciation and amortization	(1,275)
Net revenue (expense) related to Superstorm Sandy	18
Income from operations	**830**
Passenger facility charges	276
Financial income (expense), net	(808)
Contribution in aid of construction and grants	208
Increase in net position	**$ 506**

Changes in Net Position

Balance at January 1, 2017	$ 16,575
Increase in net position	506
Balance at December 31, 2017	**$ 17,081**

Note 16 Subsequent Events

Financing Arrangements Issued

The Statement of Net Position presents bonds and other financing arrangements and collateralized borrowings outstanding as of the statement date of March 31, 2018 (except for business-type activities related to the SUNY and CUNY Enterprise Funds, which are reported as of June 30, 2017). Subsequent to those dates, the following bonds and other financing arrangements were issued (amounts in millions):

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

Issuer	Purpose	Date	Series	Amount
Dormitory Authority	CUNY Senior Colleges	7/27/2017	Sales Tax, Series 2017A	$ 45
Dormitory Authority	SUNY Educational Facilities	7/27/2017	Sales Tax, Series 2017A	$ 568
Dormitory Authority	SUNY Educational Facilities	7/27/2017	Sales Tax, Series 2017B	$ 16
Dormitory Authority	CUNY Senior Colleges	10/13/2017	Personal Income Tax, Series 2017B	$ 214
Dormitory Authority	SUNY Educational Facilities	10/13/2017	Personal Income Tax, Series 2017B	$ 39
Urban Development Corporation	SUNY Grant Program	12/21/2017	Personal Income Tax, Series 2017C	$ 27
Urban Development Corporation	SUNY Economic Development Initiatives	12/21/2017	Personal Income Tax, Series 2017C	$ 31
Dormitory Authority	CUNY Senior Colleges	3/23/2018	Sales Tax, Series 2018A	$ 88
Dormitory Authority	SUNY Educational Facilities	3/23/2018	Sales Tax, Series 2018A	$ 732
Dormitory Authority	SUNY Educational Facilities	3/23/2018	Sales Tax, Series 2018B	$ 15
Dormitory Authority	General Purposes	7/19/2018	Sales Tax, Series 2018C	$1,708
Dormitory Authority	General Purposes	7/19/2018	Sales Tax, Series 2018D	$ 74

Other Subsequent Event

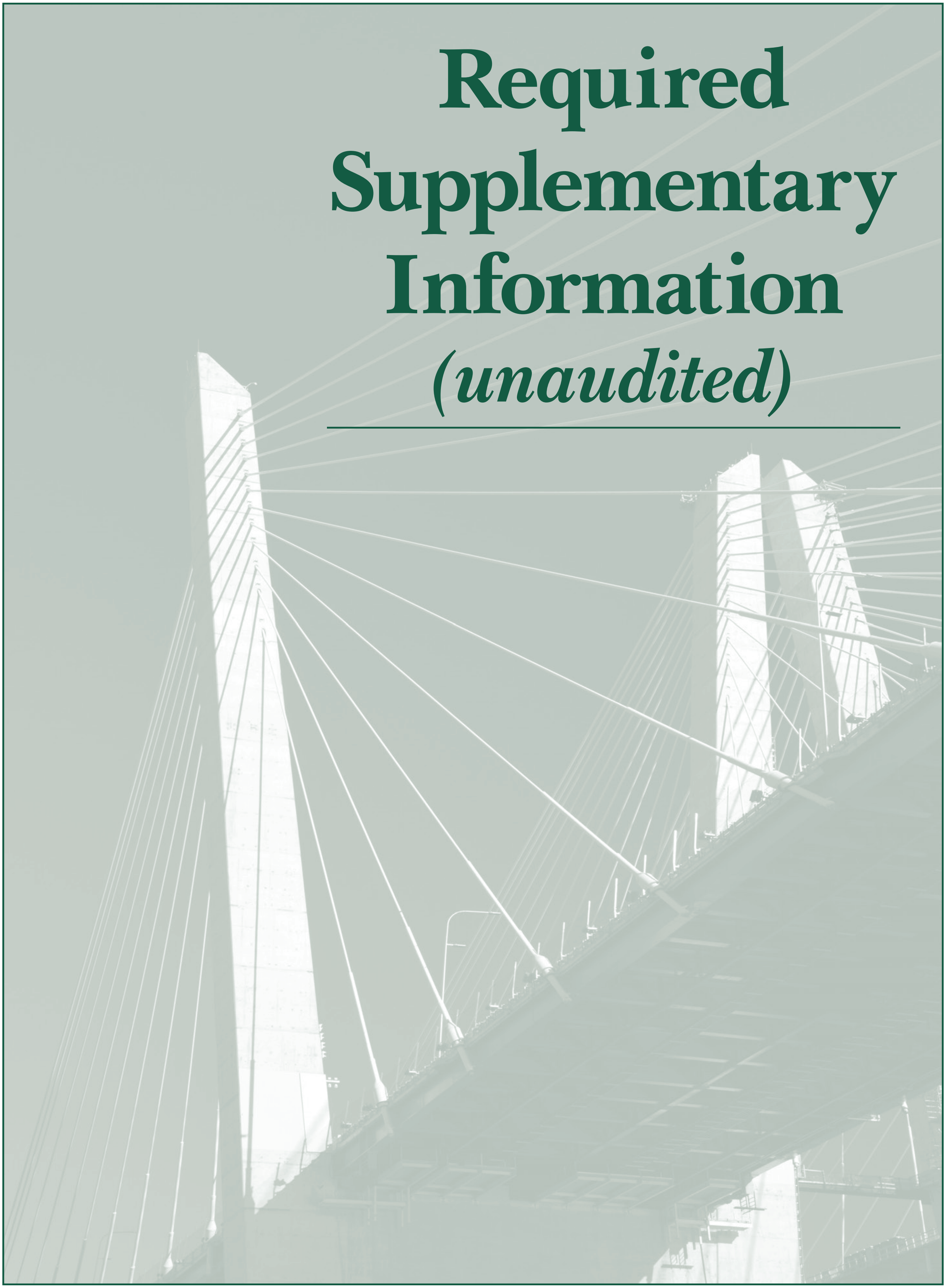
In connection with the sale of Fidelis Care New York, a not-for-profit Medicaid insurance plan, to Centene Corporation, a for-profit company, the State is expected to receive approximately $2 billion through a combination of direct payments and increased tax obligations over the course of nearly five years. The sale agreements were completed and effective as of July 1, 2018.

STATE OF NEW YORK COMPTROLLER

EXCELSIOR

Required Supplementary Information

(unaudited)



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

MAJOR FUNDS—GENERAL FUND AND FEDERAL SPECIAL REVENUE FUND

Year Ended March 31, 2018
(Amounts in millions) (Unaudited)

	General			
	Financial Plan Amounts		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		
RECEIPTS:				
Taxes	$ 48,634	$ 49,442	$ 49,656	$ 214
Miscellaneous	2,152	2,946	3,129	183
Federal grants	—	—	—	—
Total receipts	**50,786**	**52,388**	**52,785**	**397**
DISBURSEMENTS:				
Local assistance grants[(1)]	47,069	46,501	46,072	429
State operations[(1)]	8,177	8,192	8,228	(36)
General State charges[(1)]	5,789	5,650	5,572	78
Total disbursements	**61,035**	**60,343**	**59,872**	**471**
Excess (deficiency) of receipts over disbursements	**(10,249)**	**(7,955)**	**(7,087)**	**868**
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	19,048	19,053	18,635	(418)
Transfers to other funds	(10,164)	(9,680)	(9,852)	(172)
Net other financing sources (uses)	**8,884**	**9,373**	**8,783**	**(590)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ (1,365)**	**$ 1,418**	**$ 1,696**	**$ 278**

Note:

(1) Spending authority has not been exceeded by $36 million in the General Fund and $1.316 billion in the Federal Special Revenue Fund. The Final Financial Plan (published approximately six weeks before fiscal year-end) does not reflect an increase in spending authority approved for local assistance grants, state operation and general state charges through March 31, 2018.

See notes to required supplementary information.

See independent auditors' report.

Federal Special Revenue

Financial Plan Amounts: Original	Financial Plan Amounts: Final	Actual (Budgetary Basis)	Variance with Final Budget
$ —	$ —	$ —	$ —
212	159	199	40
54,322	55,433	56,743	1,310
54,534	**55,592**	**56,942**	**1,350**
50,068	51,323	52,594	(1,271)
2,001	1,996	2,036	(40)
314	317	322	(5)
52,383	**53,636**	**54,952**	**(1,316)**
2,151	**1,956**	**1,990**	**34**
12	12	—	(12)
(2,064)	(2,125)	(2,236)	(111)
(2,052)	**(2,113)**	**(2,236)**	**(123)**
$ 99	**$ (157)**	**$ (246)**	**$ (89)**

NOTES TO BUDGETARY BASIS REPORTING
(unaudited)

Budgetary Basis Reporting

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

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

The Statewide Financial System includes controls over expenditures to ensure that the maximum spending authority is not exceeded during the life of the appropriation. Expenditures are controlled at the major account level within each program or project of each State agency in accordance with the underlying appropriation purpose. Encumbrances are not considered a disbursement in the financial plan or an expenditure and expense in the basic financial statements. Generally, appropriations are available for liabilities incurred during the fiscal year. Following the end of the fiscal year, a "lapse period" is provided to liquidate prior year liabilities. Unless reappropriated, most appropriations for State operations cease on June 30th and local assistance, debt service, capital projects and federal fund appropriations cease on September 15th following the end of the fiscal year. Disbursements made during the lapse period from prior year appropriations are included, together with disbursements from new year appropriations, in the subsequent fiscal year's financial plan. Many appropriations enacted are not intended to be used, although they are required by law. These types of appropriations will generally cause total appropriation authorizations to exceed cash basis financial plan disbursement amounts. Actual disbursements for certain spending categories may exceed financial plan estimates (as reported in the Budgetary Basis—Financial Plan and Actual—Combined Schedule of Cash Receipts and Disbursements) but do not exceed total enacted appropriations authority. Most capital projects, federal funds and many State operations appropriations are reappropriated each year by the Legislature and therefore the life of such appropriations may be many years. If the budget is not enacted by April 1st, the legislature enacts special emergency appropriations to continue government functions, as was last done in April 2010.

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

	General	Federal Special Revenue
Receipts and other financing sources over/(under) disbursements and other financing uses per Schedule	$ 1,696	$ (246)
Entity differences:		
Receipts and other financing sources over/(under) disbursements and other financing uses for funds and accounts not included in the cash basis financial plan	34	24
Perspective differences:		
Receipts and other financing sources over disbursements and other financing uses for funds treated as Special Revenue Funds in the financial plan and as part of the General Fund for GAAP reporting	168	—
Temporary interfund cash loans	(32)	44
Basis of accounting differences:		
Revenue accrual adjustments	1,023	2,181
Expenditure accrual adjustments	(503)	(2,012)
Net Change in Fund Balances	**$ 2,386**	**$ (9)**

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

INFRASTRUCTURE ASSETS USING THE MODIFIED APPROACH
(unaudited)

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

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

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

Roads

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

The State annually conducts an assessment of the pavement condition of the State's road network. Trained technicians rate the condition of the pavement based on surface condition and dominant distress (e.g., cracking, faulting) using a scale of 1 (very poor) to 10 (excellent) based on the prevalence of a surface-related pavement distress. A pavement condition rating (PCR) is assigned to each surface section. The State currently has 42,739 lane miles of roads.

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

Bridges

The DOT maintains the Bridge Management System (BMS), which supports a construction program that preserves the State's investment in its bridges. The BMS is used in planning construction programs and estimating construction costs. The overall goal is for the State to provide a management system for the State's infrastructure assets in order to provide long-term benefits to the State's citizens. The State has 7,889 bridges in the inventory, of which 7,682 are highway bridges. The remainder include railroad and pedestrian structures.

The State conducts biennial inspections of all bridges in the State. During each general inspection, various components or elements of each bridge span are rated by the inspector as to the extent of deterioration, as well as the component's ability to function structurally relative to when it was newly designed and constructed. The State previously used a numerical inspection condition rating (CR) scale ranging from 1 (minimum) to 7 (maximum). Bridges with CR greater than 5.8 are in good condition, and generally require preventive and corrective maintenance actions such as bridge washing, deck sealing and bearing lubrication. Bridges with CR between 4.9 (inclusive) and 5.8 (inclusive) are in fair-protective condition, and generally require relatively minor preventive and corrective maintenance actions, such as bearing repairs, joint repairs, zone and spot painting and girder end repairs. Bridges with CR between 4.4 (inclusive) and 4.9 are in fair-corrective condition, and generally require moderate preventive and corrective maintenance actions, such as bearing replacement, deck replacement, and major substructure repairs. Bridges with CR less than 4.4 are considered to be in poor condition, and generally require major rehabilitation or replacement.

Through 2015, using this rating scale, it was the State's intention to maintain the bridges at an average condition rating level between 5.3 and 5.6.

In 2016, the State transitioned to the AASHTO element-based rating system that utilizes a 1 (good) through 4 (severe) scale as mandated by the Federal Highway Administration (FHWA). The bridge goal is based on the percentage of Structurally Deficient (SD) bridges as defined by FHWA. The SD calculations are based on the National Bridge Inventory (NBI) inspection data that has been collected by the DOT for more than 15 years and reported to FHWA on an annual basis. Using this new criteria to identify Structurally Deficient bridges, it is the State's intention to maintain the share of bridges classified as SD at or below 15 percent of the State highway bridge population.

Pavement and Bridge Assessment Summary as of December 31:

Year	Pavement—Average Surface Rating	Bridges—Average Condition Rating	Percentage of Highway Bridges Assessed Structurally Deficient
2017	6.91	N/A	7.9
2016	6.93	N/A	7.9
2015	6.92	5.30	N/A
2014	6.99	5.32	N/A
2013	6.99	5.34	N/A
2012	6.98	5.34	N/A
2011	6.87	5.35	N/A
2010	6.92	5.37	N/A
2009	6.95	5.38	N/A
2008	6.93	5.39	N/A

Comparison of Estimated-to-Actual Maintenance and Preservation Costs

Preservation of the roads and bridges is accomplished through various construction programs which are tracked by the PMS and the BMS. The following presents the State's estimate of costs necessary to preserve and maintain the network of roads and bridges at, or above, the established condition level, compared to the actual costs incurred for the past five fiscal years ending March 31 (amounts in millions):

Maintenance and Preservation Costs:

	2018	2017	2016	2015	2014
Roads:					
Estimated	$ 1,279	$ 936	$ 950	$ 836	$ 764
Actual	1,134	1,106	1,100	1,256	1,069
Bridges:					
Estimated	925	534	414	345	228
Actual	256	305	250	289	255
Total roads and bridges:					
Estimated	2,204	1,470	1,364	1,181	992
Actual	1,390	1,411	1,350	1,545	1,324

See independent auditors' report.

SCHEDULE OF FUNDING PROGRESS
(unaudited)

Other Postemployment Benefits
(Amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Covered Payroll ((b-a)/c)
Governmental Activities:						
April 1, 2016[(1)]	$ —	$ 72,830	$ 72,830	—%	$ 8,676	839.44%
April 1, 2014[(2)]	$ —	$ 63,426	$ 63,426	—%	$ 8,463	749.45%
April 1, 2012[(3)]	$ —	$ 54,279	$ 54,279	—%	$ 8,597	631.37%
Business-Type Activities:						
SUNY						
April 1, 2016	$ —	$ 17,699	$ 17,699	—%	$ 3,785	467.61%
April 1, 2014	$ —	$ 14,427	$ 14,427	—%	$ 3,337	432.33%
April 1, 2012	$ —	$ 13,933	$ 13,933	—%	$ 3,201	435.27%
CUNY						
June 30, 2016	$ —	$ 1,239	$ 1,239	—%	$ 1,069	115.90%
June 30, 2015	$ —	$ 1,186	$ 1,186	—%	$ 1,026	115.59%
June 30, 2014	$ —	$ 1,124	$ 1,124	—%	$ 1,020	110.20%

[(1)] AAL and UAAL as of 4/1/2016 reflect updates to nearly all of the demographic and medical cost assumptions and a 52 basis point reduction in the discount rate. Updates to assumptions used for medical trends and excise tax resulted in a 10.5 percent increase in the liability.

[(2)] AAL and UAAL as of 4/1/2014 was determined using the Society of Actuaries' MP-2014 longevity scale.

[(3)] AAL and UAAL as of 4/1/2012 reflect the State's decision to implement an Employer Group Waiver Plan.

See independent auditors' report.

PENSION PLANS
(unaudited)

Schedule of Proportionate Share of the Net Pension Liability for the New York State and Local Employees' Retirement System March 31, 2018

(Amounts in millions)

	2018	2017	2016
State's proportion of the net pension liability	45.80%	45.10%	44.46%
State's proportionate share of the net pension liability	$ 4,297	$ 7,217	$ 1,501
Covered employee payroll	$ 11,112	$ 10,188	$ 10,236
State's proportionate share of the net pension liability as a percentage of covered payroll	38.67%	70.84%	14.67%
Plan's fiduciary net position as a percentage of the total pension liability	94.70%	90.68%	97.95%

Schedule of Proportionate Share of the Net Pension Liability for the New York State and Local Police and Fire Retirement System March 31, 2018

(Amounts in millions)

	2018	2017	2016
State's proportion of the net pension liability	21.10%	19.13%	19.04%
State's proportionate share of the net pension liability	$ 437	$ 566	$ 52
Covered employee payroll	$ 695	$ 615	$ 620
State's proportionate share of the net pension liability as a percentage of covered payroll	62.88%	92.08%	8.45%
Plan's fiduciary net position as a percentage of the total pension liability	93.46%	90.24%	99.03%

See independent auditors' report.

Schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Schedule of Employer Contributions for the New York State and Local Employees' Retirement System March 31, 2018

(Amounts in millions)

	2018	2017	2016
Contractually determined contribution	$ 1,636	$ 1,585	$ 1,816
Contributions in relation to the contractually determined contribution	$ 1,636	$ 1,585	$ 1,478
Contribution deficiency	$ —	$ —	$ 338
Covered employee payroll	$ 11,511	$ 11,112	$ 10,188
Contributions as a percentage of covered payroll	14.21%	14.26%	14.51%

Schedule of Employer Contributions for the New York State and Local Police and Fire Retirement System March 31, 2018

(Amounts in millions)

	2018	2017	2016
Contractually determined contribution	$ 166	$ 152	$ 142
Contributions in relation to the contractually determined contribution	$ 166	$ 152	$ 124
Contribution deficiency	$ —	$ —	$ 18
Covered employee payroll	$ 777	$ 695	$ 615
Contributions as a percentage of covered payroll	21.36%	21.87%	20.20%

See independent auditors' report.

Schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Other SUNY-Related Pension Plans
New York State Teachers' Retirement System (TRS)

Schedule of the Proportionate Share of the TRS Net Pension Liability (Asset)
June 30, 2017
(Amounts in millions)

	2017	2016	2015
SUNY's proportion of the net pension liability (asset)	0.82%	0.74%	0.71%
SUNY's proportionate share of the net pension liability (asset)	$ 8.7	$ (77.2)	$ (79.6)
Covered employee payroll	$ 141.9	$ 145.2	$ 140.7
SUNY's proportionate share of the net pension liability (asset) as a percentage of covered payroll	6.1%	(53.2%)	(56.6%)
Plan's fiduciary net position as a percentage of the total pension liability	99.01%	110.46%	111.48%

Schedule of Employer Contributions for the TRS Plan
June 30, 2017
(Amounts in millions)

	2017	2016	2015
Actuarially determined contribution	$ 16.7	$ 19.6	$ 17.2
Contributions in relation to the actuarial determined contribution	$ 16.7	$ 19.6	$ 17.2
Contribution deficiency	$ —	$ —	$ —
Covered employee payroll	$ 144.6	$ 141.9	$ 145.2
Contributions as a percentage of covered payroll	11.55%	13.81%	11.81%

See independent auditors' report.

Schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Upstate Plan

Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2017

(Amounts in millions)

	2017	2016	2015
Total pension liability:			
Service cost	$ 0.7	$ 0.8	$ 0.9
Interest	6.6	6.5	6.0
Changes of assumptions	(1.4)	—	5.8
Difference between expected and actual experience	0.3	1.0	0.4
Benefit payments	(4.9)	(7.0)	(3.8)
Net change in total pension liability	1.3	1.3	9.3
Total pension liability, beginning	104.6	103.3	94.0
Total pension liability, ending (a)	**105.9**	**104.6**	**103.3**
Plan fiduciary net position:			
Employer contributions	2.8	2.0	3.5
Net investment income (loss)	7.4	(0.7)	5.9
Benefit payments	(4.9)	(7.0)	(3.8)
Administrative expenses	(0.1)	(0.2)	(0.1)
Net change in fiduciary net position	5.2	(5.9)	5.5
Fiduciary net position, beginning	90.2	96.1	90.6
Fiduciary net position, ending (b)	**95.4**	**90.2**	**96.1**
Net pension liability, ending (a)-(b)	**$ 10.5**	**$ 14.4**	**$ 7.2**
Ratio of fiduciary net position to total pension liability	90.1%	86.3%	93.0%
Covered employee payroll	$ 27.3	$ 29.9	$ 33.6
Net pension liability as a percentage of covered payroll	38.4%	48.0%	21.3%

See independent auditors' report.

Schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Upstate Plan

Schedule of Employer Contributions
June 30, 2017
(Amounts in millions)

	2016	2015	2014	2013	2012
Actuarially determined contribution	$ 2.6	$ 1.9	$ 1.5	$ 2.6	$ 3.0
Contributions in relation to the actuarially determined contribution	$ 2.8	$ 2.0	$ 3.5	$ 2.6	$ 3.0
Contribution excess	$ 0.2	$ 0.1	$ 2.0	$ —	$ —
Covered employee payroll	$ 27.3	$ 29.9	$ 33.6	$ 36.0	$ 16.0
Contribution as a percentage of covered payroll	10.24%	6.76%	9.02%	7.14%	18.57%

	2011*
Actuarially determined contribution	$ 1.2
Contributions in relation to the actuarially determined contribution	$ 1.2
Contribution excess	$ —
Covered employee payroll	$ 21.9
Contribution as a percentage of covered payroll	5.44%

**Period from July 7, 2011 through December 31, 2011*

See independent auditors' report.

Schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Changes in Assumptions

The actuarial assumptions for the mortality basis used for the January 1, 2017 actuarial valuation were changed from the RP-2014 Mortality Tables with fully generational improvements using scale MP-2015 to RP-2014 Mortality Tables, by gender, with fully generational improvements using Scale MP-2016.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The January 1, 2017 actuarial valuation determines the employer rates for contributions payable in 2017. The following actuarial methods and assumptions were used:

Investment rate of return	6.5 percent
Mortality basis	RP-2014 Mortality Tables, by gender, with fully generational improvements using Scale MP-2016.
Amortization method	Level dollar, 20 year closed
Remaining amortization period	16.5 years
Asset valuation method	Market value
Inflation	3 percent
Compensation	3.5 percent increases, limited to a maximum of $265,000
Termination	1992 Vaughn Select and Ultimate Table

See independent auditors' report.

CUNY Senior College Plans

Schedule of Proportionate Share of the Net Pension Liabilities for the New York City Employees' Retirement System (NYCERS)
June 30, 2017
(Amounts in millions)

	2017	2016	2015
CUNY's proportion of the net pension liability	1.17%	1.25%	1.22%
CUNY's proportionate share of the net pension liability	$ 242.3	$ 303.0	$ 247.1
Covered employee payroll	$ 223.0	$ 217.1	$ 214.2
CUNY's proportionate share of the net pension liability as a percentage of the employee covered payroll	108.7%	139.6%	115.4%
Plan fiduciary net position as a percentage of the total pension liability	74.80%	69.57%	73.13%

Schedule of Proportionate Share of the Net Pension Liabilities for the New York City Teachers' Retirement System (NYCTRS)
June 30, 2017
(Amounts in millions)

	2017	2016	2015
CUNY's proportion of the net pension liability	2.18%	2.78%	2.54%
CUNY's proportionate share of the net pension liability	$ 505.2	$ 732.9	$ 528.0
Covered employee payroll	$ 179.8	$ 189.8	$ 175.0
CUNY's proportionate share of the net pension liability as a percentage of the employee covered payroll	281.0%	386.2%	301.7%
Plan fiduciary net position as a percentage of the total pension liability	68.32%	62.33%	68.04%

See independent auditors' report.

Schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Schedule of Employer Contributions for NYCERS
June 30, 2017
(Amounts in millions)

	2017	2016	2015
Contractually required contribution	$ 38.8	$ 42.0	$ 38.6
Contributions in relation to the contractually required contribution	38.8	42.0	38.6
Contribution deficiency (excess)	$ —	$ —	$ —
Covered employee payroll	$ 223.0	$ 217.1	$ 214.2
Contributions as a percentage of covered payroll	17.42%	19.34%	18.01%

Schedule of Employer Contributions for NYCTRS
June 30, 2017
(Amounts in millions)

	2017	2016	2015
Contractually required contribution	$ 84.6	$ 102.9	$ 84.5
Contributions in relation to the contractually required contribution	84.6	102.9	84.5
Contribution deficiency (excess)	$ —	$ —	$ —
Covered employee payroll	$ 179.8	$ 189.8	$ 175.0
Contributions as a percentage of covered payroll	47.04%	54.22%	48.27%

See independent auditors' report.

Schedule is intended to display ten years of information. Additional years will be displayed as they become available.

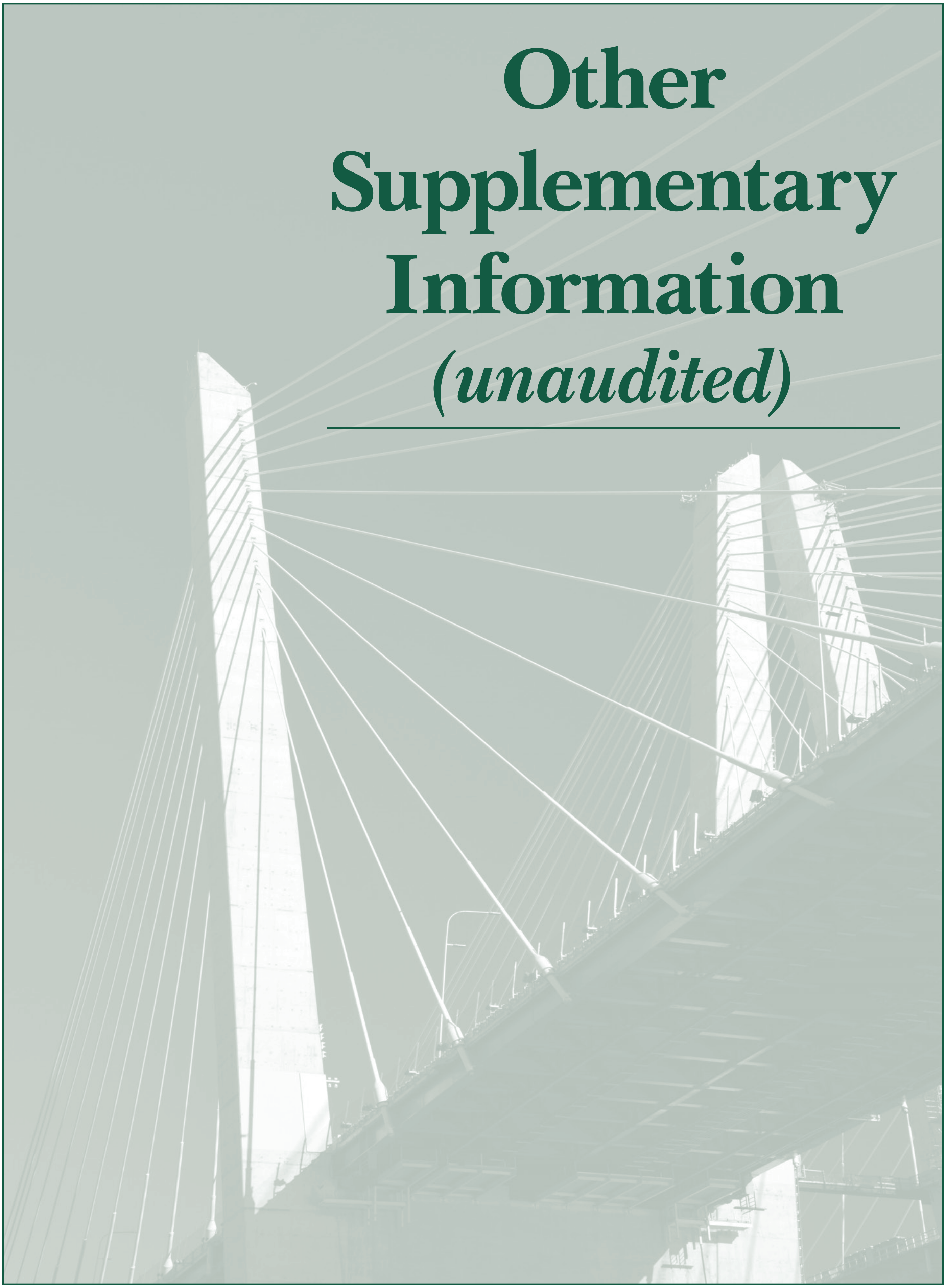
STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Other Supplementary Information

(unaudited)



STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

General Fund

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

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

The expenditures of operating the departments of the Executive Branch, the Legislature and the Judiciary, as well as expenditures for general state charges such as contributions to employee retirement systems, are paid primarily from the State Purposes, Fringe Benefit Escrow, Miscellaneous Special, and Miscellaneous accounts.

Combining Schedule of Balance Sheet Accounts

GENERAL FUND

March 31, 2018
(Amounts in millions)

	Local Assistance	State Purposes	Tax Stabilization Reserve	Community Projects	Rainy Day
ASSETS:					
Cash and investments	$ 124	$ —	$ 1,258	$ 46	$ 540
Receivables, net of allowance for uncollectibles:					
Taxes	—	9,830	—	—	—
Other	832	265	—	3	—
Due from other funds	—	1,700	—	—	—
Other assets	191	118	—	—	—
Total assets	**$ 1,147**	**$ 11,913**	**$ 1,258**	**$ 49**	**$ 540**
LIABILITIES:					
Tax refunds payable	$ —	$ 7,908	$ —	$ —	$ —
Accounts payable	—	304	—	—	—
Accrued liabilities	1,855	1,190	—	—	—
Payable to local governments	3,080	12	—	1	—
Due to other funds	406	2,994	—	—	—
Pension contributions payable	—	345	—	—	—
Unearned revenues	—	44	—	—	—
Total liabilities	**5,341**	**12,797**	**—**	**1**	**—**
DEFERRED INFLOWS OF RESOURCES	**66**	**696**	**—**	**3**	**—**
FUND BALANCES (DEFICITS):					
Committed	—	—	—	—	540
Assigned	83	51	—	45	—
Unassigned	(4,343)	(1,631)	1,258	—	—
Total fund balances (deficits)	**(4,260)**	**(1,580)**	**1,258**	**45**	**540**
Total liabilities, deferred inflows of resources and fund balances (deficits)	**$ 1,147**	**$ 11,913**	**$ 1,258**	**$ 49**	**$ 540**

See independent auditors' report.

Refund Reserve	Fringe Benefit Escrow	Miscellaneous Special	Miscellaneous	Eliminations	Total
$ 6,185	$ —	$ 1,271	$ 47	$ —	$ 9,471
—	—	—	—	—	9,830
—	3	248	36	—	1,387
1,396	92	17	16	(441)	2,780
—	—	63	—	—	372
$ 7,581	**$ 95**	**$ 1,599**	**$ 99**	**$ (441)**	**$ 23,840**
$ —	$ —	$ —	$ —	$ —	$ 7,908
—	—	7	24	—	335
—	—	61	11	—	3,117
—	—	35	1	—	3,129
—	—	166	280	(441)	3,405
—	—	—	—	—	345
—	—	96	—	—	140
—	**—**	**365**	**316**	**(441)**	**18,379**
—	**—**	**24**	**—**	**—**	**789**
2,712	—	—	33	—	3,285
—	95	—	65	—	339
4,869	—	1,210	(315)	—	1,048
7,581	**95**	**1,210**	**(217)**	**—**	**4,672**
$ 7,581	**$ 95**	**$ 1,599**	**$ 99**	**$ (441)**	**$ 23,840**

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

GENERAL FUND

Year Ended March 31, 2018

(Amounts in millions)

	Local Assistance	State Purposes	Tax Stabilization Reserve	Community Projects	Rainy Day
REVENUES:					
Taxes:					
Personal income	$ —	$ 36,327	$ —	$ —	$ —
Consumption and use	—	7,156	—	—	—
Business	—	5,023	—	—	—
Other	—	1,255	—	—	—
Miscellaneous	1	3,001	—	—	—
Total revenues	**1**	**52,762**	**—**	**—**	**—**
EXPENDITURES:					
Local assistance grants:					
Education	25,684	—	—	—	—
Public health	15,395	—	—	—	—
Public welfare	2,811	—	—	—	—
Public safety	166	—	—	—	—
Transportation	116	—	—	—	—
Environment and recreation	4	—	—	—	—
Support and regulate business	201	—	—	—	—
General government	978	—	—	9	—
State operations:					
Personal service	—	6,303	—	—	—
Non-personal service	—	1,909	—	—	—
Pension contributions	—	1,272	—	—	—
Other fringe benefits	—	2,168	—	—	—
Total expenditures	**45,355**	**11,652**	**—**	**9**	**—**
Excess (deficiency) of revenues over expenditures	**(45,354)**	**41,110**	**—**	**(9)**	**—**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	47,814	25,073	—	—	—
Transfers to other funds	(3,030)	(65,053)	—	—	—
Net other financing sources (uses)	**44,784**	**(39,980)**	**—**	**—**	**—**
Net change in fund balances	**(570)**	**1,130**	**—**	**(9)**	**—**
Fund balances (deficits) at April 1, 2017	**(3,690)**	**(2,710)**	**1,258**	**54**	**540**
Fund balances (deficits) at March 31, 2018	**$ (4,260)**	**$ (1,580)**	**$ 1,258**	**$ 45**	**$ 540**

See independent auditors' report.

Refund Reserve	Fringe Benefit Escrow	Miscellaneous Special	Miscellaneous	Eliminations	Total
$ —	$ —	$ —	$ —	$ —	**$ 36,327**
—	—	—	—	—	**7,156**
—	—	—	—	—	**5,023**
—	—	—	—	—	**1,255**
—	2,338	2,900	576	(1,939)	**6,877**
—	**2,338**	**2,900**	**576**	**(1,939)**	**56,638**
—	—	2	—	—	**25,686**
—	—	2,474	—	—	**17,869**
—	—	3	—	—	**2,814**
—	—	56	—	—	**222**
—	—	—	—	—	**116**
—	—	4	—	—	**8**
—	—	56	—	—	**257**
—	—	37	—	—	**1,024**
—	—	2,893	109	—	**9,305**
—	134	882	522	(526)	**2,921**
—	836	3	—	—	**2,111**
—	1,977	1,347	63	(1,413)	**4,142**
—	**2,947**	**7,757**	**694**	**(1,939)**	**66,475**
—	**(609)**	**(4,857)**	**(118)**	**—**	**(9,837)**
7,581	1	6,005	109	(66,039)	**20,544**
(5,875)	—	(331)	(71)	66,039	**(8,321)**
1,706	**1**	**5,674**	**38**	**—**	**12,223**
1,706	**(608)**	**817**	**(80)**	**—**	**2,386**
5,875	**703**	**393**	**(137)**	**—**	**2,286**
$ 7,581	**$ 95**	**$ 1,210**	**$ (217)**	**$ —**	**$ 4,672**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Federal Special Revenue Fund

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

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

Combining Schedule of Balance Sheet Accounts

FEDERAL SPECIAL REVENUE FUND

March 31, 2018

(Amounts in millions)

	Federal USDA-FNS	Federal DHHS	Federal Education	Federal Operating Grants	Unemployment Insurance Administration
ASSETS:					
Cash and investments	$ 25	$ 433	$ —	$ —	$ 128
Receivables, net of allowance for uncollectibles:					
Due from Federal government	153	6,787	594	2,965	59
Other	26	598	—	1	—
Due from other funds	1	17	—	1	—
Other assets	—	99	2	497	—
Total assets	**$ 205**	**$ 7,934**	**$ 596**	**$ 3,464**	**$ 187**
LIABILITIES:					
Accounts payable	$ 60	$ 119	$ 5	$ 8	$ 3
Accrued liabilities	24	4,390	553	7	16
Payable to local governments	53	2,017	22	2,657	—
Due to other funds	30	458	16	287	44
Unearned revenues	1	376	—	505	—
Total liabilities	**168**	**7,360**	**596**	**3,464**	**63**
DEFERRED INFLOWS OF RESOURCES	**26**	**574**	**—**	**—**	**124**
FUND BALANCES:					
Restricted	11	—	—	—	—
Total fund balances	**11**	**—**	**—**	**—**	**—**
Total liabilities, deferred inflows of resources and fund balances	**$ 205**	**$ 7,934**	**$ 596**	**$ 3,464**	**$ 187**

See independent auditors' report.

Unemployment Insurance Occupational Training	Federal Employment and Training Grants	Total
$ —	$ —	$ 586
—	11	10,569
—	—	625
—	—	19
—	—	598
$ —	**$ 11**	**$ 12,397**
$ —	$ 1	$ 196
—	5	4,995
—	—	4,749
—	5	840
—	—	882
—	**11**	**11,662**
—	**—**	**724**
—	—	11
—	**—**	**11**
$ —	**$ 11**	**$ 12,397**

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

FEDERAL SPECIAL REVENUE FUND

Year Ended March 31, 2018

(Amounts in millions)

	Federal USDA-FNS	Federal DHHS	Federal Education	Federal Operating Grants	Unemployment Insurance Administration
REVENUES:					
Federal grants	$ 6,992	$ 50,243	$ 2,913	$ 2,602	$ 276
Miscellaneous	3	5	—	5	77
Total revenues	**6,995**	**50,248**	**2,913**	**2,607**	**353**
EXPENDITURES:					
Local assistance grants:					
Education	1,101	—	2,637	2	—
Public health	607	43,264	7	7	—
Public welfare	5,133	3,842	—	27	3
Public safety	—	13	—	2,204	—
Transportation	—	—	—	59	—
Environment and recreation	—	—	—	1	—
Support and regulate business	—	—	—	7	—
General government	—	58	—	—	—
State operations:					
Personal service	31	235	93	130	157
Non-personal service	61	745	114	113	50
Pension contributions	5	31	15	13	34
Other fringe benefits	13	76	36	31	81
Total expenditures	**6,951**	**48,264**	**2,902**	**2,594**	**325**
Excess of revenues over expenditures	**44**	**1,984**	**11**	**13**	**28**
OTHER FINANCING USES:					
Transfers from other funds	—	(56)	—	—	—
Transfers to other funds	(53)	(1,928)	(11)	(13)	(28)
Other financing uses	**(53)**	**(1,984)**	**(11)**	**(13)**	**(28)**
Net change in fund balances	**(9)**	**—**	**—**	**—**	**—**
Fund balances at April 1, 2017	**20**	**—**	**—**	**—**	**—**
Fund balances at March 31, 2018	**$ 11**	**$ —**	**$ —**	**$ —**	**$ —**

See independent auditors' report.

Unemployment Insurance Occupational Training	Federal Employment and Training Grants	Eliminations	Total
$ 7	$ 174	$ —	$ 63,207
—	—	—	90
7	**174**	**—**	**63,297**
—	—	—	3,740
—	—	—	43,885
7	138	—	9,150
—	—	—	2,217
—	—	—	59
—	—	—	1
—	—	—	7
—	—	—	58
—	14	—	660
—	9	—	1,092
—	3	—	101
—	8	—	245
7	**172**	**—**	**61,215**
—	**2**	**—**	**2,082**
—	—	56	—
—	(2)	(56)	(2,091)
—	**(2)**	**—**	**(2,091)**
—	**—**	**—**	**(9)**
—	**—**	**—**	**20**
$ —	**$ —**	**$ —**	**$ 11**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

General Debt Service Fund

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

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

Combining Schedule of Balance Sheet Accounts

GENERAL DEBT SERVICE FUND

March 31, 2018
(Amounts in millions)

	General Debt Service Account	Tobacco Settlement Financing Corporation	Total
ASSETS:			
Cash and investments	$ 742	$ —	**$ 742**
Receivables, net of allowance for uncollectibles:			
Taxes	3,003	—	**3,003**
Due from Federal government	4	—	**4**
Total assets	**$ 3,749**	**$ —**	**$ 3,749**
LIABILITIES:			
Tax refunds payable	$ 2,186	$ —	**$ 2,186**
Accrued liabilities	11	—	**11**
Payable to local governments	175	—	**175**
Due to other funds	491	—	**491**
Total liabilities	**2,863**	**—**	**2,863**
DEFERRED INFLOWS OF RESOURCES	130	—	**130**
FUND BALANCES:			
Restricted	737	—	**737**
Committed	19	—	**19**
Total fund balances	**756**	**—**	**756**
Total liabilities, deferred inflows of resources and fund balances	**$ 3,749**	**$ —**	**$ 3,749**

See independent auditors' report.

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

GENERAL DEBT SERVICE FUND

Year Ended March 31, 2018

(Amounts in millions)

	General Debt Service Account	Tobacco Settlement Financing Corporation	Total
REVENUES:			
Taxes:			
Personal income	$ 13,190	$ —	$ 13,190
Consumption and use	3,572	—	3,572
Federal grants	35	—	35
Miscellaneous	25	6	31
Total revenues	**16,822**	**6**	**16,828**
EXPENDITURES:			
Non-personal service	71	2	73
Debt service, including payments on financing arrangements	4,311	676	4,987
Total expenditures	**4,382**	**678**	**5,060**
Excess (deficiency) of revenues over expenditures	**12,440**	**(672)**	**11,768**
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	2,778	—	2,778
Transfers to other funds	(15,141)	(107)	(15,248)
Refunding debt issued	1,182	—	1,182
Payments to escrow agents for refundings	(1,390)	—	(1,390)
Premiums on bonds issued	199	—	199
Net other financing sources (uses)	**(12,372)**	**(107)**	**(12,479)**
Net change in fund balances	**68**	**(779)**	**(711)**
Fund balances at April 1, 2017	**688**	**779**	**1,467**
Fund balances at March 31, 2018	**$ 756**	**$ —**	**$ 756**

See independent auditors' report.

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

GENERAL DEBT SERVICE FUND

Year Ended March 31, 2018
(Amounts in millions)

	Financial Plan	Actual	Variance
RECEIPTS:			
Taxes	$ 16,126	$ 16,264	$ 138
Federal grants	73	73	—
Total receipts	**16,199**	**16,337**	**138**
DISBURSEMENTS:			
State operations	34	34	—
Debt service	5,130	5,382	(252)
Total disbursements	**5,164**	**5,416**	**(252)**
Excess of receipts over disbursements	**11,035**	**10,921**	**(114)**
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	2,744	2,750	6
Transfers to other funds	(13,779)	(13,671)	108
Net other financing sources (uses)	**(11,035)**	**(10,921)**	**114**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ —**

See independent auditors' report.

Other Governmental Funds

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS

March 31, 2018
(Amounts in millions)

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS:				
Cash and investments	$ 4,250	$ 795	$ 1,949	**$ 6,994**
Receivables, net of allowance for uncollectibles:				
Taxes	835	294	71	**1,200**
Due from Federal government	—	—	653	**653**
Other	1,275	89	151	**1,515**
Due from other funds	411	225	808	**1,444**
Other assets	10	—	22	**32**
Total assets	**$ 6,781**	**$ 1,403**	**$ 3,654**	**$ 11,838**
LIABILITIES:				
Tax refunds payable	$ 651	$ 38	$ 23	**$ 712**
Accounts payable	26	—	248	**274**
Accrued liabilities	142	14	166	**322**
Payable to local governments	111	—	176	**287**
Due to other funds	109	222	1,424	**1,755**
Unearned revenues	—	3	—	**3**
Total liabilities	**1,039**	**277**	**2,037**	**3,353**
DEFERRED INFLOWS OF RESOURCES	**112**	**30**	**17**	**159**
FUND BALANCES:				
Restricted	394	507	165	**1,066**
Committed	2,060	586	2,130	**4,776**
Assigned	3,307	3	67	**3,377**
Unassigned	(131)	—	(762)	**(893)**
Total fund balances	**5,630**	**1,096**	**1,600**	**8,326**
Total liabilities, deferred inflows of resources and fund balances	**$ 6,781**	**$ 1,403**	**$ 3,654**	**$ 11,838**

See independent auditors' report.

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

OTHER GOVERNMENTAL FUNDS

Year Ended March 31, 2018
(Amounts in millions)

	Special Revenue	Debt Service	Capital Projects	Total
REVENUES:				
Taxes:				
Personal income	$ 2,494	$ —	$ —	**$ 2,494**
Consumption and use	1,987	3,572	572	**6,131**
Business	1,617	—	625	**2,242**
Other	1,405	1,051	119	**2,575**
Federal grants	—	—	2,157	**2,157**
Public health/patient fees	5,193	478	—	**5,671**
Tobacco settlement	365	—	—	**365**
Miscellaneous	3,907	57	1,261	**5,225**
Total revenues	**16,968**	**5,158**	**4,734**	**26,860**
EXPENDITURES:				
Local assistance grants:				
Education	5,935	—	236	**6,171**
Public health	5,780	—	277	**6,057**
Public welfare	—	—	436	**436**
Public safety	104	—	69	**173**
Transportation	4,909	—	1,185	**6,094**
Environment and recreation	—	—	280	**280**
Support and regulate business	—	—	1,090	**1,090**
General government	134	—	612	**746**
State operations:				
Personal service	203	—	—	**203**
Non-personal service	2,257	39	—	**2,296**
Pension contributions	33	—	—	**33**
Other fringe benefits	72	—	—	**72**
Capital construction	—	—	5,999	**5,999**
Debt service, including payments on financing arrangements	—	591	—	**591**
Total expenditures	**19,427**	**630**	**10,184**	**30,241**
Excess (deficiency) of revenues over expenditures	**(2,459)**	**4,528**	**(5,450)**	**(3,381)**
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4,002	1,313	2,517	**7,832**
Transfers to other funds	(439)	(6,024)	(1,633)	**(8,096)**
General obligation bonds issued	—	—	145	**145**
Financing arrangements issued	—	—	3,823	**3,823**
Refunding debt issued	—	743	—	**743**
Payments to escrow agents for refundings	—	(809)	—	**(809)**
Premiums on bonds issued	—	83	512	**595**
Net other financing sources (uses)	**3,563**	**(4,694)**	**5,364**	**4,233**
Net change in fund balances	**1,104**	**(166)**	**(86)**	**852**
Fund balances at April 1, 2017	**4,526**	**1,262**	**1,686**	**7,474**
Fund balances at March 31, 2018	**$ 5,630**	**$ 1,096**	**$ 1,600**	**$ 8,326**

See independent auditors' report.

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

OTHER GOVERNMENTAL FUNDS

Year Ended March 31, 2018
(Amounts in millions)

	Special Revenue			Debt Service		
	Financial Plan	Actual	Variance	Financial Plan	Actual	Variance
RECEIPTS:						
Taxes	$ 7,631	$ 7,640	$ 9	$ 4,420	$ 4,394	$ (26)
Miscellaneous	16,962	17,733	771	470	471	1
Federal grants	1	1	—	—	—	—
Total receipts	**24,594**	**25,374**	**780**	**4,890**	**4,865**	**(25)**
DISBURSEMENTS:						
Local assistance grants	19,293	19,532	(239)	—	—	—
State operations	10,501	10,551	(50)	8	8	—
General State charges	2,326	2,281	45	—	—	—
Debt service	—	—	—	491	491	—
Capital projects	—	—	—	—	—	—
Total disbursements	**32,120**	**32,364**	**(244)**	**499**	**499**	**—**
Excess (deficiency) of receipts over disbursements	**(7,526)**	**(6,990)**	**536**	**4,391**	**4,366**	**(25)**
OTHER FINANCING SOURCES (USES):						
Bond and note proceeds, net	—	—	—	—	—	—
Transfers from other funds	7,966	8,580	614	1,134	1,123	(11)
Transfers to other funds	(909)	(1,314)	(405)	(5,521)	(5,481)	40
Net other financing sources (uses)	**7,057**	**7,266**	**209**	**(4,387)**	**(4,358)**	**29**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ (469)**	**$ 276**	**$ 745**	**$ 4**	**$ 8**	**$ 4**

See independent auditors' report.

Capital Projects

Financial Plan	Actual	Variance
$ 1,333	$ 1,313	$ (20)
7,292	5,729	(1,563)
2,270	2,125	(145)
10,895	**9,167**	**(1,728)**
4,769	3,796	973
—	—	—
—	—	—
—	—	—
7,906	6,844	1,062
12,675	**10,640**	**2,035**
(1,780)	**(1,473)**	**307**
788	160	(628)
2,393	2,607	214
(1,398)	(1,385)	13
1,783	**1,382**	**(401)**
$ 3	**$ (91)**	**$ (94)**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Special Revenue Funds

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

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

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

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

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

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

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

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

MTA Financial Assistance Fund—to account for taxes and fees imposed in the Metropolitan Commuter Transportation District dedicated for Metropolitan Transportation Authority operating and capital needs.

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

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

March 31, 2018
(Amounts in millions)

	School Tax Relief (STAR)	Health Care Reform Act Resources	Dedicated Mass Transportation Trust	ENCON Special Revenue	Conservation
ASSETS:					
Cash and investments	$ —	$ 513	$ 77	$ —	$ 78
Receivables, net of allowance for uncollectibles:					
Taxes	551	66	20	—	—
Other	—	791	—	5	—
Due from other funds	—	—	13	—	—
Other assets	—	—	—	—	—
Total assets	**$ 551**	**$ 1,370**	**$ 110**	**$ 5**	**$ 78**
LIABILITIES:					
Tax refunds payable	$ 430	$ 2	$ 10	$ —	$ —
Accounts payable	—	21	1	—	—
Accrued liabilities	2	119	—	4	2
Payable to local governments	35	6	—	—	—
Due to other funds	—	3	—	11	8
Total liabilities	**467**	**151**	**11**	**15**	**10**
DEFERRED INFLOWS OF RESOURCES	**21**	**—**	**2**	**—**	**—**
FUND BALANCES (DEFICITS):					
Restricted	—	—	—	—	—
Committed	63	1,219	97	—	68
Assigned	—	—	—	—	—
Unassigned	—	—	—	(10)	—
Total fund balances (deficits)	**63**	**1,219**	**97**	**(10)**	**68**
Total liabilities, deferred inflows of resources and fund balances (deficits)	**$ 551**	**$ 1,370**	**$ 110**	**$ 5**	**$ 78**

See independent auditors' report.

	Environmental Protection and Spill Compensation	Mass Transportation Operating Assistance	MTA Financial Assistance Fund	Miscellaneous	Total
	$ 37	$ 17	$ 170	$ 3,358	**$ 4,250**
	—	100	98	—	**835**
	83	—	—	396	**1,275**
	—	—	18	380	**411**
	—	—	—	10	**10**
	$ 120	**$ 117**	**$ 286**	**$ 4,144**	**$ 6,781**
	$ —	$ 160	$ 49	$ —	**$ 651**
	—	—	—	4	**26**
	1	—	—	14	**142**
	—	—	—	70	**111**
	2	5	—	80	**109**
	3	**165**	**49**	**168**	**1,039**
	73	**1**	**—**	**15**	**112**
	44	—	237	113	**394**
	—	—	—	613	**2,060**
	—	—	—	3,307	**3,307**
	—	(49)	—	(72)	**(131)**
	44	**(49)**	**237**	**3,961**	**5,630**
	$ 120	**$ 117**	**$ 286**	**$ 4,144**	**$ 6,781**

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

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

Year Ended March 31, 2018

(Amounts in millions)

	School Tax Relief (STAR)	Health Care Reform Act Resources	Dedicated Mass Transportation Trust	ENCON Special Revenue	Conservation
REVENUES:					
Taxes:					
Personal income	$ 2,494	$ —	$ —	$ —	$ —
Consumption and use	—	828	110	—	—
Business	—	—	357	—	—
Other	—	—	—	—	—
Public health/patient fees	—	5,193	—	—	—
Tobacco settlement	—	365	—	—	—
Miscellaneous	—	5	156	92	45
Total revenues	**2,494**	**6,391**	**623**	**92**	**45**
EXPENDITURES:					
Local assistance grants:					
Education	2,481	—	—	—	—
Public health	—	5,776	—	—	—
Public safety	—	—	—	—	—
Transportation	—	—	678	—	—
General government	—	—	—	—	—
State operations:					
Personal service	—	8	—	52	26
Non-personal service	—	23	—	13	7
Pension contributions	—	2	—	7	5
Other fringe benefits	—	3	—	15	11
Total expenditures	**2,481**	**5,812**	**678**	**87**	**49**
Excess (deficiency) of revenues over expenditures	**13**	**579**	**(55)**	**5**	**(4)**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	—	107	63	16	—
Transfers to other funds	—	(141)	—	(7)	(2)
Net other financing sources (uses)	**—**	**(34)**	**63**	**9**	**(2)**
Net change in fund balances	**13**	**545**	**8**	**14**	**(6)**
Fund balances (deficits) at April 1, 2017	**50**	**674**	**89**	**(24)**	**74**
Fund balances (deficits) at March 31, 2018	**$ 63**	**$ 1,219**	**$ 97**	**$ (10)**	**$ 68**

See independent auditors' report.

Environmental Protection and Spill Compensation	Mass Transportation Operating Assistance	MTA Financial Assistance Fund	Miscellaneous	Eliminations	Total
$ —	$ —	$ —	$ —	$ —	$ 2,494
—	945	100	4	—	1,987
—	1,259	—	1	—	1,617
—	—	1,405	—	—	1,405
—	—	—	—	—	5,193
—	—	—	—	—	365
56	18	212	3,323	—	3,907
56	**2,222**	**1,717**	**3,328**	**—**	**16,968**
—	—	—	3,454	—	5,935
—	—	—	4	—	5,780
—	—	—	104	—	104
—	2,239	1,992	—	—	4,909
—	—	—	134	—	134
12	3	—	102	—	203
4	—	—	2,210	—	2,257
2	1	—	16	—	33
4	1	—	38	—	72
22	**2,244**	**1,992**	**6,062**	**—**	**19,427**
34	**(22)**	**(275)**	**(2,734)**	**—**	**(2,459)**
—	36	269	3,517	(6)	4,002
(29)	(106)	(1)	(159)	6	(439)
(29)	**(70)**	**268**	**3,358**	**—**	**3,563**
5	**(92)**	**(7)**	**624**	**—**	**1,104**
39	**43**	**244**	**3,337**	**—**	**4,526**
$ 44	**$ (49)**	**$ 237**	**$ 3,961**	**$ —**	**$ 5,630**

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

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

Year Ended March 31, 2018
(Amounts in millions)

	School Tax Relief			Mass Transportation Operating Assistance		
	Financial Plan	Actual	Variance	Financial Plan	Actual	Variance
RECEIPTS:						
Taxes	$ 2,585	$ 2,589	$ 4	$ 2,197	$ 2,213	$ 16
Miscellaneous	—	—	—	17	18	1
Federal grants	—	—	—	—	—	—
Total receipts	**2,585**	**2,589**	**4**	**2,214**	**2,231**	**17**
DISBURSEMENTS:						
Local assistance grants	2,585	2,589	(4)	2,240	2,239	1
State operations	—	—	—	4	3	1
General State charges	—	—	—	2	2	—
Capital projects	—	—	—	—	—	—
Total disbursements	**2,585**	**2,589**	**(4)**	**2,246**	**2,244**	**2**
Excess (deficiency) of receipts over disbursements	**—**	**—**	**—**	**(32)**	**(13)**	**19**
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	—	—	—	37	36	(1)
Transfers to other funds	—	—	—	(104)	(106)	(2)
Net other financing sources (uses)	**—**	**—**	**—**	**(67)**	**(70)**	**(3)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ —**	**$ (99)**	**$ (83)**	**$ 16**

See independent auditors' report.

State Special Revenue Account			Other		
Financial Plan	Actual	Variance	Financial Plan	Actual	Variance
$ —	$ —	$ —	$ 2,849	$ 2,838	$ (11)
2,560	2,864	304	14,385	14,851	466
—	1	1	1	—	(1)
2,560	**2,865**	**305**	**17,235**	**17,689**	**454**
2,523	2,655	(132)	11,945	12,049	(104)
4,180	4,225	(45)	6,317	6,323	(6)
1,747	1,737	10	577	542	35
—	—	—	—	—	—
8,450	**8,617**	**(167)**	**18,839**	**18,914**	**(75)**
(5,890)	**(5,752)**	**138**	**(1,604)**	**(1,225)**	**379**
7,844	6,268	(1,576)	1,952	2,621	669
(2,211)	(347)	1,864	(461)	(1,206)	(745)
5,633	**5,921**	**288**	**1,491**	**1,415**	**(76)**
$ (257)	**$ 169**	**$ 426**	**$ (113)**	**$ 190**	**$ 303**

(Continued)

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

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

Year Ended March 31, 2018

(Amounts in millions)

	Eliminations		Total		
	Financial Plan	Actual	Financial Plan	Actual	Variance
RECEIPTS:					
Taxes	$ —	$ —	$ 7,631	$ 7,640	$ 9
Miscellaneous	—	—	16,962	17,733	771
Federal grants	—	—	1	1	—
Total receipts	**—**	**—**	**24,594**	**25,374**	**780**
DISBURSEMENTS:					
Local assistance grants	—	—	19,293	19,532	(239)
State operations	—	—	10,501	10,551	(50)
General State charges	—	—	2,326	2,281	45
Capital projects	—	—	—	—	—
Total disbursements	**—**	**—**	**32,120**	**32,364**	**(244)**
Excess (deficiency) of receipts over disbursements	**—**	**—**	**(7,526)**	**(6,990)**	**536**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	(1,867)	(345)	7,966	8,580	614
Transfers to other funds	1,867	345	(909)	(1,314)	(405)
Net other financing sources (uses)	**—**	**—**	**7,057**	**7,266**	**209**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ (469)**	**$ 276**	**$ 745**

See independent auditors' report.

Debt Service Funds

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

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

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

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

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

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

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

March 31, 2018

(Amounts in millions)

	Mental Health Services	State Housing Debt	Department of Health Income	Clean Water/ Clean Air	Local Government Assistance Tax	Total
ASSETS:						
Cash and investments	$ 414	$ —	$ 63	$ 2	$ 316	$ 795
Receivables, net of allowance for uncollectibles:						
Taxes	—	—	—	45	249	294
Other	54	5	30	—	—	89
Due from other funds	218	—	7	—	—	225
Total assets	**$ 686**	**$ 5**	**$ 100**	**$ 47**	**$ 565**	**$ 1,403**
LIABILITIES:						
Tax refunds payable	$ —	$ —	$ —	$ 1	$ 37	$ 38
Accrued liabilities	—	—	14	—	—	14
Due to other funds	—	—	—	46	176	222
Unearned revenues	—	3	—	—	—	3
Total liabilities	**—**	**3**	**14**	**47**	**213**	**277**
DEFERRED INFLOWS OF RESOURCES	**3**	**—**	**—**	**—**	**27**	**30**
FUND BALANCES (DEFICITS):						
Restricted	171	2	23	—	311	507
Committed	512	—	63	—	11	586
Assigned	—	—	—	—	3	3
Total fund balances	**683**	**2**	**86**	**—**	**325**	**1,096**
Total liabilities, deferrred inflows of resources and fund balances	**$ 686**	**$ 5**	**$ 100**	**$ 47**	**$ 565**	**$ 1,403**

See independent auditors' report.

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

Year Ended March 31, 2018
(Amounts in millions)

	Mental Health Services	State Housing Debt	Department of Health Income	Clean Water/ Clean Air	Local Government Assistance Tax	Total
REVENUES:						
Taxes:						
Consumption and use	$ —	$ —	$ —	$ —	$ 3,572	$ 3,572
Other	—	—	—	1,051	—	1,051
Patient fees	335	—	143	—	—	478
Miscellaneous	50	5	1	—	1	57
Total revenues	**385**	**5**	**144**	**1,051**	**3,573**	**5,158**
EXPENDITURES:						
Non-personal service	34	—	2	—	3	39
Debt service, including payments on financing arrangements	105	6	25	—	455	591
Total expenditures	**139**	**6**	**27**	**—**	**458**	**630**
Excess (deficiency) of revenues over expenditures	**246**	**(1)**	**117**	**1,051**	**3,115**	**4,528**
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	1,275	1	37	—	—	1,313
Transfers to other funds	(1,540)	—	(152)	(1,051)	(3,281)	(6,024)
Refunding debt issued	487	—	—	—	256	743
Payments to escrow agents for refundings	(538)	—	—	—	(271)	(809)
Premiums on bonds issued	68	—	—	—	15	83
Net other financing sources (uses)	**(248)**	**1**	**(115)**	**(1,051)**	**(3,281)**	**(4,694)**
Net change in fund balances	**(2)**	**—**	**2**	**—**	**(166)**	**(166)**
Fund balances at April 1, 2017	**685**	**2**	**84**	**—**	**491**	**1,262**
Fund balances at March 31, 2018	**$ 683**	**$ 2**	**$ 86**	**$ —**	**$ 325**	**$ 1,096**

See independent auditors' report.

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

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

Year Ended March 31, 2018
(Amounts in millions)

	Mental Health Services			Clean Water/Clean Air		
	Financial Plan	Actual	Variance	Financial Plan	Actual	Variance
RECEIPTS:						
Taxes	$ —	$ —	$ —	$ 1,028	$ 1,006	$ (22)
Miscellaneous	321	313	(8)	—	—	—
Total receipts	**321**	**313**	**(8)**	**1,028**	**1,006**	**(22)**
DISBURSEMENTS:						
State operations	3	3	—	—	—	—
Debt service	171	171	—	—	—	—
Total disbursements	**174**	**174**	**—**	**—**	**—**	**—**
Excess (deficiency) of receipts over disbursements	**147**	**139**	**(8)**	**1,028**	**1,006**	**(22)**
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	1,406	1,402	(4)	—	—	—
Transfers to other funds	(1,553)	(1,540)	13	(1,028)	(1,006)	22
Net other financing sources (uses)	**(147)**	**(138)**	**9**	**(1,028)**	**(1,006)**	**22**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ 1**	**$ 1**	**$ —**	**$ —**	**$ —**

See independent auditors' report.

Local Government Assistance Tax			Other		
Financial Plan	Actual	Variance	Financial Plan	Actual	Variance
$ 3,392	$ 3,388	$ (4)	$ —	$ —	$ —
—	—	—	149	158	9
3,392	**3,388**	**(4)**	**149**	**158**	**9**
3	3	—	2	2	—
288	287	1	32	33	(1)
291	**290**	**1**	**34**	**35**	**(1)**
3,101	**3,098**	**(3)**	**115**	**123**	**8**
—	—	—	(272)	(279)	(7)
(3,101)	(3,098)	3	161	163	2
(3,101)	**(3,098)**	**3**	**(111)**	**(116)**	**(5)**
$ —	**$ —**	**$ —**	**$ 4**	**$ 7**	**$ 3**

(Continued)

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

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

Year Ended March 31, 2018

(Amounts in millions)

	Total		
	Financial Plan	Actual	Variance
RECEIPTS:			
Taxes	$ 4,420	$ 4,394	$ (26)
Miscellaneous	470	471	1
Total receipts	**4,890**	**4,865**	**(25)**
DISBURSEMENTS:			
State operations	8	8	—
Debt service	491	491	—
Total disbursements	**499**	**499**	**—**
Excess (deficiency) of receipts over disbursements	**4,391**	**4,366**	**(25)**
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	1,134	1,123	(11)
Transfers to other funds	(5,521)	(5,481)	40
Net other financing sources (uses)	**(4,387)**	**(4,358)**	**29**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ 4**	**$ 8**	**$ 4**

See independent auditors' report.

Capital Projects Funds

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

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

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

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

Dedicated Infrastructure Investment Fund—to account for projects, works, activities or purposes necessary to support statewide investments including loans to public authorities.

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

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

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

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

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

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

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

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

March 31, 2018
(Amounts in millions)

	State Capital Projects	Dedicated Highway and Bridge Trust	Environmental Protection	Dedicated Infrastructure Investment	Environmental Quality Protection Bond	Rebuild and Renew New York Transportation Bond	Environmental Quality Bond
ASSETS:							
Cash and investments	$ 1,436	$ 173	$ 151	$ 61	$ 2	$ 19	$ 6
Receivables, net of allowance for uncollectibles:							
Taxes	—	71	—	—	—	—	—
Due from Federal government	—	—	—	—	—	—	—
Other	111	34	1	—	—	—	—
Due from other funds	658	81	—	—	—	—	—
Other assets	—	14	—	—	—	—	—
Total assets	**$ 2,205**	**$ 373**	**$ 152**	**$ 61**	**$ 2**	**$ 19**	**$ 6**
LIABILITIES:							
Tax refunds payable	$ —	$ 23	$ —	$ —	$ —	$ —	$ —
Accounts payable	76	55	—	—	—	—	—
Accrued liabilities	71	68	—	7	—	—	—
Payable to local governments	107	2	1	5	—	—	—
Due to other funds	125	2	1	—	—	—	—
Total liabilities	**379**	**150**	**2**	**12**	**—**	**—**	**—**
DEFERRED INFLOWS OF RESOURCES	**1**	**12**	**—**	**—**	**—**	**—**	**—**
FUND BALANCES (DEFICITS):							
Restricted	106	19	—	—	2	19	6
Committed	1,719	192	150	—	—	—	—
Assigned	—	—	—	49	—	—	—
Unassigned	—	—	—	—	—	—	—
Total fund balances (deficits)	**1,825**	**211**	**150**	**49**	**2**	**19**	**6**
Total liabilities, deferred inflows of resources and fund balances (deficits)	**$ 2,205**	**$ 373**	**$ 152**	**$ 61**	**$ 2**	**$ 19**	**$ 6**

See independent auditors' report.

Hazardous Waste Remedial	Federal Capital Projects	Clean Water/ Clean Air Bond	Housing Program	Mental Hygiene Facilities Capital Improvement	Correctional Facilities Capital Improvement	Miscellaneous	Eliminations	Total
$ —	$ —	$ 1	$ —	$ —	$ —	$ 100	$ —	**$ 1,949**
—	—	—	—	—	—	—	—	**71**
—	653	—	—	—	—	—	—	**653**
5	—	—	—	—	—	—	—	**151**
—	69	—	—	—	—	1	(1)	**808**
1	—	—	—	—	—	7	—	**22**
$ 6	**$ 722**	**$ 1**	**$ —**	**$ —**	**$ —**	**$ 108**	**$ (1)**	**$ 3,654**
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	**$ 23**
1	61	—	—	12	33	10	—	**248**
2	2	—	—	14	—	2	—	**166**
—	51	—	6	3	—	1	—	**176**
82	608	—	176	106	188	137	(1)	**1,424**
85	**722**	**—**	**182**	**135**	**221**	**150**	**(1)**	**2,037**
4	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**17**
—	—	1	—	—	—	12	—	**165**
—	—	—	—	—	—	69	—	**2,130**
—	—	—	—	—	—	18	—	**67**
(83)	—	—	(182)	(135)	(221)	(141)	—	**(762)**
(83)	**—**	**1**	**(182)**	**(135)**	**(221)**	**(42)**	**—**	**1,600**
$ 6	**$ 722**	**$ 1**	**$ —**	**$ —**	**$ —**	**$ 108**	**$ (1)**	**$ 3,654**

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

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

Year Ended March 31, 2018

(Amounts in millions)

	State Capital Projects	Dedicated Highway and Bridge Trust	Environmental Protection	Dedicated Infrastructure Investment	Environmental Quality Protection Bond	Rebuild and Renew New York Transportation Bond	Environmental Quality Bond
REVENUES:							
Taxes:							
Consumption and use	$ —	$ 572	$ —	$ —	$ —	$ —	$ —
Business	—	625	—	—	—	—	—
Other	—	—	119	—	—	—	—
Federal grants	—	5	—	—	—	—	—
Miscellaneous	37	954	39	—	—	—	—
Total revenues	**37**	**2,156**	**158**	**—**	**—**	**—**	**—**
EXPENDITURES:							
Local assistance grants:							
Education	236	—	—	—	—	—	—
Public health	127	—	—	—	—	—	—
Public welfare	—	—	—	177	—	—	—
Public safety	60	—	—	—	—	—	—
Transportation	659	8	—	—	—	—	—
Environment and recreation	38	—	90	—	—	—	—
Support and regulate business	927	—	—	163	—	—	—
General government	187	—	—	423	—	—	—
Capital construction	1,233	2,195	92	371	—	—	—
Total expenditures	**3,467**	**2,203**	**182**	**1,134**	**—**	**—**	**—**
Excess (deficiency) of revenues over expenditures	**(3,430)**	**(47)**	**(24)**	**(1,134)**	**—**	**—**	**—**
OTHER FINANCING SOURCES (USES):							
Transfers from other funds	600	1,058	28	1,106	—	—	—
Transfers to other funds	(241)	(1,356)	—	—	—	(36)	(3)
General obligation bonds issued	—	—	—	—	—	33	3
Financing arrangements issued	2,874	83	—	—	—	—	—
Premiums on bonds issued	353	18	—	—	—	1	—
Net other financing sources (uses)	**3,586**	**(197)**	**28**	**1,106**	**—**	**(2)**	**—**
Net change in fund balances	**156**	**(244)**	**4**	**(28)**	**—**	**(2)**	**—**
Fund balances (deficits) at April 1, 2017	**1,669**	**455**	**146**	**77**	**2**	**21**	**6**
Fund balances (deficits) at March 31, 2018	**$ 1,825**	**$ 211**	**$ 150**	**$ 49**	**$ 2**	**$ 19**	**$ 6**

See independent auditors' report.

Hazardous Waste Remedial	Federal Capital Projects	Clean Water/ Clean Air Bond	Housing Program	Mental Hygiene Facilities Capital Improvement	Correctional Facilities Capital Improvement	Miscellaneous	Eliminations	Total
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	**$ 572**
—	—	—	—	—	—	—	—	**625**
—	—	—	—	—	—	—	—	**119**
—	2,152	—	—	—	—	—	—	**2,157**
43	2	—	100	2	8	76	—	**1,261**
43	**2,154**	**—**	**100**	**2**	**8**	**76**	**—**	**4,734**
—	—	—	—	—	—	—	—	**236**
—	44	—	—	106	—	—	—	**277**
—	—	—	158	—	—	101	—	**436**
—	8	—	—	—	—	1	—	**69**
—	518	—	—	—	—	—	—	**1,185**
6	146	—	—	—	—	—	—	**280**
—	—	—	—	—	—	—	—	**1,090**
—	—	—	—	2	—	—	—	**612**
103	1,157	—	—	231	366	251	—	**5,999**
109	**1,873**	**—**	**158**	**339**	**366**	**353**	**—**	**10,184**
(66)	**281**	**—**	**(58)**	**(337)**	**(358)**	**(277)**	**—**	**(5,450)**
14	—	—	1	2	109	33	(434)	**2,517**
(24)	(281)	(10)	—	(1)	(1)	(114)	434	**(1,633)**
—	—	9	—	—	—	100	—	**145**
133	—	—	—	257	216	260	—	**3,823**
26	—	1	—	34	33	46	—	**512**
149	**(281)**	**—**	**1**	**292**	**357**	**325**	**—**	**5,364**
83	**—**	**—**	**(57)**	**(45)**	**(1)**	**48**	**—**	**(86)**
(166)	**—**	**1**	**(125)**	**(90)**	**(220)**	**(90)**	**—**	**1,686**
$ (83)	**$ —**	**$ 1**	**$ (182)**	**$ (135)**	**$ (221)**	**$ (42)**	**$ —**	**$ 1,600**

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

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

Year Ended March 31, 2018

(Amounts in millions)

	State Capital Projects			Dedicated Highway and Bridge Trust		
	Financial Plan	Actual	Variance	Financial Plan	Actual	Variance
RECEIPTS:						
Taxes	$ —	$ —	$ —	$ 1,213	$ 1,194	$ (19)
Miscellaneous	4,800	3,448	(1,352)	1,383	1,294	(89)
Federal grants	—	—	—	5	5	—
Total receipts	**4,800**	**3,448**	**(1,352)**	**2,601**	**2,493**	**(108)**
DISBURSEMENTS:						
Local assistance grants	3,464	2,000	1,464	68	7	61
Capital projects	2,195	2,052	143	2,206	2,198	8
Total disbursements	**5,659**	**4,052**	**1,607**	**2,274**	**2,205**	**69**
Excess (deficiency) of receipts over disbursements	**(859)**	**(604)**	**255**	**327**	**288**	**(39)**
OTHER FINANCING SOURCES (USES):						
Bond and note proceeds, net	—	—	—	—	—	—
Transfers from other funds	861	605	(256)	1,033	1,058	25
Transfers to other funds	(2)	(1)	1	(1,360)	(1,356)	4
Net other financing sources (uses)	**859**	**604**	**(255)**	**(327)**	**(298)**	**29**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ —**	**$ —**	**$ (10)**	**$ (10)**

See independent auditors' report.

Federal Capital Projects			Hazardous Waste Remedial		
Financial Plan	Actual	Variance	Financial Plan	Actual	Variance
$ —	$ —	$ —	$ —	$ —	$ —
—	2	2	103	201	98
2,265	2,120	(145)	—	—	—
2,265	**2,122**	**(143)**	**103**	**201**	**98**
706	695	11	—	4	(4)
1,166	1,159	7	105	111	(6)
1,872	**1,854**	**18**	**105**	**115**	**(10)**
393	**268**	**(125)**	**(2)**	**86**	**88**
—	—	—	—	—	—
—	—	—	16	15	(1)
(372)	(281)	91	(25)	(24)	1
(372)	**(281)**	**91**	**(9)**	**(9)**	**—**
$ 21	**$ (13)**	**$ (34)**	**$ (11)**	**$ 77**	**$ 88**

(Continued)

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

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

Year Ended March 31, 2018
(Amounts in millions)

	Other			Eliminations	
	Financial Plan	Actual	Variance	Financial Plan	Actual
RECEIPTS:					
Taxes	$ 120	$ 119	$ (1)	$ —	$ —
Miscellaneous	1,006	784	(222)	—	—
Federal grants	—	—	—	—	—
Total receipts	**1,126**	**903**	**(223)**	**—**	**—**
DISBURSEMENTS:					
Local assistance grants	531	1,090	(559)	—	—
Capital projects	2,234	1,324	910	—	—
Total disbursements	**2,765**	**2,414**	**351**	**—**	**—**
Excess (deficiency) of receipts over disbursements	**(1,639)**	**(1,511)**	**128**	**—**	**—**
OTHER FINANCING SOURCES (USES):					
Bond and note proceeds, net	788	160	(628)	—	—
Transfers from other funds	1,638	1,205	(433)	(1,155)	(276)
Transfers to other funds	(794)	1	795	1,155	276
Net other financing sources (uses)	**1,632**	**1,366**	**(266)**	**—**	**—**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ (7)**	**$ (145)**	**$ (138)**	**$ —**	**$ —**

See independent auditors' report.

Total		
Financial Plan	Actual	Variance
$ 1,333	$ 1,313	$ (20)
7,292	5,729	(1,563)
2,270	2,125	(145)
10,895	**9,167**	**(1,728)**
4,769	3,796	973
7,906	6,844	1,062
12,675	**10,640**	**2,035**
(1,780)	**(1,473)**	**307**
788	160	(628)
2,393	2,607	214
(1,398)	(1,385)	13
1,783	**1,382**	**(401)**
$ 3	**$ (91)**	**$ (94)**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Fiduciary Funds

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

Private Purpose Trust Funds:

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

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

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

New York ABLE Savings Program—allows eligible individual a means to save for disability-related expenses in a tax-advantaged way, without jeopardizing benefits from other programs like Social Security or Medicaid.

Agency Funds:

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

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

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

Combining Statement of Fiduciary Net Position

PRIVATE PURPOSE TRUSTS

March 31, 2018
(Amounts in millions)

	Agriculture Producers' Security	Milk Producers' Security	Abandoned Property	Tuition Savings Program	NY ABLE Savings Program	Total
ASSETS:						
Cash and investments	$ 2	$ 9	$ 235	$ 28,230	$ 1	**$ 28,477**
Receivables, net of allowance for uncollectibles	—	—	229	81	—	**310**
Due from other funds	—	—	2,769	—	—	**2,769**
Total assets	**2**	**9**	**3,233**	**28,311**	**1**	**31,556**
LIABILITIES:						
Accrued liabilities	—	—	—	86	—	**86**
Total liabilities	**—**	**—**	**—**	**86**	**—**	**86**
NET POSITION:						
Restricted for:						
Claimant liability	—	—	3,233	—	—	**3,233**
Other specified purposes	2	9	—	28,225	1	**28,237**
Total net position	**$ 2**	**$ 9**	**$ 3,233**	**$ 28,225**	**$ 1**	**$ 31,470**

See independent auditors' report.

Combining Statement of Changes in Fiduciary Net Position

PRIVATE PURPOSE TRUSTS

Year Ended March 31, 2018

(Amounts in millions)

	Agriculture Producers' Security	Milk Producers' Security	Abandoned Property	Tuition Savings Program	NY ABLE Savings Program	Total
Additions:						
Investment income	$ —	$ —	$ —	$ 40	$ —	**$ 40**
Dividend income	—	—	—	542	—	**542**
Other income	—	1	573	—	—	**574**
Net increase in the fair value of investments	—	—	—	2,853	—	**2,853**
Total investment and other losses	**—**	**1**	**573**	**3,435**	**—**	**4,009**
Less:						
Investment expenses	—	—	—	(58)	—	**(58)**
Net investment and other losses	**—**	**1**	**573**	**3,377**	**—**	**3,951**
Contributions:						
College savings	—	—	—	3,065	—	**3,065**
NY ABLE savings	—	—	—	—	1	**1**
Total contributions	**—**	**—**	**—**	**3,065**	**1**	**3,066**
Total additions	**—**	**1**	**573**	**6,442**	**1**	**7,017**
Deductions:						
College aid redemptions	—	—	—	1,910	—	**1,910**
Claims paid	—	—	432	—	—	**432**
Total deductions	**—**	**—**	**432**	**1,910**	**—**	**2,342**
Net increase (decrease)	**—**	**1**	**141**	**4,532**	**1**	**4,675**
Net position restricted at April 1, 2017	**2**	**8**	**3,092**	**23,693**	**—**	**26,795**
Net position restricted at March 31, 2018	**$ 2**	**$ 9**	**$ 3,233**	**$ 28,225**	**$ 1**	**$ 31,470**

See independent auditors' report.

Combining Statement of Fiduciary Net Position

AGENCY FUNDS

March 31, 2018
(Amounts in millions)

	School Capital Facilities Financing Reserve	Employees Health Insurance	Social Security Contribution	Employees Dental Insurance	Management Confidential Group Insurance
ASSETS:					
Cash and investments	$ 24	$ 772	$ 15	$ 1	$ 1
Receivables, net of allowance for uncollectibles	—	168	41	11	—
Other assets	—	123	—	—	—
Total assets	**$ 24**	**$ 1,063**	**$ 56**	**$ 12**	**$ 1**
LIABILITIES:					
Accounts payable	$ —	$ 118	$ —	$ —	$ —
Accrued liabilities	24	595	56	9	1
Payable to local governments	—	350	—	3	—
Total liabilities	**$ 24**	**$ 1,063**	**$ 56**	**$ 12**	**$ 1**

See independent auditors' report.

CUNY Senior College Operating	MMIS Statewide Escrow	Sole Custody	Miscellaneous	Total
$ 39	$ 244	$ 5,084	$ 1,167	**$ 7,347**
—	765	—	202	**1,187**
—	—	—	—	**123**
$ 39	**$ 1,009**	**$ 5,084**	**$ 1,369**	**$ 8,657**
$ 39	$ 31	$ —	$ 22	**$ 210**
—	978	3,658	1,289	**6,610**
—	—	1,426	58	**1,837**
$ 39	**$ 1,009**	**$ 5,084**	**$ 1,369**	**$ 8,657**

Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS

Year Ended March 31, 2018
(Amounts in millions)

	Balance April 1, 2017	Additions	Deductions	Balance March 31, 2018
School Capital Facilities Financing Reserve				
ASSETS:				
Cash and investments	$ 22	$ 20	$ 18	$ 24
Due from other funds	—	13	13	—
Total assets	**$ 22**	**$ 33**	**$ 31**	**$ 24**
LIABILITIES:				
Accounts payable	$ —	$ 8	$ 8	$ —
Accrued liabilities	22	16	14	24
Due to other funds	—	2	2	—
Total liabilities	**$ 22**	**$ 26**	**$ 24**	**$ 24**
Employees Health Insurance				
ASSETS:				
Cash and investments	$ 736	$ 14,761	$ 14,725	$ 772
Receivables, net of allowance for uncollectibles	147	759	738	168
Due from other funds	—	3,979	3,979	—
Other assets	75	123	75	123
Total assets	**$ 958**	**$ 19,622**	**$ 19,517**	**$ 1,063**
LIABILITIES:				
Accounts payable	$ 166	$ 10,464	$ 10,512	$ 118
Accrued liabilities	586	11,419	11,410	595
Payable to local governments	206	349	205	350
Due to other funds	—	425	425	—
Total liabilities	**$ 958**	**$ 22,657**	**$ 22,552**	**$ 1,063**
Social Security Contribution				
ASSETS:				
Cash and investments	$ 15	$ 1,206	$ 1,206	$ 15
Receivables, net of allowance for uncollectibles	40	1,175	1,174	41
Due from other funds	—	28	28	—
Total assets	**$ 55**	**$ 2,409**	**$ 2,408**	**$ 56**
LIABILITIES:				
Accounts payable	$ —	$ 1,206	$ 1,206	$ —
Accrued liabilities	55	1,203	1,202	56
Total liabilities	**$ 55**	**$ 2,409**	**$ 2,408**	**$ 56**

(Continued)

See independent auditors' report.

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

AGENCY FUNDS

Year Ended March 31, 2018

(Amounts in millions)

	Balance April 1, 2017	Additions	Deductions	Balance March 31, 2018
Employees Dental Insurance				
ASSETS:				
Cash and investments	$ 1	$ 166	$ 166	$ 1
Receivables, net of allowance for uncollectibles	12	13	14	11
Due from other funds	—	77	77	—
Total assets	**$ 13**	**$ 256**	**$ 257**	**$ 12**
LIABILITIES:				
Accounts payable	$ —	$ 72	$ 72	$ —
Accrued liabilities	9	108	108	9
Payable to local governments	4	3	4	3
Due to other funds	—	1	1	—
Total liabilities	**$ 13**	**$ 184**	**$ 185**	**$ 12**
Management Confidential Group Insurance				
ASSETS:				
Cash and investments	$ 1	$ 16	$ 16	$ 1
Receivables, net of allowance for uncollectibles	—	6	6	—
Due from other funds	—	5	5	—
Total assets	**$ 1**	**$ 27**	**$ 27**	**$ 1**
LIABILITIES:				
Accounts payable	$ —	$ 10	$ 10	$ —
Accrued liabilities	1	11	11	1
Total liabilities	**$ 1**	**$ 21**	**$ 21**	**$ 1**
CUNY Senior College Operating				
ASSETS:				
Cash and investments	$ 5	$ 2,667	$ 2,633	$ 39
Receivables, net of allowance for uncollectibles	—	2	2	—
Due from other funds	—	177	177	—
Total assets	**$ 5**	**$ 2,846**	**$ 2,812**	**$ 39**
LIABILITIES:				
Accounts payable	$ —	$ 2,431	$ 2,392	$ 39
Accrued liabilities	5	3,093	3,098	—
Due to other funds	—	192	192	—
Total liabilities	**$ 5**	**$ 5,716**	**$ 5,682**	**$ 39**

(Continued)

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

AGENCY FUNDS

Year Ended March 31, 2018
(Amounts in millions)

	Balance April 1, 2017	Additions	Deductions	Balance March 31, 2018
MMIS Statewide Escrow				
ASSETS:				
Cash and investments	$ 120	$ 132,914	$ 132,790	$ 244
Receivables, net of allowance for uncollectibles	587	801	623	765
Due from other funds	—	61,408	61,408	—
Total assets	**$ 707**	**$ 195,123**	**$ 194,821**	**$ 1,009**
LIABILITIES:				
Accounts payable	$ 7	$ 3,158	$ 3,134	$ 31
Accrued liabilities	697	76,256	75,975	978
Payable to local governments	3	—	3	—
Due to other funds	—	1,800	1,800	—
Total liabilities	**$ 707**	**$ 81,214**	**$ 80,912**	**$ 1,009**
Sole Custody				
ASSETS:				
Cash and investments	$ 5,310	$ 5,085	$ 5,311	$ 5,084
Receivables, net of allowance for uncollectibles	19	4	23	—
Total assets	**$ 5,329**	**$ 5,089**	**$ 5,334**	**$ 5,084**
LIABILITIES:				
Accrued liabilities	$ 3,893	$ 3,663	$ 3,898	$ 3,658
Payable to local governments	1,436	1,426	1,436	1,426
Total liabilities	**$ 5,329**	**$ 5,089**	**$ 5,334**	**$ 5,084**
Miscellaneous				
ASSETS:				
Cash and investments	$ 1,409	$ 20,668	$ 20,910	$ 1,167
Receivables, net of allowance for uncollectibles	219	7,071	7,088	202
Due from other funds	—	1,970	1,970	—
Total assets	**$ 1,628**	**$ 29,709**	**$ 29,968**	**$ 1,369**
LIABILITIES:				
Accounts payable	$ 19	$ 6,863	$ 6,860	$ 22
Accrued liabilities	1,548	16,224	16,483	1,289
Payable to local governments	61	118	121	58
Due to other funds	—	6,210	6,210	—
Total liabilities	**$ 1,628**	**$ 29,415**	**$ 29,674**	**$ 1,369**

(Continued)

See independent auditors' report.

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

AGENCY FUNDS

Year Ended March 31, 2018
(Amounts in millions)

	Balance April 1, 2017	Additions	Deductions	Balance March 31, 2018
Total Assets and Liabilities—All Agency Funds				
ASSETS:				
Cash and investments	$ 7,619	$ 177,503	$ 177,775	$ 7,347
Receivables, net of allowance for uncollectibles	1,024	9,831	9,668	1,187
Due from other funds	—	67,657	67,657	—
Other assets	75	123	75	123
Total assets	**$ 8,718**	**$ 255,114**	**$ 255,175**	**$ 8,657**
LIABILITIES:				
Accounts payable	$ 192	$ 24,212	$ 24,194	$ 210
Accrued liabilities	6,816	111,993	112,199	6,610
Payable to local governments	1,710	1,896	1,769	1,837
Due to other funds	—	8,631	8,631	—
Total liabilities	**$ 8,718**	**$ 146,732**	**$ 146,793**	**$ 8,657**

See independent auditors' report.

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Non-Major Component Units

The non-major component units listed are significant separate legal entities that are discretely presented in the State's financial statements. The inclusion of component units in the State's financial statements reflects the State's financial accountability for these entities.

Health Research Incorporated—administers gifts and grants in keeping with the research, prevention and treatment purposes of the New York State Department of Health and the Roswell Park Cancer Institute Corporation.

Housing Trust Fund Corporation—administers significant Federal and State low income housing programs.

Hugh L. Carey Battery Park City Authority—engages in the improvement of the Battery Park City Project Area (a 92-acre site on the lower west side of Manhattan); the creation in the area of a mixed commercial and residential community; and the making of loans secured by first mortgages to housing companies organized to provide housing within the project area.

Municipal Bond Bank Agency—provides access to the capital markets for special programs and purposes that benefit the State of New York and its municipalities.

New York State Energy Research and Development Authority—conducts and finances a multifaceted energy and environmental research and development program; promotes energy efficiency measures; manages the Western New York Nuclear Service Center at West Valley; and coordinates the State's activities on nuclear energy matters.

New York State Higher Education Services Corporation—administers the State's Guaranteed Student Loan Programs.

Niagara Frontier Transportation Authority—promotes the development and improvement of transportation and related services within the Niagara Frontier Transportation District, and operates a number of transportation related business centers including aviation, surface transportation and property management.

Roswell Park Cancer Institute Corporation—as a public hospital and medical research center, provides total care to cancer patients, conducts research into the causes, treatment and prevention of cancer, and educates those who treat and study cancer.

SUNY Foundations—include campus-related foundations and student housing corporations reported as an aggregate discretely presented component unit in the State University of New York financial statements. The campus-related foundations are responsible for the fiscal administration of revenues and support received for the promotion, development and advancement of the welfare of the campuses. The student housing corporations operate and administer certain housing and related services for students.

CUNY Foundations—include eighteen campus-related foundations reported as discretely presented component units in the City University of New York Senior Colleges' financial statements. These foundations support both academic and general needs of the colleges and their students.

Miscellaneous—aggregation of 22 other non-major component units listed in Note 14.

Combining Statement of Net Position

DISCRETELY PRESENTED NON-MAJOR COMPONENT UNITS

March 31, 2018
(Amounts in millions)

	Health Research Incorporated	Housing Trust Fund Corporation	Hugh L. Carey Battery Park City Authority	Municipal Bond Bank Agency	NYS Energy Research & Development Authority
ASSETS:					
Cash and investments	$ 605	$ 499	$ 472	$ 3	$ 622
Receivables, net of allowances for uncollectibles:					
Loans, leases, and notes	—	1	2	404	496
Other	65	17	2	7	42
Net pension asset	—	—	—	—	—
Other assets	47	10	4	—	16
Capital assets:					
Construction in progress	—	—	—	—	—
Land, buildings and equipment, net of depreciation	1	—	512	—	17
Intangible assets	—	—	—	—	—
Total assets	**718**	**527**	**992**	**414**	**1,193**
DEFERRED OUTFLOWS OF RESOURCES:					
Pension activities	—	4	3	—	7
Derivative activities	—	—	18	—	—
Deferred loss on refunding	—	—	73	16	—
Other	—	—	—	—	—
Total deferred outflows of resources	**—**	**4**	**94**	**16**	**7**
LIABILITIES:					
Accounts payable	39	—	3	—	8
Accrued liabilities	24	70	213	8	161
Unearned revenues	—	21	50	—	2
Notes payable	—	—	—	—	—
Bonds payable	—	—	27	55	7
Current portion of other long-term liabilities	—	—	—	—	12
Due in more than one year:					
Accrued liabilities	—	—	28	—	—
Pension contributions payable	—	—	—	—	—
Net pension liability	—	5	—	—	—
Other postemployment benefits	—	6	38	—	—
Pollution remediation	—	—	—	—	—
Unearned revenues	508	—	249	—	—
Notes payable	—	—	—	—	—
Bonds payable	—	—	996	369	127
Other long-term liabilities	47	—	—	—	15
Derivative instruments	—	—	73	—	—
Total liabilities	**618**	**102**	**1,677**	**432**	**332**
DEFERRED INFLOWS OF RESOURCES:					
Pension activities	—	1	1	—	—
Other	—	—	—	—	—
Total deferred inflows of resources	**—**	**1**	**1**	**—**	**—**
NET POSITION:					
Net investment in capital assets	—	—	(1)	—	17
Restricted for:					
Debt service	—	—	55	—	—
Higher education, research and patient care	—	—	—	—	—
Environmental projects and energy programs	—	—	—	—	847
Economic development, housing and transportation	—	343	7	—	—
Insurance and administrative requirements	—	—	—	—	—
Unrestricted (deficit)	100	85	(653)	(2)	4
Total net position	**$ 100**	**$ 428**	**$ (592)**	**$ (2)**	**$ 868**

See independent auditors' report.

NYS Higher Education Services Corporation	Niagara Frontier Transportation Authority	Roswell Park Cancer Institute Corporation	SUNY Foundations and Auxiliary Corporations	CUNY Supporting Organizations	Miscellaneous	Total
$ 137	$ 103	$ 593	$ 2,558	$ 837	$ 1,390	**$ 7,819**
—	—	21	—	—	28	**952**
14	25	113	222	114	139	**760**
—	—	—	—	—	1	**1**
2	6	23	94	8	52	**262**
—	36	16	27	—	60	**139**
—	576	300	526	158	992	**3,082**
—	—	7	—	—	—	**7**
153	**746**	**1,073**	**3,427**	**1,117**	**2,662**	**13,022**
5	16	52	—	—	47	**134**
—	—	—	—	—	—	**18**
—	—	—	—	4	—	**93**
—	—	—	—	—	1	**1**
5	**16**	**52**	**—**	**4**	**48**	**246**
13	—	—	—	—	53	**116**
—	31	149	313	19	493	**1,481**
—	—	—	18	2	65	**158**
—	—	—	—	9	2	**11**
—	13	15	14	2	8	**141**
—	7	—	—	—	33	**52**
—	—	—	—	—	45	**73**
4	—	—	—	—	1	**5**
2	33	54	—	—	72	**166**
—	166	511	—	—	409	**1,130**
—	—	—	—	—	1	**1**
—	—	—	—	—	51	**808**
—	—	30	—	13	5	**48**
—	86	127	333	134	95	**2,267**
2	82	9	—	1	71	**227**
—	—	—	—	—	—	**73**
21	**418**	**895**	**678**	**180**	**1,404**	**6,757**
1	3	15	—	—	16	**37**
—	—	—	—	—	15	**15**
1	**3**	**15**	**—**	**—**	**31**	**52**
—	482	154	226	70	997	**1,945**
—	—	—	—	—	19	**74**
81	—	128	1,933	831	—	**2,973**
—	—	—	—	—	40	**887**
—	48	—	—	—	211	**609**
—	—	—	—	—	45	**45**
55	(189)	(67)	590	40	(37)	**(74)**
$ 136	**$ 341**	**$ 215**	**$ 2,749**	**$ 941**	**$ 1,275**	**$ 6,459**

Combining Statement of Activities

DISCRETELY PRESENTED NON-MAJOR COMPONENT UNITS

Year Ended March 31, 2018
(Amounts in millions)

	Health Research Incorporated	Housing Trust Fund Corporation	Hugh L. Carey Battery Park City Authority	Municipal Bond Bank Agency	NYS Energy Research & Development Authority
EXPENSES:					
Program operations	$ 669	$ 2,765	$ 231	$ 1	$ 1,071
Interest on long-term debt	—	—	31	18	4
Other interest	—	—	—	—	—
Depreciation and amortization	—	—	10	—	2
Other expenses	34	10	—	15	13
Total expenses	**703**	**2,775**	**272**	**34**	**1,090**
PROGRAM REVENUES:					
Charges for services	2	—	295	21	28
Operating grants and contributions	704	2,883	—	—	58
Capital grants and contributions	—	—	—	—	—
Total program revenues	**706**	**2,883**	**295**	**21**	**86**
Net program revenue (expenses)	**3**	**108**	**23**	**(13)**	**(1,004)**
GENERAL REVENUES:					
Non-State grants and contributions not restricted to specific programs	—	—	—	2	—
Investment earnings:					
Restricted	—	—	—	—	—
Unrestricted	8	2	—	—	7
Miscellaneous	—	2	—	13	627
Total general revenues	**8**	**4**	**—**	**15**	**634**
Change in net position	**11**	**112**	**23**	**2**	**(370)**
Net position—beginning of year, as restated	**89**	**316**	**(615)**	**(4)**	**1,238**
Net position—end of year	**$ 100**	**$ 428**	**$ (592)**	**$ (2)**	**$ 868**

See independent auditors' report.

NYS Higher Education Services Corporation	Niagara Frontier Transportation Authority	Roswell Park Cancer Institute Corporation	SUNY Foundations and Auxiliary Corporations	CUNY Supporting Organizations	Miscellaneous	Total
$ 610	$ 211	$ 764	$ 584	$ 192	$ 1,392	**$ 8,490**
—	—	3	—	—	3	**59**
—	4	—	—	—	—	**4**
—	53	34	—	5	84	**188**
6	—	23	145	19	21	**286**
616	**268**	**824**	**729**	**216**	**1,500**	**9,027**
621	72	648	516	54	738	**2,995**
—	55	68	209	4	521	**4,502**
—	24	38	—	—	133	**195**
621	**151**	**754**	**725**	**58**	**1,392**	**7,692**
5	**(117)**	**(70)**	**(4)**	**(158)**	**(108)**	**(1,335)**
6	60	—	—	90	137	**295**
—	—	—	160	—	22	**182**
1	—	4	72	81	46	**221**
—	47	48	14	71	23	**845**
7	**107**	**52**	**246**	**242**	**228**	**1,543**
12	**(10)**	**(18)**	**242**	**84**	**120**	**208**
124	**351**	**233**	**2,507**	**857**	**1,155**	**6,251**
$ 136	**$ 341**	**$ 215**	**$ 2,749**	**$ 941**	**$ 1,275**	**$ 6,459**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Statistical Section

(unaudited)

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: *Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant years.*

Changes in Fund Balances

GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

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

	Fiscal Year				
	2009	2010	2011	2012	2013
REVENUES:					
Taxes:					
Personal income	$ 33,096	$ 34,536	$ 37,705	$ 38,355	$ 41,962
Consumption and use	13,131	13,069	14,133	14,528	14,598
Business	7,711	7,547	7,115	7,758	8,275
Other	1,769	2,753	3,228	3,115	2,973
Federal grants	41,637	51,407	54,659	48,016	49,263
Public health/patient fees	3,734	4,296	4,655	4,648	4,574
Tobacco settlement	594	491	457	453	447
Miscellaneous	9,044	11,780	11,371	11,433	10,745
Total revenues	**110,716**	**125,879**	**133,323**	**128,306**	**132,837**
EXPENDITURES:					
Local assistance grants:					
Education	—	—	—	—	30,717
Public health	—	—	—	—	48,363
Public welfare	—	—	—	—	13,970
Public safety	—	—	—	—	2,003
Transportation	—	—	—	—	5,901
Environment and recreation	—	—	—	—	451
Support and regulate business	—	—	—	—	700
General government	—	—	—	—	1,189
Social services	44,741	52,341	53,894	51,893	—
Education	31,047	31,097	32,380	31,255	—
Mental hygiene	1,998	1,912	2,020	2,090	—
General purpose	1,220	1,251	1,037	1,042	—
Health and environment	4,592	4,250	4,460	4,466	—
Transportation	4,109	5,123	5,311	5,327	—
Criminal justice	516	624	506	745	—
Miscellaneous	2,901	2,068	2,685	2,049	—
State operations:					
Personal service	9,819	9,733	9,857	9,439	9,597
Non-personal service	6,331	6,329	6,554	6,320	6,128
Pension contributions	973	874	1,234	1,538	1,457
Other fringe benefits	3,203	3,390	3,683	3,924	3,255
Capital construction	5,127	5,029	4,174	4,198	4,260
Debt service, including payments on financing arrangements:					
Principal (General Obligation)	353	355	365	361	346
Interest (General Obligation)	127	123	135	137	141
Principal (Other financing arrangements)	—	—	—	2,778	3,035
Interest (Other financing arrangements)	—	—	—	1,956	1,801
Principal and Interest (Other financing arrangements)	3,622	4,067	4,394	—	—
Total expenditures	**120,679**	**128,566**	**132,689**	**129,518**	**133,314**
Excess (deficiency) of revenues over expenditures	**(9,963)**	**(2,687)**	**634**	**(1,212)**	**(477)**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	2,761	2,959	3,315	3,282	3,131
Transfers to other funds	(5,072)	(5,158)	(5,085)	(5,099)	(5,146)
Collateralized borrowing	—	—	102	—	—
General obligation bonds issued	455	449	500	330	396
Financing arrangements issued	3,689	4,354	2,253	2,945	1,836
Refunding debt issued	3,874	2,200	1,907	1,868	2,434
Payments to escrow agents for refundings	(3,926)	(2,278)	(2,052)	(2,033)	(2,784)
Swap termination	(32)	(94)	(48)	(27)	—
Premiums on bonds issued	215	378	375	565	746
Net other financing sources (uses)	**1,964**	**2,810**	**1,267**	**1,831**	**613**
Special item—State Insurance Fund reserve release	**—**	**—**	**—**	**—**	**—**
Net change in fund balances	**$ (7,999)**	**$ 123**	**$ 1,901**	**$ 619**	**$ 136**
Debt service (principal and interest) as a percentage of non-capital expenditures	**3.45%**	**3.58%**	**3.74%**	**4.09%**	**4.05%**

Source: Office of the State Comptroller

Note: Figures restated for prior period adjustments.

Beginning in fiscal year 2013, expenditures for local assistance grants are reported using the new Statewide Financial System program categories. Prior fiscal years' reported amounts are categorized by local assistance object codes.

Fiscal Year

2014	2015	2016	2017	2018
$ 41,295	$ 45,438	$ 46,089	$ 46,010	$ 52,011
15,139	15,361	15,741	16,210	16,859
8,438	8,321	7,575	7,372	7,265
3,398	3,537	3,967	3,631	3,830
50,176	51,494	57,781	61,456	65,399
4,968	5,142	5,213	5,692	5,671
492	426	803	360	365
10,811	15,186	11,005	10,904	11,358
134,717	**144,905**	**148,174**	**151,635**	**162,758**
31,139	32,229	34,595	34,734	35,597
48,078	51,939	56,694	63,262	67,811
13,758	12,477	12,989	12,734	12,400
2,714	2,814	2,382	1,869	2,612
5,799	5,864	5,565	6,633	6,269
454	316	319	399	289
836	695	804	1,101	1,354
1,363	1,355	1,587	1,676	1,828
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
9,599	9,780	9,947	9,892	10,168
6,093	6,883	6,773	6,584	6,308
1,880	1,979	2,038	2,245	2,245
3,233	3,277	3,386	3,663	3,668
4,506	4,725	5,516	5,770	5,999
333	304	290	265	230
139	132	123	115	106
2,921	3,052	3,407	3,470	3,536
1,876	1,850	1,886	1,740	1,706
—	—	—	—	—
134,721	**139,671**	**148,301**	**156,152**	**162,126**
(4)	**5,234**	**(127)**	**(4,517)**	**632**
3,319	3,258	3,335	3,282	3,659
(5,658)	(5,432)	(5,657)	(5,715)	(6,261)
370	—	—	—	—
—	148	—	—	145
2,684	1,934	2,219	2,888	3,823
2,247	1,527	3,888	1,826	1,925
(2,468)	(1,737)	(4,465)	(2,111)	(2,199)
—	—	—	—	—
461	527	965	745	794
955	**225**	**285**	**915**	**1,886**
250	**1,000**	**250**	**250**	**—**
$ 1,201	**$ 6,459**	**$ 408**	**$ (3,352)**	**$ 2,518**
3.97%	**3.86%**	**3.86%**	**3.63%**	**3.48%**

Net Position by Component

LAST TEN FISCAL YEARS

(Accrual basis of accounting)
(Amounts in millions)

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental activities:					
Net investment in capital assets	$ 63,476	$ 63,797	$ 65,118	$ 65,875	$ 67,162
Restricted for:					
Debt service	2,321	2,277	2,506	2,502	2,508
Environmental projects and energy programs	27	60	88	107	102
Economic development, housing and transportation	46	171	272	233	151
Other government programs	444	156	148	309	728
Unrestricted (deficit)	(35,420)	(38,485)	(40,484)	(42,693)	(44,380)
Total governmental activities net position	**$ 30,894**	**$ 27,976**	**$ 27,648**	**$ 26,333**	**$ 26,271**
Business-type activities:					
Net investment in capital assets	$ 569	$ 468	$ 685	$ 920	$ 1,390
Restricted for:					
Debt service	—	—	—	—	—
Higher education, research and patient care	1,619	1,021	1,003	1,204	1,037
Unemployment benefits	351	—	—	—	—
Future lottery prizes	72	79	105	141	185
Pensions	—	—	—	—	—
Unrestricted (deficit)	420	(1,452)	(2,411)	(2,923)	(3,534)
Total business-type activities net position	**$ 3,031**	**$ 116**	**$ (618)**	**$ (658)**	**$ (922)**
Primary government:					
Net investment in capital assets	$ 64,045	$ 64,265	$ 65,803	$ 66,795	$ 68,552
Restricted for:					
Debt service	2,321	2,277	2,506	2,502	2,508
Higher education, research and patient care	1,619	1,021	1,003	1,204	1,037
Environmental projects and energy programs	27	60	88	107	102
Economic development, housing and transportation	46	171	272	233	151
Unemployment benefits	351	—	—	—	—
Future lottery prizes	72	79	105	141	185
Pensions	—	—	—	—	—
Other government programs	444	156	148	309	728
Unrestricted (deficit)	(35,000)	(39,937)	(42,895)	(45,616)	(47,914)
Total primary government net position	**$ 33,925**	**$ 28,092**	**$ 27,030**	**$ 25,675**	**$ 25,349**

Source: Office of the State Comptroller

Fiscal Year				
2014	2015	2016	2017	2018
$ 68,791	$ 69,286	$ 69,394	$ 70,561	$ 71,095
3,271	2,574	3,328	2,729	1,851
113	129	95	113	247
199	105	229	298	113
231	277	365	478	533
(44,767)	(39,817)	(40,872)	(45,599)	(45,231)
$ 27,838	**$ 32,554**	**$ 32,539**	**$ 28,580**	**$ 28,608**
$ 1,220	$ 1,323	$ 1,589	$ 1,619	$ 1,659
—	—	117	72	42
1,120	1,039	985	975	986
—	892	1,944	2,712	3,100
150	139	157	184	200
—	—	25	73	77
(3,331)	(2,622)	(4,592)	(5,302)	(5,995)
$ (841)	**$ 771**	**$ 225**	**$ 333**	**$ 69**
$ 70,011	$ 70,609	$ 70,983	$ 72,180	$ 72,754
3,271	2,574	3,445	2,801	1,893
1,120	1,039	985	975	986
113	129	95	113	247
199	105	229	298	113
—	892	1,944	2,712	3,100
150	139	157	184	200
—	—	25	73	77
231	277	365	478	533
(48,098)	(42,439)	(45,464)	(50,901)	(51,226)
$ 26,997	**$ 33,325**	**$ 32,764**	**$ 28,913**	**$ 28,677**

Changes in Net Position

LAST TEN FISCAL YEARS

(Accrual basis of accounting)
(Amounts in millions)

	Fiscal Year				
	2009	2010	2011	2012	2013
EXPENSES:					
Governmental activities:					
Education	$ 32,184	$ 31,075	$ 32,478	$ 30,828	$ 31,125
Public health	47,233	51,499	52,618	58,817	55,042
Public welfare	13,824	16,226	17,091	12,703	15,931
Public safety	6,066	5,641	6,143	6,264	8,264
Transportation	7,164	8,112	7,778	8,347	8,928
Environment and recreation	1,276	1,338	1,625	1,653	1,376
Support and regulate business	1,911	1,713	1,827	1,625	1,423
General government	9,457	9,234	9,707	5,641	7,394
Interest on long-term debt	1,752	1,839	2,040	1,922	1,823
Total governmental activities expenses	**120,867**	**126,677**	**131,307**	**127,800**	**131,306**
Business-type activities:					
Lottery	5,235	5,221	5,250	5,587	5,914
Unemployment insurance	4,562	10,267	9,414	7,363	6,718
State University of New York	8,379	9,509	9,032	9,709	9,940
City University of New York	2,617	2,847	2,950	2,937	3,022
Total business-type activities expenses	**20,793**	**27,844**	**26,646**	**25,596**	**25,594**
Total primary government expenses	**$ 141,660**	**$ 154,521**	**$ 157,953**	**$ 153,396**	**$ 156,900**
PROGRAM REVENUES:					
Governmental activities:					
Charges for services:					
Education	$ 73	$ 118	$ 119	$ 99	$ 94
Public health	4,459	5,086	5,687	6,159	5,671
Public welfare	458	1,024	751	636	490
Public safety	194	173	167	163	141
Transportation	1,109	1,317	1,425	1,483	1,371
Environment and recreation	297	324	315	269	245
Support and regulate business	822	1,528	1,413	1,527	1,855
General government	1,920	1,989	1,848	2,426	3,664
Operating grants and contributions	40,401	50,058	53,072	46,627	48,337
Capital grants and contributions	1,344	1,240	1,427	1,429	1,370
Total governmental activities program revenues	**51,077**	**62,857**	**66,224**	**60,818**	**63,238**
Business-type activities:					
Charges for services:					
Lottery	7,660	7,818	7,868	8,439	8,934
State University of New York	3,279	3,533	3,803	4,004	4,140
City University of New York	519	541	614	622	659
Operating grants and contributions	5,667	10,903	11,445	10,020	9,066
Capital grants and contributions	69	48	76	95	64
Total business-type activities program revenues	**17,194**	**22,843**	**23,806**	**23,180**	**22,863**
Total primary government program revenues	**$ 68,271**	**$ 85,700**	**$ 90,030**	**$ 83,998**	**$ 86,101**
NET (EXPENSE)/REVENUE:					
Governmental activities	$ (70,563)	$ (63,820)	$ (65,083)	$ (66,982)	$ (68,068)
Business-type activities	(3,599)	(5,001)	(2,840)	(2,416)	(2,731)
Total primary government net expense	**$ (74,162)**	**$ (68,821)**	**$ (67,923)**	**$ (69,398)**	**$ (70,799)**

Fiscal Year				
2014	2015	2016	2017	2018
$ 31,791	$ 32,672	$ 35,175	$ 35,585	$ 36,134
54,995	58,442	63,454	68,505	73,447
15,525	14,146	14,722	15,263	14,006
7,680	7,662	7,768	8,175	8,345
8,171	9,315	10,344	10,218	10,141
1,350	1,424	1,413	1,489	1,515
1,600	1,606	1,555	1,732	2,169
7,534	10,030	10,234	11,078	12,880
1,785	1,690	1,618	1,456	1,418
130,431	**136,987**	**146,283**	**153,501**	**160,055**
6,162	6,120	6,442	6,513	6,694
4,529	2,588	2,403	2,294	2,316
10,061	10,353	10,700	11,204	11,499
3,088	3,166	3,265	3,659	3,521
23,840	**22,227**	**22,810**	**23,670**	**24,030**
$ 154,271	**$ 159,214**	**$ 169,093**	**$ 177,171**	**$ 184,085**
$ 86	$ 209	$ 136	$ 108	$ 164
6,207	6,476	5,408	6,648	6,632
905	587	261	562	526
188	176	207	223	224
1,406	1,322	1,502	1,382	1,582
258	256	265	324	344
1,870	5,879	2,953	1,872	1,954
3,143	3,565	4,439	4,045	4,131
48,598	48,700	56,089	59,776	63,983
1,455	1,432	1,629	1,766	1,436
64,116	**68,602**	**72,889**	**76,706**	**80,976**
9,226	9,156	9,691	9,676	9,973
4,067	4,095	4,430	4,223	4,657
642	647	651	666	663
7,681	6,366	6,160	5,763	5,468
89	144	65	31	61
21,705	**20,408**	**20,997**	**20,359**	**20,822**
$ 85,821	**$ 89,010**	**$ 93,886**	**$ 97,065**	**$ 101,798**
$ (66,315)	$ (68,385)	$ (73,394)	$ (76,795)	$ (79,079)
(2,135)	(1,819)	(1,813)	(3,311)	(3,208)
$ (68,450)	**$ (70,204)**	**$ (75,207)**	**$ (80,106)**	**$ (82,287)**

(Continued)

Changes in Net Position (cont'd)

LAST TEN FISCAL YEARS

(Accrual basis of accounting)
(Amounts in millions)

	Fiscal Year 2009	2010	2011	2012	2013
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:					
Governmental activities:					
Taxes:					
Personal income	$ 33,108	$ 34,521	$ 37,629	$ 38,329	$ 41,975
Consumption and use	13,137	13,076	14,115	14,492	14,593
Business	7,661	7,662	6,892	7,782	8,285
Other	1,898	2,780	3,187	3,128	3,078
Investment earnings	256	115	84	—	54
Miscellaneous	3,983	4,906	4,663	3,682	2,103
Transfers	(2,226)	(2,158)	(1,739)	(1,746)	(2,082)
Special item—State Insurance Fund reserve release	—	—	—	—	—
Total governmental activities	**57,817**	**60,902**	**64,831**	**65,667**	**68,006**
Business-type activities:					
Investment earnings	270	39	208	367	131
Miscellaneous	300	235	593	474	619
Transfers	1,845	1,812	1,307	1,535	1,717
Total business-type activities	**2,415**	**2,086**	**2,108**	**2,376**	**2,467**
Total primary government	**$ 60,232**	**$ 62,988**	**$ 66,939**	**$ 68,043**	**$ 70,473**
CHANGE IN NET POSITION:					
Governmental activities	$ (11,973)	$ (2,918)	$ (252)	$ (1,315)	$ (62)
Business-type activities	(1,184)	(2,915)	(732)	(40)	(264)
Total primary government	**$ (13,157)**	**$ (5,833)**	**$ (984)**	**$ (1,355)**	**$ (326)**

Source: Office of the State Comptroller

Note: Figures restated for prior period adjustments.

Fiscal Year

2014	2015	2016	2017	2018
$ 41,298	$ 45,482	$ 46,104	$ 46,070	$ 52,016
15,129	15,295	15,742	16,242	16,826
8,542	8,254	7,458	7,467	7,265
3,402	3,524	4,018	3,571	3,849
63	86	100	123	223
2,063	2,204	1,695	1,609	1,539
(2,373)	(2,744)	(2,416)	(2,496)	(2,611)
250	1,000	250	250	—
68,374	**73,101**	**72,951**	**72,836**	**79,107**
64	308	119	150	182
917	1,133	498	505	679
1,561	1,990	1,962	2,763	2,083
2,542	**3,431**	**2,579**	**3,418**	**2,944**
$ 70,916	**$ 76,532**	**$ 75,530**	**$ 76,254**	**$ 82,051**
$ 2,059	$ 4,716	$ (443)	$ (3,959)	$ 28
407	1,612	766	107	(264)
$ 2,466	**$ 6,328**	**$ 323**	**$ (3,852)**	**$ (236)**

Fund Balances

GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

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

	Fiscal Year 2009	2010	2011	2012	2013
General Fund (per GASBS 54):					
Restricted	$ —	$ —	$ —	$ —	$ —
Committed	—	—	219	567	398
Assigned	—	—	989	1,574	1,240
Unassigned	—	—	(3,217)	(4,009)	(2,377)
General Fund (prior to GASBS 54):					
Reserved	2,624	3,125	—	—	—
Unreserved	(5,568)	(6,663)	—	—	—
Total general fund	**$ (2,944)**	**$ (3,538)**	**$ (2,009)**	**$ (1,868)**	**$ (739)**
All Other Governmental Funds (per GASBS 54):					
Restricted	$ —	$ —	$ 3,649	$ 3,151	$ 3,101
Committed	—	—	3,480	3,715	2,946
Assigned	—	—	1,784	1,772	2,045
Unassigned	—	—	(1,128)	(375)	(822)
All Other Governmental Funds (prior to GASBS 54):					
Reserved	9,787	11,406	—	—	—
Unreserved, reported in:					
Federal special revenue funds	(1,081)	(1,341)	—	—	—
Special revenue funds	2,677	2,093	—	—	—
Capital projects funds	(4,798)	(5,279)	—	—	—
Debt service funds	111	534	—	—	—
Total all other governmental funds	**$ 6,696**	**$ 7,413**	**$ 7,785**	**$ 8,263**	**$ 7,270**

Source: Office of the State Comptroller

Note: 2011 figures restated for GASBS 54 implementation.

Tax Receipts by Source

GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

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

Fiscal Year	Personal Income	Sales and Use	Motor Fuel	Corporate Franchise	Cigarette and Tobacco	Corporate and Utility	Other Miscellaneous	Total Taxes Collected by Year
2008-2009	$ 33,096	$ 10,906	$ 500	$ 3,265	$ 1,330	$ 875	$ 5,735	$ 55,707
2009-2010	34,536	10,705	516	2,541	1,389	965	7,253	57,905
2010-2011	37,705	11,479	513	2,782	1,608	796	7,298	62,181
2011-2012	38,355	11,839	501	3,128	1,628	785	7,520	63,756
2012-2013	41,962	11,975	491	2,941	1,549	874	8,016	67,808
2013-2014	41,295	12,577	535	4,109	1,445	786	7,523	68,270
2014-2015	45,438	12,971	486	3,473	1,312	712	8,265	72,657
2015-2016	46,089	13,373	503	4,233	1,252	744	7,178	73,372
2016-2017	46,010	13,868	519	3,343	1,235	761	7,487	73,223
2017-2018	52,011	14,623	517	3,123	1,181	759	7,750	79,964

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

Note: Figures restated for prior period adjustments.

Fiscal Year				
2014	2015	2016	2017	2018
$ —	$ —	$ —	$ —	$ —
1,030	573	1,072	961	3,285
1,772	8,063	8,126	7,202	339
(3,369)	(2,584)	(4,124)	(5,877)	1,048
—	—	—	—	—
—	—	—	—	—
$ (567)	**$ 6,052**	**$ 5,074**	**$ 2,286**	**$ 4,672**
$ 3,292	$ 3,553	$ 3,385	$ 2,670	$ 1,814
2,967	3,324	3,979	4,166	4,795
2,534	2,460	2,837	2,981	3,377
(494)	(1,198)	(676)	(856)	(893)
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
$ 8,299	**$ 8,139**	**$ 9,525**	**$ 8,961**	**$ 9,093**

Program Revenues by Function/Program

LAST TEN FISCAL YEARS

(Accrual basis of accounting)
(Amounts in millions)

	Program Revenues				
	2009	2010	2011	2012	2013
FUNCTION/PROGRAM:					
Governmental activities:					
Education	$ 3,684	$ 3,853	$ 4,322	$ 4,221	$ 3,709
Public health	31,402	38,314	38,733	34,984	34,972
Public welfare	9,056	12,021	12,590	12,011	12,689
Public safety	481	758	730	762	2,211
Transportation	2,931	3,017	3,491	3,365	3,248
Environment and recreation	413	521	742	625	608
Support and regulate business	835	1,542	1,430	1,546	1,882
General government	2,275	2,826	4,156	3,261	3,876
Interest on long-term debt	—	5	30	43	43
Total governmental activities	**51,077**	**62,857**	**66,224**	**60,818**	**63,238**
Business-type activities:					
Lottery	7,660	7,818	7,868	8,439	8,934
Unemployment insurance	3,582	8,603	8,813	7,323	6,474
State University of New York	4,740	5,154	5,646	5,893	5,952
City University of New York	1,212	1,268	1,479	1,525	1,503
Total business-type activities	**17,194**	**22,843**	**23,806**	**23,180**	**22,863**
Total primary government	**$ 68,271**	**$ 85,700**	**$ 90,030**	**$ 83,998**	**$ 86,101**

Source: Office of the State Comptroller

Note: Figures restated for prior period adjustments.

New York State and Local Retirement System— Changes in Net Position

LAST TEN FISCAL YEARS

(Amounts in thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
Additions:					
Member contributions	$ 273,316	$ 284,291	$ 286,199	$ 273,247	$ 269,134
Employer contributions	2,456,223	2,344,222	4,164,571	4,585,178	5,336,045
Investment income (loss), net of expenses	(40,428,820)	28,422,361	19,339,896	7,868,313	14,717,622
Other	155,918	81,981	127,709	157,625	131,853
Total additions to plan net position	**(37,543,363)**	**31,132,855**	**23,918,375**	**12,884,363**	**20,454,654**
Deductions:					
Retirement allowances	7,031,621	7,480,101	8,272,262	8,677,822	9,256,052
Death benefits	180,491	183,023	192,265	184,960	194,170
Administrative expenses	99,229	100,029	101,333	100,649	105,720
Other	53,387	55,748	55,696	75,049	71,314
Total deductions from plan net position	**7,364,728**	**7,818,901**	**8,621,556**	**9,038,480**	**9,627,256**
Change in net position	**$ (44,908,091)**	**$ 23,313,954**	**$ 15,296,819**	**$ 3,845,883**	**$ 10,827,398**

Source: New York State and Local Retirement System

Note: For additional information, refer to www.osc.state.ny.us/retire/about_us/financial_statements_index.php.

Program Revenues

2014	2015	2016	2017	2018
$ 4,013	$ 3,652	$ 4,324	$ 3,726	$ 4,123
35,250	37,859	42,884	49,544	52,791
12,800	11,120	11,548	11,082	11,001
2,640	2,579	2,299	2,036	2,791
3,549	3,303	3,555	3,637	3,371
665	482	514	570	597
1,896	5,906	2,992	1,888	1,985
3,264	3,661	4,743	4,183	4,277
39	40	30	40	40
64,116	**68,602**	**72,889**	**76,706**	**80,976**
9,226	9,156	9,691	9,676	9,973
4,937	3,677	3,424	3,023	2,649
6,036	6,018	6,314	6,013	6,515
1,506	1,557	1,568	1,647	1,685
21,705	**20,408**	**20,997**	**20,359**	**20,822**
$ 85,821	**$ 89,010**	**$ 93,886**	**$ 97,065**	**$ 101,798**

Fiscal Year

2014	2015	2016	2017	2018
$ 281,398	$ 284,793	$ 306,631	$ 328,827	$ 349,389
6,064,133	5,797,449	5,140,204	4,786,963	4,823,307
20,598,593	12,444,891	(384,834)	20,225,244	21,338,033
192,581	230,799	332,880	236,401	215,614
27,136,705	**18,757,932**	**5,394,881**	**25,577,435**	**26,726,343**
9,695,009	10,253,077	10,720,294	11,232,532	11,826,089
203,820	183,091	188,190	216,150	201,252
105,662	107,151	106,620	107,134	122,806
78,697	77,546	151,988	59,631	101,578
10,083,188	**10,620,865**	**11,167,092**	**11,615,447**	**12,251,725**
$ 17,053,517	**$ 8,137,067**	**$ (5,772,211)**	**$ 13,961,988**	**$ 14,474,618**

Personal Income Tax Filers and Liability by Income Level

FOR TEN YEARS STATED

(Amounts in thousands)

2006
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2006

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,118,894	13%	$ (91,631)	0%
$ 5,000–9,999	824,596	10%	(172,332)	–1%
10,000–19,999	1,290,097	15%	(386,792)	–1%
20,000–29,999	1,016,079	12%	184,324	1%
30,000–39,999	829,814	10%	706,969	3%
40,000–49,999	640,364	8%	917,624	4%
50,000–59,999	480,661	6%	939,863	4%
60,000–74,999	543,846	7%	1,424,481	6%
75,000–99,999	597,498	7%	2,185,284	9%
100,000–199,999	704,317	8%	4,815,069	19%
200,000 and over	293,425	4%	14,291,890	56%
Total	**8,339,591**	**100%**	**$24,814,750**	**100%**

2007
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2007

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,221,819	14%	$ (126,447)	0%
$ 5,000–9,999	847,130	10%	(188,932)	–1%
10,000–19,999	1,317,075	15%	(406,225)	–1%
20,000–29,999	1,024,299	12%	168,782	1%
30,000–39,999	848,679	10%	720,900	2%
40,000–49,999	657,263	7%	948,389	3%
50,000–59,999	498,842	6%	983,954	3%
60,000–74,999	561,981	6%	1,482,444	5%
75,000–99,999	622,813	7%	2,288,409	8%
100,000–199,999	768,436	9%	5,276,023	18%
200,000 and over	332,655	4%	18,490,962	62%
Total	**8,700,992**	**100%**	**$29,638,258**	**100%**

2010
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2010

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,282,711	15%	$ (92,214)	0%
$ 5,000–9,999	800,816	9%	(157,452)	0%
10,000–19,999	1,326,538	15%	(425,938)	–1%
20,000–29,999	1,019,577	12%	134,398	0%
30,000–39,999	799,696	9%	644,131	2%
40,000–49,999	626,044	7%	918,924	3%
50,000–59,999	491,094	6%	999,461	3%
60,000–74,999	551,121	6%	1,495,589	5%
75,000–99,999	626,636	7%	2,364,101	8%
100,000–199,999	822,011	10%	5,728,904	20%
200,000 and over	324,565	4%	17,367,109	60%
Total	**8,670,809**	**100%**	**$28,977,013**	**100%**

2011
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2011

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,345,851	15%	$ (96,258)	0%
$ 5,000–9,999	802,102	9%	(158,570)	–1%
10,000–19,999	1,338,661	15%	(436,834)	–1%
20,000–29,999	1,011,281	12%	121,871	0%
30,000–39,999	794,670	9%	645,921	2%
40,000–49,999	622,486	7%	921,825	3%
50,000–59,999	491,651	6%	1,010,534	3%
60,000–74,999	555,236	6%	1,523,190	5%
75,000–99,999	632,868	7%	2,411,623	8%
100,000–199,999	850,894	10%	5,987,198	20%
200,000 and over	348,137	4%	18,249,488	61%
Total	**8,793,837**	**100%**	**$30,179,988**	**100%**

2014
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2014

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,348,996	15%	$ (85,690)	0%
$ 5,000–9,999	786,232	9%	(150,001)	–1%
10,000–19,999	1,342,659	15%	(467,479)	–1%
20,000–29,999	1,017,247	11%	78,527	0%
30,000–39,999	809,235	9%	625,704	2%
40,000–49,999	638,786	7%	922,152	3%
50,000–59,999	512,956	6%	1,042,047	3%
60,000–74,999	571,596	6%	1,542,664	4%
75,000–99,999	661,694	7%	2,476,512	7%
100,000–199,999	959,926	10%	6,567,497	19%
200,000 and over	432,859	5%	22,459,843	64%
Total	**9,082,186**	**100%**	**$35,011,776**	**100%**

2015[1]
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2015

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,359,389	15%	$ (88,620)	0%
$ 5,000–9,999	757,552	8%	(129,956)	–1%
10,000–19,999	1,333,469	15%	(443,568)	–1%
20,000–29,999	1,035,841	11%	71,700	0%
30,000–39,999	820,964	9%	631,119	2%
40,000–49,999	648,229	7%	894,939	2%
50,000–59,999	524,853	6%	1,030,208	3%
60,000–74,999	586,557	6%	1,542,472	4%
75,000–99,999	673,383	7%	2,467,377	7%
100,000–199,999	1,007,795	11%	6,819,830	19%
200,000 and over	463,439	5%	23,295,927	65%
Total	**9,211,471**	**100%**	**$36,091,428**	**100%**

Source: New York State Department of Taxation and Finance

Note: (1) Calendar years after 2015 are not yet available; refer to www.tax.ny.gov for additional information.

2008

Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2008

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,292,795	15%	$ (84,305)	0%
$ 5,000–9,999	787,894	9%	(147,595)	–1%
10,000–19,999	1,256,101	15%	(386,794)	–1%
20,000–29,999	985,422	11%	148,501	0%
30,000–39,999	815,979	10%	681,716	3%
40,000–49,999	646,905	8%	942,276	3%
50,000–59,999	496,499	6%	992,709	4%
60,000–74,999	556,628	6%	1,486,364	6%
75,000–99,999	625,853	7%	2,323,346	9%
100,000–199,999	801,428	9%	5,518,224	21%
200,000 and over	321,736	4%	14,850,163	56%
Total	**8,587,240**	**100%**	**$26,324,603**	**100%**

2009

Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2009

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,268,716	15%	$ (102,968)	0%
$ 5,000–9,999	811,045	10%	(177,287)	–1%
10,000–19,999	1,301,282	15%	(444,632)	–2%
20,000–29,999	987,772	12%	89,498	0%
30,000–39,999	799,520	9%	631,541	2%
40,000–49,999	634,187	7%	918,218	4%
50,000–59,999	493,064	6%	991,028	4%
60,000–74,999	551,325	6%	1,480,225	6%
75,000–99,999	623,467	7%	2,323,477	9%
100,000–199,999	803,594	9%	5,531,643	21%
200,000 and over	296,502	4%	14,674,350	57%
Total	**8,570,474**	**100%**	**$25,915,093**	**100%**

2012

Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2012

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,344,401	15%	$ (91,324)	0%
$ 5,000–9,999	792,924	9%	(147,366)	–1%
10,000–19,999	1,337,211	15%	(435,080)	–1%
20,000–29,999	1,008,344	12%	112,513	0%
30,000–39,999	798,168	9%	632,184	2%
40,000–49,999	625,203	7%	908,436	3%
50,000–59,999	492,726	6%	991,635	3%
60,000–74,999	555,574	6%	1,484,828	5%
75,000–99,999	638,679	7%	2,357,144	7%
100,000–199,999	883,044	10%	5,961,917	19%
200,000 and over	373,910	4%	20,149,104	63%
Total	**8,850,184**	**100%**	**$31,923,991**	**100%**

2013

Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2013

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,361,979	15%	$ (94,709)	0%
$ 5,000–9,999	797,346	9%	(152,949)	0%
10,000–19,999	1,338,798	15%	(458,063)	–2%
20,000–29,999	1,011,025	11%	89,597	0%
30,000–39,999	806,511	9%	623,581	2%
40,000–49,999	632,279	7%	912,078	3%
50,000–59,999	501,978	6%	1,010,948	3%
60,000–74,999	562,400	6%	1,507,948	5%
75,000–99,999	650,960	7%	2,417,687	8%
100,000–199,999	914,485	10%	6,218,293	20%
200,000 and over	395,765	5%	19,192,242	61%
Total	**8,973,526**	**100%**	**$31,266,653**	**100%**

Personal Income by Industry

LAST TEN CALENDAR YEARS

(Amounts in millions)

	Calendar Year				
	2008	2009	2010	2011	2012
Total personal income	**$ 937,010**	**$ 917,610**	**$ 946,054**	**$ 983,868**	**$ 1,019,514**
Farm earnings	**1,015**	**806**	**1,209**	**1,694**	**1,605**
Nonfarm earnings	**752,457**	**700,447**	**721,629**	**754,162**	**780,436**
Private earnings	**644,763**	**588,548**	**606,487**	**640,345**	**664,592**
Agricultural services, forestry, fishing	1,300	343	389	300	437
Mining	2,456	1,417	2,087	646	784
Utilities	6,672	5,671	5,738	5,663	6,294
Construction	30,092	28,584	28,398	29,984	32,251
Manufacturing	46,448	37,575	37,994	38,582	37,794
Wholesale trade	32,434	29,851	30,781	31,950	33,586
Retail trade	35,081	33,982	34,857	38,372	39,977
Transportation and warehousing	14,614	14,391	14,618	15,141	15,514
Information	44,959	38,250	41,032	41,832	43,117
Finance and insurance	147,543	116,255	114,662	127,417	135,500
Real estate, rental and leasing	16,196	13,338	13,859	14,634	16,823
Professional and technical services	88,121	80,161	83,742	89,879	91,492
Management of companies and enterprises	20,949	19,055	21,302	22,543	22,311
Administrative and waste services	23,332	21,721	23,553	24,710	25,451
Educational services	16,354	17,838	18,368	18,889	20,197
Health care and social assistance	72,827	78,312	82,971	83,918	84,460
Arts, entertainment, and recreation	9,807	11,563	11,204	12,262	13,166
Accommodation and food services	16,718	17,354	18,141	20,722	21,381
Other services, except public administration	18,859	22,887	22,791	22,901	24,057
Government and government enterprises	**107,694**	**111,899**	**115,142**	**113,817**	**115,844**
Federal, civilian	12,072	12,532	12,510	13,019	13,067
Military	3,831	4,421	4,591	4,512	4,629
State and local	91,791	94,945	98,041	96,286	98,148

Source: U.S. Bureau of Economic Analysis

Notes:

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

Reported amounts are based on estimates. For additional information, refer to www.bea.gov.

Calendar Year

2013	2014	2015	2016	2017
$ 1,062,391	**$ 1,110,345**	**$ 1,142,485**	**$ 1,195,263**	**$ 1,210,641**
1,882	**1,956**	**1,789**	**1,063**	**978**
808,728	**843,960**	**886,957**	**909,172**	**914,320**
676,475	**706,186**	**742,444**	**760,546**	**766,711**
440	491	466	424	480
1,244	1,236	1,250	1,133	615
5,968	6,068	6,419	6,332	6,353
34,892	36,975	39,670	41,926	42,617
37,185	36,879	39,616	39,300	38,855
34,491	35,307	36,215	37,774	38,014
40,065	42,506	42,866	44,911	45,594
17,611	17,970	19,135	21,155	21,948
40,106	43,337	46,216	46,466	45,826
126,805	137,897	141,732	136,871	131,671
20,753	19,214	24,885	23,977	24,730
95,000	99,364	103,592	108,126	110,970
23,127	22,672	23,266	23,412	23,543
26,976	27,601	29,764	30,851	31,406
21,403	22,334	25,332	26,020	26,691
89,270	90,834	92,560	99,352	103,325
12,998	14,009	14,650	15,442	15,975
22,944	24,541	26,366	26,743	27,661
25,197	26,951	28,444	30,331	30,437
132,253	**137,773**	**144,513**	**148,626**	**147,609**
11,866	12,160	12,699	13,178	13,062
3,463	3,245	3,050	3,111	3,079
116,924	122,368	128,764	132,337	131,468

Personal Income Tax Rates

LAST TEN CALENDAR YEARS

Year	Top Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of: Single	Married Filing Jointly	Head of Household	Average Effective Rate(1)
2008	6.85%	$ 20,000	$ 40,000	$ 30,000	4.24%
2009	8.97%	500,000	500,000	500,000	3.53%
2010	8.97%	500,000	500,000	500,000	3.76%
2011	8.97%	500,000	500,000	500,000	3.99%
2012	8.82%	1,000,000	2,000,000	1,500,000	3.90%
2013	8.82%	1,029,250	2,058,550	1,543,900	4.12%
2014	8.82%	1,046,350	2,092,800	1,569,550	3.89%
2015	8.82%	1,062,650	2,125,450	1,594,050	4.09%
2016	8.82%	1,070,350	2,140,900	1,605,650	4.03%
2017	8.82%	1,077,550	2,155,350	1,616,450	3.85%

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

Notes:

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

Refer to Exhibit: Demographic and Economic Statistics I for personal income and population data.

Refer to Exhibit: Tax Receipts by Source for personal income tax collections.

Ratios of Outstanding Debt by Type

LAST TEN FISCAL YEARS

(Amounts in millions except per capita)

	Governmental Activities		Business-Type Activities			
Fiscal Year	General Obligation Bonds[1]	Other Financing Arrangements[2]	Other Financing Arrangements[3]	Total Primary Government	Percentage of Personal Income[4]	Debt Per Capita[4]
2008-2009	$ 3,367	$ 40,191	$ 8,935	$ 52,493	6%	$ 2,693
2009-2010	3,461	42,410	9,413	55,284	6%	2,829
2010-2011	3,625	42,279	10,222	56,126	6%	2,896
2011-2012	3,611	42,574	11,875	58,060	6%	2,983
2012-2013	3,688	41,582	12,375	57,645	6%	2,946
2013-2014	3,345	41,300	13,677	58,322	5%	2,968
2014-2015	3,189	40,178	14,023	57,390	5%	2,906
2015-2016	2,887	39,071	14,734	56,692	5%	2,863
2016-2017	2,614	38,613	14,978	56,205	5%	2,847
2017-2018	2,536	39,019	14,696	56,251	5%	2,834

Source: Office of the State Comptroller

Notes:

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

(2) Other Financing Arrangements for Governmental Activities include Tobacco Settlement Financing Corporation bonds, Municipal Bond Bank Agency Special Purpose School Aid bonds, Capital Lease Obligations, Unamortized Bond Premiums and Discounts, Accumulated accretion on capital appreciation bonds and other State-Supported debt as defined by the State Finance Law.

(3) Other Financing Arrangements for Business-Type Activities include Capital Lease Obligations, Mortgage Loan Commitments, Unamortized Bond Premiums, Certificates of Participation and other State-Supported debt as defined by the State Finance Law. Other Financing Arrangements was restated in fiscal year 2016-2017 due to SUNY's implementation of GASBS No. 80.

(4) Refer to Exhibit: Demographic and Economic Statistics I for personal income and population data.

Legal Debt Margin Information

LAST TEN FISCAL YEARS

(Amounts in millions)

	Fiscal Year				
	2009	2010	2011	2012	2013
Authorized debt limit—General Obligation debt:					
Transportation bonds	$ 10,400	$ 10,400	$ 10,400	$ 10,400	$ 10,400
Environmental bonds	5,650	5,650	5,650	5,650	5,650
Housing bonds	1,135	1,135	1,135	1,135	1,135
Education bonds	—	—	—	—	—
Total General Obligation debt	**17,185**	**17,185**	**17,185**	**17,185**	**17,185**
Local Government Assistance Corporation	4,700	4,700	4,700	4,700	4,700
Other lease purchase and contractual financing arrangements	79,696	79,696	82,058	86,364	89,943
Total Authorized debt	**$ 101,581**	**$ 101,581**	**$ 103,943**	**$ 108,249**	**$ 111,828**
Total debt applicable to limit:[1]					
General Obligation[2]	$ 3,367	$ 3,461	$ 3,625	$ 3,611	$ 3,688
Local Government Assistance Corporation	3,849	3,639	3,330	3,119	2,836
Other lease purchase and contractual financing arrangements	42,868	45,638	46,857	48,286	47,839
Direct debt	**50,084**	**52,738**	**53,812**	**55,016**	**54,363**
Legal debt margin	**$ 51,497**	**$ 48,843**	**$ 50,131**	**$ 53,233**	**$ 57,465**
Total net debt applicable to the limit as a percentage of debt limit	**49.30%**	**51.92%**	**51.77%**	**50.82%**	**48.61%**

Sources:

Office of the State Comptroller

New York State Division of the Budget, Annual Information Statement

Notes:

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

(2) General Obligation debt figures include par value, premiums and discounts.

For additional information, refer to the notes to the financial statements and www.budget.ny.gov.

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

Fiscal Year

2014	2015	2016	2017	2018
$ 10,400	$ 10,400	$ 10,400	$ 10,150	$ 10,400
5,650	5,650	5,650	5,650	5,650
1,135	1,135	1,135	1,135	1,135
—	2,000	2,000	2,000	2,000
17,185	**19,185**	**19,185**	**18,935**	**19,185**
4,700	4,700	4,700	4,700	4,700
95,496	103,070	111,719	145,828	152,537
$ 117,381	**$ 126,955**	**$ 135,604**	**$ 169,463**	**$ 176,422**
$ 3,345	$ 3,189	$ 2,887	$ 2,614	$ 2,536
2,592	2,345	2,058	1,758	1,370
48,436	47,706	46,938	46,322	46,548
54,373	**53,240**	**51,883**	**50,694**	**50,454**
$ 63,008	**$ 73,715**	**$ 83,721**	**$ 118,769**	**$ 125,968**
46.32%	**41.94%**	**38.26%**	**29.91%**	**28.60%**

Ratios of General Obligation Debt Outstanding and Legal Debt Margin

LAST TEN FISCAL YEARS

(Amounts in millions except per capita)

	Fiscal Year				
	2009	**2010**	**2011**	**2012**	**2013**
General Obligation Debt Outstanding:					
General obligation bonds[(1)]	**$ 3,367**	**$ 3,461**	**$ 3,625**	**$ 3,611**	**$ 3,688**
Per capita	**$ 173**	**$ 177**	**$ 187**	**$ 186**	**$ 188**
Legal debt limit	$ 17,185	$ 17,185	$ 17,185	$ 17,185	$ 17,185
Total net debt applicable to debt limit	3,367	3,461	3,625	3,611	3,688
Legal debt margin	**$ 13,818**	**$ 13,724**	**$ 13,560**	**$ 13,574**	**$ 13,497**
Legal debt margin as a percentage of the debt limit	**80.41%**	**79.86%**	**78.91%**	**78.99%**	**78.54%**

Sources:

Office of the State Comptroller

New York State Division of the Budget, Annual Information Statement

Notes:

(1) General obligation debt figures include par value, premiums and discounts.

(2) The increase in the legal debt limit in 2015 is related to the authorization of Education bonds under the Smart Schools Bond Act (2014).

Fiscal Year

2014	2015	2016	2017	2018
$ 3,345	**$ 3,189**	**$ 2,887**	**$ 2,614**	**$ 2,536**
$ 170	**$ 162**	**$ 146**	**$ 132**	**$ 128**
$ 17,185	$ 19,185(2)	$ 19,185	$ 18,935	$ 19,185
3,345	3,189	2,887	2,614	2,536
$ 3,840	**$ 15,996**	**$ 16,298**	**$ 16,321**	**$ 16,649**
80.54%	**83.38%**	**84.95%**	**86.19%**	**86.78%**

Pledged Revenue Coverage

LAST TEN FISCAL YEARS

(Cash basis of accounting)
(Amounts in thousands)

New York Local Government Assistance Corporation Bonds[(a)]

Fiscal Year	Sales Tax Revenues: Sales Tax Receipts	Operating Expenses	Net Available Revenues	Annual Debt Service	Debt Service Coverage
2009	$ 2,566,957	$ 10,963	$ 2,555,994	$ 360,771	7.08
2010	2,466,528	11,218	2,455,310	332,596	7.38
2011	2,697,197	6,634	2,690,563	339,865	7.92
2012	2,779,505	5,146	2,774,359	378,663	7.33
2013	2,808,654	3,757	2,804,897	389,054	7.21
2014	2,947,027	3,998	2,943,029	375,253	7.84
2015	3,026,568	3,849	3,022,719	390,937	7.73
2016	3,121,260	3,453	3,117,807	389,550	8.00
2017	3,241,633	3,020	3,238,613	368,408	8.79
2018	3,388,282	2,909	3,385,373	287,244	11.79

New York State Personal Income Tax Revenue Bonds[(b)]

Fiscal Year	Personal Income Tax Revenues: Revenue Bond Tax Fund Receipts	Operating Expenses	Net Available Revenues	Annual Debt Service	Debt Service Coverage
2009	$ 9,210,005	$ 8,571	$ 9,201,434	$ 1,016,423	9.05
2010	8,687,845	9,136	8,678,709	1,411,673	6.15
2011	9,052,304	15,056	9,037,248	1,871,476	4.83
2012	9,691,957	13,086	9,678,871	2,141,504	4.52
2013	10,056,679	12,842	10,043,837	2,330,114	4.31
2014	10,740,194	14,475	10,725,719	2,516,908	4.26
2015	10,927,458	12,580	10,914,878	3,059,454	3.57
2016	11,763,821	12,950	11,750,871	2,698,930	4.35
2017	11,891,486	11,242	11,880,244	2,990,728	3.97
2018	12,875,334	21,433	12,853,901	3,297,208	3.90

(Continued)

Pledged Revenue Coverage (cont'd)

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

New York State Sales Tax Revenue Bonds[c]

Fiscal Year	Sales Tax Revenues: Revenue Bond Tax Fund Receipts	Operating Expenses	Net Available Revenues	Annual Debt Service	Debt Service Coverage
2014	$ 2,954,095	$ 277	$ 2,953,818	$ 17,829	165.67
2015	3,026,568	7	3,026,561	86,686	34.91
2016	3,121,259	620	3,120,639	361,897	8.62
2017	3,241,634	627	3,241,007	569,097	5.69
2018	3,388,283	560	3,387,723	625,077	5.42

Source: Office of the State Comptroller

Notes:

New York Local Government Assistance Corporation Bonds

(a) An amount equal to twenty-five percent of the State's sales tax, less refunds to taxpayers, is to be deposited in the Local Government Assistance Tax Fund (LGATF). The monies of such Fund are reserved for payment to the New York Local Government Assistance Corporation to enable it to meet principal and interest on its bonds. Pursuant to Section 92-r(5) of the State Finance Law, monies in the LGATF in excess of debt service requirements and administrative expenses of the New York Local Government Assistance Corporation are required to be transferred to the General Fund.

New York State Personal Income Tax Revenue Bonds

(b) An amount equal to twenty-five percent of the State's Personal Income Tax (PIT) receipts, less refunds to taxpayers, is to be deposited in the Revenue Bond Tax Fund (RBTF). The monies of such Fund are reserved for payment of debt service on Personal Income Tax Revenue Bonds. Pursuant to Section 92-z(5) of the State Finance Law, monies in the RBTF in excess of debt service requirements are required to be transferred to the General Fund.

New York State Sales Tax Revenue Bonds

(c) An amount equal to twenty-five percent of the State's sales tax, less refunds to taxpayers, is to be deposited in the Sales Tax Revenue Bond Tax Fund (STRBTF). The monies of such Fund are reserved for payment of debt service on Sales Tax Revenue Bonds. Pursuant to Section 92-h(5) of the State Finance Law, monies in the STRBTF in excess of debt service requirements are required to be transferred to the General Fund.

Ratios of General Bonded Debt Outstanding

LAST TEN FISCAL YEARS

(Amounts in millions except per capita)

	General Bonded Debt Outstanding	
Fiscal Year	**General Obligation Bonds[1]**	**Per Capita[2]**
2008-2009	$ 3,367	$ 173
2009-2010	3,461	177
2010-2011	3,625	187
2011-2012	3,611	186
2012-2013	3,688	188
2013-2014	3,345	170
2014-2015	3,189	162
2015-2016	2,887	146
2016-2017	2,614	132
2017-2018	2,536	128

Source: Office of the State Comptroller

Notes:

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

(2) Refer to Exhibit: Demographic and Economic Statistics I for population data.

Demographic and Economic Statistics I

LAST TEN CALENDAR YEARS

Year	Population (1000s)	Personal Income (1000s)	Per Capita Personal Income	Unemployment Rate
2008	19,490	$ 937,009,617	$ 48,076	4.9%
2009	19,541	917,610,217	46,958	8.1%
2010	19,378	946,053,718	48,821	8.3%
2011	19,465	983,867,508	50,545	7.8%
2012	19,570	1,019,514,062	52,095	8.4%
2013	19,651	1,062,390,591	54,063	7.5%
2014	19,746	1,110,344,725	56,231	6.4%
2015	19,799	1,142,485,112	57,705	5.3%
2016	19,745	1,195,263,336	60,534	4.3%
2017	19,849	1,210,641,318	60,991	4.4%

Sources:

U.S. Census Bureau

U.S. Bureau of Economic Analysis

New York State Department of Labor

Demographic and Economic Statistics II

LAST TEN CALENDAR YEARS

	Population			
Year	U.S. Population (1000s)	Change from Prior Period	State of New York (1000s)	Change from Prior Period
2008	304,060	0.81%	19,490	0.99%
2009	307,007	0.97%	19,541	0.26%
2010	308,746	0.57%	19,378	–0.83%
2011	311,592	0.92%	19,465	0.45%
2012	313,914	0.75%	19,570	0.54%
2013	316,129	0.71%	19,651	0.41%
2014	318,857	0.86%	19,746	0.48%
2015	321,467	0.82%	19,799	0.27%
2016	323,128	0.52%	19,745	–0.27%
2017	325,719	0.80%	19,849	0.53%

Sources:

U.S. Census Bureau

U.S. Bureau of Economic Analysis

New York State Department of Labor

New York State Department of Motor Vehicles

New York State Education Department

Note:

2013 Public School Enrollment was restated.

Per Capita Personal Income			Civilian Labor Force				
U.S.	State of New York	New York as a Percentage of U.S.	Employed (1000s)	Unemployed (1000s)	Unemployment Rate	Public School Enrollment	Motor Vehicles Registered
$ 39,751	$ 48,076	120.9%	9,147	472	4.9%	2,684,024	10,697,644
39,138	46,958	120.0%	8,888	786	8.1%	2,654,700	10,699,846
40,584	48,821	120.3%	8,816	800	8.3%	2,647,840	10,749,952
41,663	50,545	121.3%	8,736	735	7.8%	2,635,066	10,727,796
42,693	52,095	122.0%	8,769	804	8.4%	2,604,881	10,791,198
44,543	54,063	121.4%	8,906	725	7.5%	2,622,032	10,876,551
46,129	56,231	121.9%	8,959	617	6.4%	2,522,523	10,966,425
47,669	57,705	121.1%	9,192	518	5.3%	2,649,039	11,132,587
49,571	60,534	122.1%	9,152	415	4.3%	2,640,250	11,256,778
50,392	60,991	121.0%	9,262	429	4.4%	2,629,970	11,288,933

Employment by Industry

TEN YEARS STATED

	2007	2008	2009	2010	2011
Total employment	**11,039,874**	**11,289,001**	**10,929,753**	**10,979,188**	**11,154,532**
Wage and salary employment	9,047,065	9,004,901	8,738,853	8,738,192	8,837,168
Proprietors employment	1,992,809	2,284,100	2,190,900	2,240,996	2,317,364
Farm proprietors employment	34,782	32,683	32,491	32,228	32,075
Nonfarm proprietors employment	1,958,027	2,251,417	2,158,409	2,208,768	2,285,289
Farm employment	**50,784**	**51,724**	**51,219**	**50,628**	**51,584**
Nonfarm employment	**10,989,090**	**11,237,277**	**10,878,534**	**10,928,560**	**11,102,948**
Private employment	**9,478,570**	**9,708,898**	**9,352,706**	**9,410,362**	**9,625,140**
Forestry, fishing, related activities, and other	23,744	14,341	14,274	13,574	13,504
Mining	10,675	14,286	16,157	13,474	16,354
Utilities	40,119	40,355	41,026	39,746	38,853
Construction	527,531	533,932	481,531	460,003	457,019
Manufacturing	584,955	565,032	501,685	488,760	486,728
Wholesale trade	397,410	390,550	368,081	362,207	368,266
Retail trade	1,073,776	1,066,636	1,017,181	1,037,002	1,049,816
Transportation and warehousing	334,622	346,712	324,256	319,556	322,951
Information	302,404	301,954	292,108	288,921	293,900
Finance and insurance	731,480	789,048	785,910	813,265	840,182
Real estate, rental and leasing	470,170	565,276	523,673	525,680	560,100
Professional, scientific and technical services	869,279	900,523	857,138	836,836	865,670
Management of companies and enterprises	137,157	139,224	139,298	145,749	144,407
Administrative and waste services	559,928	567,179	526,294	547,991	565,216
Educational services	405,562	412,051	414,554	426,934	439,928
Health care and social assistance	1,483,772	1,500,582	1,507,891	1,532,549	1,552,866
Arts, entertainment, and recreation	299,829	320,716	316,950	313,381	322,386
Accommodation and food services	616,162	628,012	628,254	652,705	685,582
Other services, except public administration	609,995	612,489	596,445	592,029	601,412
Government and government enterprises	**1,510,520**	**1,528,379**	**1,525,828**	**1,518,198**	**1,477,808**
Federal, civilian	127,046	127,037	127,052	132,803	121,187
Military	57,087	59,940	60,058	60,269	61,472
State government	247,038	250,133	246,748	242,306	236,299
Local government	1,079,349	1,091,269	1,091,970	1,082,820	1,058,850

Source: Regional Economic Information System, U.S. Bureau of Economic Analysis

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

2012	2013	2014	2015	2016
11,434,246	**11,555,389**	**11,764,104**	**12,115,516**	**12,291,926**
8,935,624	9,066,866	9,232,209	9,388,514	9,506,287
2,498,622	2,488,523	2,531,895	2,727,002	2,785,639
31,858	31,441	32,247	32,604	32,637
2,466,764	2,457,082	2,499,648	2,694,398	2,753,002
51,609	**54,849**	**54,826**	**55,129**	**53,659**
11,382,637	**11,500,540**	**11,709,278**	**12,060,387**	**12,238,267**
9,925,486	**10,041,944**	**10,254,096**	**10,604,381**	**10,790,987**
13,535	14,557	15,360	15,593	14,493
13,545	17,814	17,919	15,945	15,744
37,718	38,609	40,651	41,169	41,696
465,546	488,369	506,244	524,401	535,096
490,214	490,939	491,514	491,287	486,649
376,376	375,110	376,718	399,993	407,601
1,080,494	1,090,752	1,110,766	1,119,649	1,118,854
339,507	355,301	373,954	409,290	416,937
303,600	302,092	307,088	313,085	309,003
886,294	874,068	881,788	861,509	878,738
525,324	516,912	531,218	651,071	676,130
898,786	914,860	938,438	974,093	1,001,231
146,467	151,898	155,523	159,928	163,060
583,641	592,517	601,893	618,661	616,766
441,063	444,844	462,062	491,383	496,460
1,586,051	1,598,293	1,620,745	1,644,352	1,700,547
336,168	348,315	350,417	361,302	366,591
723,476	744,100	771,504	803,905	819,773
677,681	682,594	700,294	707,765	725,618
1,457,151	**1,458,596**	**1,455,182**	**1,456,006**	**1,447,280**
118,511	116,234	114,773	115,146	116,717
60,310	59,347	58,273	56,762	55,158
233,078	243,922	244,683	245,100	234,311
1,045,252	1,039,093	1,037,453	1,038,998	1,041,094

Government Employees by Level of Government

NEW YORK STATE 2007–2016
(Annual averages in thousands)

	Employees	
Fiscal Years	**State[1]**	**Local[2]**
2007	261.7	1,115.7
2008	262.7	1,126.1
2009	261.2	1,135.8
2010	260.8	1,117.9
2011	259.1	1,102.3
2012	254.6	1,086.0
2013	252.9	1,075.3
2014	250.8	1,070.1
2015	250.1	1,072.9
2016	253.1	1,075.7

Source: New York State Department of Labor

Notes:

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

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

Select State Agency Employment

MARCH 2018

Agency	Actual March 2017	Estimated March 2018
Major Agencies:		
State University	45,316	45,657
Corrections and Community Supervision	29,189	29,254
People with Developmental Disabilities	18,958	18,630
Mental Health	14,221	13,903
Transportation	8,487	8,453
State Police	5,645	5,711
Health	4,853	5,082
Taxation and Finance	3,946	3,978
Children and Family Services	2,932	2,965
Environmental Conservation	2,956	2,945
Education	2,590	2,692
Temporary and Disability Assistance	1,973	2,006
Subtotal	**141,066**	**141,276**
Other Major Agencies	14,485	14,808
Minor Agencies	7,672	8,085
Other	18,213	18,195
GRAND TOTAL	**181,436**	**182,364**

Source: New York State Division of the Budget, 2018-19 Executive Budget Five-Year Financial Plan (www.budget.ny.gov)

Note: Does not include: the Legislature; the Judiciary; public authorities; or miscellaneous boards and commissions.

Operating Indicators

TEN YEARS STATED

	Academic Year				
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
State University of New York:					
Campuses	64	64	64	64	64
Fall Credit Course Enrollment	417,575	427,398	439,523	461,447	471,184
All Degrees and Certificates Awarded	80,579	80,273	81,876	86,038	90,092

	State Fiscal Year				
	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Corrections and Community Supervision:					
Persons in State Correctional Facilities:					
Under Custody All or Part of Year	89,079	90,185	91,517	88,733	84,818
Total Population on March 31	63,298	63,800	62,731	60,128	57,747
Persons on Parole:					
Dynamic Parolee Population for Year(1)	58,607	58,233	59,999	60,499	58,499
Active Parolees on March 31	34,174	33,785	34,894	33,740	32,551

	Calendar Year				
	2006	2007	2008	2009	2010
Transportation:					
Highway Utilization (amounts in billions):					
Estimated Vehicle Miles of Travel(2)	141.34	136.74	133.72	133.50	131.25
Public Transit Service (amounts in millions):					
Passengers	2,609	2,740	2,811	2,776	2,753
Vehicle Miles	733	748	776	793	786

Sources:

Prior years' editions of the New York State Statistical Yearbook

Rockefeller Institute of Government

Federal Highway Administration (www.fhwa.dot.gov)

Notes:

Prior period figures revised.

(1) Dynamic population is the cumulative number of parolees who are under supervision at some point during the year.

(2) Estimated travel by all vehicles on all public roads, streets and highways within New York State.

Academic Year

2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
64	64	64	64	64
468,006	461,816	459,550	454,839	442,940
93,702	93,579	94,302	95,951	96,322

State Fiscal Year

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
82,166	80,611	78,644	77,293	75,701
56,568	55,456	54,135	53,514	52,381
55,874	54,164	52,496	52,136	51,266
31,017	29,999	29,992	29,903	29,900

Calendar Year

2011	2012	2013	2014	2015
127.73	127.87	129.74	129.26	127.23
2,759	2,766	2,836	2,839	2,866
759	750	762	770	783

Capital Asset Balances by Function

LAST TEN FISCAL YEARS

(Amounts in millions)

Function	2009	2010	2011	2012	2013
Land and Land Improvements:					
General government	$ 125	$ 125	$ 125	$ 125	$ 125
Public safety	257	271	282	289	296
Public welfare	27	32	30	36	38
Support/regulate business	6	6	6	6	6
Environment/recreation	1,360	1,211	1,240	1,268	1,289
Education	3	3	3	3	3
Public health	208	218	225	225	225
Transportation	2,306	2,349	2,400	2,453	2,506
Depreciation (Land Improvements)	(314)	(332)	(348)	(369)	(386)
Total, net of depreciation	**3,978**	**3,883**	**3,963**	**4,036**	**4,102**
Land Preparation:					
Transportation (Roads)	**3,191**	**3,271**	**3,314**	**3,430**	**3,517**
Buildings:					
General government	2,192	2,222	2,254	2,290	2,412
Public safety	3,344	3,476	3,542	3,683	3,804
Public welfare	180	186	189	218	226
Support/regulate business	34	34	36	36	36
Environment/recreation	399	451	453	459	464
Education	107	111	120	123	121
Public health	3,073	3,146	3,247	3,348	3,437
Transportation	299	302	303	315	321
Depreciation	(5,033)	(5,293)	(5,581)	(5,876)	(6,162)
Total, net of depreciation	**4,595**	**4,635**	**4,563**	**4,596**	**4,659**
Equipment:					
General government	162	161	157	152	151
Public safety	90	92	98	97	97
Public welfare	19	21	21	21	21
Support/regulate business	5	6	6	6	6
Environment/recreation	51	51	51	53	55
Education	5	5	5	5	7
Public health	57	57	58	58	59
Transportation	278	324	347	363	363
Depreciation	(431)	(460)	(489)	(498)	(537)
Total, net of depreciation	**236**	**257**	**254**	**257**	**222**
Construction in Progress:					
Buildings	444	499	477	537	651
Transportation (Roads and Bridges)	3,248	3,405	4,271	4,356	4,805
Computer software	—	—	63	113	11
Total	**3,692**	**3,904**	**4,811**	**5,006**	**5,467**
Infrastructure:(1)					
General government	11	11	11	11	12
Public safety	91	102	128	140	148
Public welfare	—	13	18	19	19
Support/regulate business	—	—	—	—	—
Environment/recreation	33	33	31	34	34
Public health	42	46	46	46	46
Transportation	—	—	—	—	—
Depreciation	(17)	(24)	(33)	(42)	(52)
Total, net of depreciation	**160**	**181**	**201**	**208**	**207**
Infrastructure:(2)					
Transportation	**64,567**	**65,141**	**65,451**	**65,926**	**66,237**
Intangible Assets:					
Easements	—	163	193	194	194
Computer software	—	—	32	64	270
Amortization	—	—	(6)	(21)	(53)
Total, net of amortization	**—**	**163**	**219**	**237**	**411**
Business-Type Activities, Net	**8,445**	**9,206**	**10,374**	**11,746**	**13,087**

Source: Office of the State Comptroller

Notes:

(1) Depreciable

(2) Roads and Bridges, non-depreciable

Figures restated for prior period adjustments.

Fiscal Year				
2014	2015	2016	2017	2018
$ 125	$ 125	$ 124	$ 129	$ 145
302	310	316	325	308
35	36	37	37	36
6	6	7	19	21
1,318	1,327	1,348	1,397	1,417
3	3	3	3	3
224	216	217	219	221
2,534	2,584	2,599	2,634	2,668
(402)	(417)	(433)	(450)	(457)
4,145	**4,190**	**4,218**	**4,313**	**4,362**
3,581	**3,863**	**3,923**	**3,993**	**4,049**
2,421	2,426	2,468	2,540	2,579
3,920	3,979	4,089	4,228	4,288
208	204	204	212	228
36	36	37	39	41
472	500	509	544	583
123	123	125	129	134
3,422	3,439	3,477	3,520	3,570
325	333	350	359	383
(6,401)	(6,652)	(6,937)	(7,242)	(7,517)
4,526	**4,388**	**4,322**	**4,329**	**4,289**
152	146	145	193	209
97	94	95	103	105
15	12	10	2	2
6	6	6	5	4
58	60	61	62	64
4	4	4	4	4
62	61	64	58	58
401	416	461	501	502
(523)	(547)	(574)	(564)	(592)
272	**252**	**272**	**364**	**356**
712	938	1,037	1,155	1,351
5,664	2,859	2,048	2,057	1,764
14	14	—	—	—
6,390	**3,811**	**3,085**	**3,212**	**3,115**
15	15	15	15	15
168	184	210	237	260
19	27	27	31	31
—	—	—	14	15
43	47	49	50	52
46	48	52	50	50
2	2	2	2	2
(63)	(74)	(87)	(100)	(114)
230	**249**	**268**	**299**	**311**
66,550	**69,345**	**69,841**	**70,715**	**71,563**
194	194	194	194	194
444	511	614	709	859
(97)	(152)	(216)	(287)	(373)
541	**553**	**592**	**616**	**680**
14,206	**15,185**	**15,957**	**17,020**	**17,520**

Membership by Type of Benefit Plan

AS OF MARCH 31, 2018

Retirement System	Retirement Plan Membership: Tier 1	Tier 2	Tiers 3, 4, 5 & 6
New York State and Local Employees' Retirement System	2,313	2,817	611,776
New York State and Local Police and Fire Retirement System	40	23,733	11,351

Source: New York State and Local Retirement System

Note: For additional information, refer to www.osc.state.ny.us/retire/publications.

Principal Participating Employers

LAST TEN FISCAL YEARS

Participating Government	2009 Covered Employees	Rank	Percentage of Total System	2010 Covered Employees	Rank	Percentage of Total System	2011 Covered Employees	Rank	Percentage of Total System
State	225,963	1	33.23%	222,555	1	32.77%	218,868	1	32.53%
Schools	133,876	2	19.69%	136,203	2	20.05%	135,358	2	20.12%
Counties	122,356	3	18.00%	121,282	3	17.86%	119,610	3	17.78%
Miscellaneous	100,052	4	14.72%	100,684	4	14.82%	100,785	4	14.98%
Towns	47,743	5	7.02%	48,610	5	7.16%	48,621	5	7.23%
Cities	31,326	6	4.61%	31,186	6	4.59%	30,804	6	4.58%
Villages	18,592	7	2.73%	18,697	7	2.75%	18,677	7	2.78%
Total	**679,908**		**100.00%**	**679,217**		**100.00%**	**672,723**		**100.00%**

Participating Government	2016 Covered Employees	Rank	Percentage of Total System	2017 Covered Employees	Rank	Percentage of Total System	2018 Covered Employees	Rank	Percentage of Total System
State	208,462	1	32.20%	209,913	1	32.18%	208,518	1	31.98%
Schools	131,872	2	20.37%	133,770	2	20.52%	134,871	2	20.69%
Counties	110,104	3	17.01%	109,775	3	16.83%	108,824	3	16.69%
Miscellaneous	98,667	4	15.24%	100,418	4	15.39%	101,189	4	15.52%
Towns	49,632	5	7.67%	49,735	5	7.62%	49,958	5	7.66%
Cities	30,066	6	4.64%	30,026	6	4.60%	29,895	6	4.58%
Villages	18,596	7	2.87%	18,687	7	2.86%	18,775	7	2.88%
Total	**647,399**		**100.00%**	**652,324**		**100.00%**	**652,030**		**100.00%**

Source: New York State and Local Retirement System

Notes:

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

For additional information, refer to www.osc.state.ny.us/retire/publications.

2012			2013			2014			2015		
Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System
208,822	1	31.82%	208,200	1	32.15%	206,984	1	32.16%	207,203	1	32.22%
133,442	2	20.34%	131,236	2	20.27%	130,358	2	20.25%	130,486	2	20.29%
116,423	3	17.74%	113,378	3	17.51%	111,691	3	17.35%	110,761	3	17.22%
99,837	4	15.21%	97,746	4	15.09%	97,391	4	15.13%	97,299	4	15.13%
48,822	5	7.44%	48,560	5	7.50%	48,838	5	7.59%	49,022	5	7.62%
30,394	6	4.63%	30,044	6	4.64%	29,994	6	4.66%	29,935	6	4.65%
18,484	7	2.82%	18,410	7	2.84%	18,403	7	2.86%	18,472	7	2.87%
656,224		**100.00%**	**647,574**		**100.00%**	**643,659**		**100.00%**	**643,178**		**100.00%**

STATE OF NEW YORK COMPTROLLER

EXCELSIOR

STATE OF NEW YORK
Office of the State Comptroller

Organization Chart

THOMAS P. DINAPOLI
Comptroller

Alexander B. "Pete" Grannis
First Deputy Comptroller

Shawn Thompson
Chief of Staff

Karim Adeen-Hasan
Deputy Comptroller
Human Resources

Larry Appel
Deputy Comptroller
Finance and Administration

Margaret Becker
Deputy Comptroller
Contracts and Expenditures

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

Gabriel Deyo
Deputy Comptroller
Local Government and School Accountability

Jennifer Freeman
Deputy Comptroller
Communications

Colleen Gardner
Executive Deputy Comptroller
State and Local Retirement

Andrea Goldberger
Deputy Comptroller
Retirement Services

Christopher Gorka
Deputy Comptroller
Payroll, Accounting and Revenue Services

Nancy Groenwegen
Counsel to the Comptroller

Steve Hamilton
Inspector General

Nancy Hernandez
Deputy Comptroller
Diversity Management

H. Tina Kim
Deputy Comptroller
State Government Accountability

Robert Loomis
Deputy Comptroller
Chief Information Officer

Andrew SanFilippo
Executive Deputy Comptroller
State and Local Government Accountability

Nelson Sheingold
Deputy Comptroller
Investigations

Erin Stevens
Deputy Comptroller
Intergovernmental and Community Relations

Anastasia Titarchuk
Interim Chief Investment Officer
Pension Investment

John Traylor
Executive Deputy Comptroller
Office of Operations

Robert Ward
Deputy Comptroller
Budget and Policy Analysis

Division of Payroll, Accounting and Revenue Services

David Hasso, CPA, CGFM, CGMA, Assistant Comptroller

Bureau of Financial Reporting and Oil Spill Remediation

Director:
Deborah J. Hilson

Assistant Director:
Maria Guzman, CPA

Assistant Chief Accountants:
Deidre Clark
Carrie Piser

Principal Accountants:
Jennifer Hallanan, CGFM
Maria Moran, CPA, CGFM
Maureen Shaw, CBA

Supervising Accountants:
Renée Bult
Donna Greenberg, CPA, CGFM
Rosemary Liss

Associate Accountants:
Laura Canham-Lunde
Gregory Cerio
Kara Deiana, CPA
Laura Hennessey
Bo Jiang
Stephen Raptoulis, CPA
Sandra Trzcinski, CGFM, CGAP, APM
Cara Jo Vettovalli
Paula Walker

Senior Accountants:
Kate Duell
Laurie Ferlazzo, CPA
Vincenzo Lollino
Kelly Nadeau

Business Systems Analyst 2:
Brenda Carver, CPA, CBA, DBA

Accountant Trainee 2:
Christine Wemette

Accountant Aide:
Stacey Myrie

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

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

The Audit Committee
New York State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New York (the State) as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated July 25, 2018. Our report includes a reference to other auditors who audited the financial statements of the New York Lottery enterprise fund, New York Local Government Assistance Corporation, the Tuition Savings Program, and certain of the discretely presented component units identified in Note 14 to the basic financial statements, as described in our report on the State's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the New York Lottery enterprise fund and of certain discretely presented component units identified in Note 14 of the basic financial statements were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the State's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency.

KPMG

Compliance and Other Matters

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

The State's Responses to the Finding

The State's responses to the finding identified in our audit are described in the accompanying schedule of findings and responses. The State's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Albany, New York
July 25, 2018

Schedule of Findings and Responses

2018-001

Finding: Insufficient level of precision in the State's review of the year-end Emergency Management accrual calculation

Severity of Control Deficiency: Significant Deficiency (Unremediated as of March 31, 2018)

Background

New York State's Division of Homeland Security and Emergency Services (DHSES) routinely provides disaster recovery assistance to state and local government entities through a variety of emergency management programs that are eligible for both State and Federal funding. Upon approval by the Federal Emergency Management Agency (FEMA) of a Public Assistance project worksheet, which is obligated after a federally declared disaster and includes a detailed scope of work, the governmental entity (the applicant) will track project-related expenditures as they are incurred. For open large projects only, the applicant will submit requests for reimbursement to DHSES. Additionally, for eight projects related to Superstorm Sandy recovery, DHSES has advanced payments to those applicants in order to accelerate initial recovery efforts. DHSES will review the applicants' claims for reimbursement and/or advancement and, once approved, will process a payment and then draw funds from the Federal government. For the State's fiscal year ended March 31, 2018, DHSES reported to the New York State Office of the State Comptroller (OSC) a liability for emergency management services representing the cumulative amount of expenditures that applicants have reported as incurred on approved open large projects and for which they have not yet been reimbursed. Further, at the State's fiscal year-end, DHSES reported the total advanced payments for which expenditures have not yet been incurred as prepayments (other assets) for financial reporting purposes.

Observations

To quantify the State's payable to local governments and prepayments (other assets) as of March 31, 2018, DHSES utilized FEMA's quarterly report consisting of open large projects for all disasters, by project number, that considered the applicants' cumulative expenditures incurred to date as compared to the amounts drawn down by DHSES on behalf of the applicants as either prepayments or reimbursements. During our testwork, KPMG noted the following observations over management's analysis:

- Management's analysis takes into account the amount of applicant expenditures incurred to date for each open large project, which are reported to DHSES by local governments through Quarterly Progress Reports (QPRs) and subsequently forwarded to FEMA. To assess the accuracy of the expenditures being utilized in management's analysis, KPMG haphazardly selected a sample of 26 applicant expenditures and vouched the expenditures to supporting documentation, which consisted of approved project worksheets and QPRs. Based on the procedures performed, we identified 13 projects where the amounts recorded and used to determine the State's liability did not agree to the supporting documentation. Per inquiry of DHSES management, the discrepancies were attributable to a combination of DHSES input error and outdated QPR information included in the analysis.

- Management's analysis utilizes DHSES's record of cash drawdowns reported on the QPR for the FEMA-approved open large projects; however, this does not represent all actual disbursements to applicants. Actual disbursements to applicants are recognized within the State's Statewide Financial System (SFS), and this historical data is determined to be readily available.

- Certain formatting and formula errors were identified on the FEMA QPR, resulting in inaccurate expenditures and drawdown amounts being utilized by management to calculate the liability.

The State did not have internal controls in place at a level of precision that would prevent, or detect and correct, errors in the accrual analysis. This is a repeat observation.

Risk

The State’s payable to local governments, advances, and related activity are not properly reported in its basic financial statements.

Recommendations

The State should have formal policies and procedures in place to ensure the completeness and accuracy of accounting records and subsequent reporting of the disaster assistance recovery program in the State’s basic financial statements. We recommend that management implement internal controls to routinely review and validate the completeness and accuracy of project-specific details underlying its analysis, including applicant expenditures incurred to date and cumulative amounts disbursed to applicants (whether through reimbursement or prepayment) and to verify the mathematical accuracy of its analysis. Furthermore, we recommend that the State consider utilizing historical disbursement transaction detail to determine the year-end accrual.

Management Response - DHSES

DHSES asserts that discrepancies or findings will continue on future audits given the inherent limitations in the collaboratively-developed methodology for determining liability. This methodology is limited, in part, because it relies on data in the FEMA Quarterly Report, which is prepared by the federal government. DHSES will explore alternatives to determine its liability to limit findings in the future.

DHSES is developing formalized policies and procedures for determining the liability under the current methodology. Further, DHSES will speak with FEMA to request corrections on any formatting or formula errors prior to FEMA sending the QPR report to DHSES and will review the data once the data entry is complete. Finally, DHSES will utilize the SFS data to determine the total disbursements made to applicants within the fiscal year

Management Response - OSC

The Bureau of Financial Reporting (BFR), as the responsible party for the State's financial statements, will continue to support DHSES in their efforts to mitigate the risk of misstatement in the future. BFR will work more closely with DHSES to identify the best sources of data to provide for next year's financial statements and offer advice as they formalize their policies and procedures as the current methodology is flawed. As recommended, the updated policies and procedures should consider the use of historical data. BFR can offer assistance with the data that is maintained in SFS.

STATE OF NEW YORK

Independent Auditors' Report as Required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*

Year Ended March 31, 2018

STATE OF NEW YORK

Table of Contents

KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Governor
State of New York:

Report on Compliance for Each Major Federal Program

We have audited the State of New York's (the State) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended March 31, 2018. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified and modified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinions

As described in the accompanying schedule of findings and questioned costs, the State did not comply with the following requirements:

Finding No.	CFDA	Program (or Cluster) Name	Compliance Requirement
2018-001	93.563	Child Support Enforcement	Subrecipient Monitoring Matching

Finding No.	CFDA	Program (or Cluster) Name	Compliance Requirement
2018-006	93.658	Foster Care – Title IV-E	Allowability Matching Subrecipient Monitoring Special Tests and Provisions – Payment and Rate Setting Application
2018-007	93.659	Adoption Assistance	Allowability Matching Subrecipient Monitoring
2018-009	93.575 93.596	Child Care Development Fund Cluster	Allowability Subrecipient Monitoring Special Tests and Provisions – Fraud Detection and Repayment
2018-011	93.575 93.596	Child Care Development Fund Cluster	Subrecipient Monitoring
2018-012	93.667	Social Services Block Grant	Allowability Matching Earmarking Subrecipient Monitoring
2018-019	84.377	School Improvement Grants	Subrecipient Monitoring
2018-020	84.377	School Improvement Grants	Level of Effort
2018-027	93.959	Block Grant for Prevention and Treatment of Substance Abuse	Cash Management
2018-028	93.640	Basic Health Program (Affordable Care Act)	Allowability Eligibility
2018-031	93.778	Medicaid Assistance Program	Allowability Special Tests – Provider Eligibility
2018-035	93.767	Children's Health Insurance Program	Subrecipient Monitoring

Finding No.	CFDA	Program (or Cluster) Name	Compliance Requirement
2018-039	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Subrecipient Monitoring
2018-042	93.994	Maternal and Child Health Services Block Grant to the States	Subrecipient Monitoring
2018-043	10.557 10.558 93.767 93.994	Special Supplemental Nutrition Program for Women, Infants, and Children Child and Adult Care Food Program Children’s Health Insurance Program Maternal and Child Health Services Block Grant to the States	Cash Management
2018-044	10.558 93.767 93.994	Child and Adult Care Food Program Children’s Health Insurance Program Maternal and Child Health Services Block Grant to the States	Subrecipient Monitoring
2018-045	93.994	Maternal and Child Health Services Block Grant to the States	Reporting
2018-047	14.228	Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii	Program Income

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those programs.

Qualified Opinions

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major programs listed in the table in the Basis for Qualified Opinions paragraph above for the year ended March 31, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs for the year ended March 31, 2018.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-002, 2018-004, 2018-005, 2018-008, 2018-010, 2018-013, 2018-014, 2018-015, 2018-016, 2018-017, 2018-018, 2018-021, 2018-022, 2018-023, 2018-024, 2018-025, 2018-026, 2018-029, 2018-030, 2018-033, 2018-034, 2018-037, 2018-038, 2018-040, 2018-046, and 2018-048. Our opinion on each major federal program is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-006, 2018-007, 2018-009, 2018-011, 2018-012, 2018-019, 2018-020, 2018-027, 2018-028, 2018-031, 2018-035, 2018-039, 2018-042, 2018-043, 2018-044, 2018-045, and 2018-047 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-002, 2018-003, 2018-004, 2018-005, 2018-008, 2018-010, 2018-013, 2018-014, 2018-015, 2018-016, 2018-017, 2018-018, 2018-021, 2018-022, 2018-023, 2018-025, 2018-026, 2018-029, 2018-030, 2018-032, 2018-033, 2018-034, 2018-036, 2018-037, 2018-038, 2018-040, 2018-041, 2018-046, and 2018-048 to be significant deficiencies.

The State's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New York as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the State’s basic financial statements. We issued our report thereon dated July 25, 2018, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who audited the financial statements of the State’s Lottery enterprise fund, the New York State Local Government Assistance Corporation, the Tuition Savings Program, and certain of the discretely presented component units, as identified in note 14 to the basic financial statements and as described in our report on the State’s basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Albany, New York
November 27, 2018
(except for the schedule of expenditures of federal awards, which is as of July 25, 2018)

STATE OF NEW YORK

Schedule of Expenditures of Federal Awards

Year ended March 31, 2018

(Amounts in thousands)

Federal CFDA number	Federal agency/grantor/pass-through grantor program or cluster title	Pass-through identifying number	Passed through to subrecipients	Federal expenditures
	U.S. Department of Agriculture:			
10.025	Plant and Animal Disease, Pest Control, and Animal Care		$ —	5,549
10.069	Conservation Reserve Program		—	3
10.163	Market Protection and Promotion		—	1,421
10.170	Specialty Crop Block Grant Program – Farm Bill		—	1,057
10.171	Organic Certification Cost Share Programs		—	718
10.220	Higher Education – Multicultural Scholars Grant Program		—	48
10.435	State Mediation Grants		—	331
10.544	Healthy Body Healthy Spirit		—	2
	SNAP Cluster:			
10.551	Supplemental Nutrition Assistance Program		—	4,629,416
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		373,749	465,962
	Total SNAP Cluster		373,749	5,095,378
	Child Nutrition Cluster:			
10.555	National School Lunch Program		1,005,377	1,090,310
10.556	Special Milk Program for Children		—	137
10.559	Summer Food Service Program for Children		60,502	62,073
	Total Child Nutrition Cluster		1,065,879	1,152,520
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children		481,158	408,315 *
10.558	Child and Adult Care Food Program		247,973	251,737 *
10.560	State Administrative Expenses for Child Nutrition		—	18,165
	Food Distribution Cluster:			
10.565	Commodity Supplemental Food Program		1,774	8,377
10.568	Emergency Food Assistance Program (Administrative Costs)		—	5,308
10.569	Emergency Food Assistance Program (Food Commodities)		—	33,672
	Total Food Distribution Cluster		1,774	47,357
10.572	WIC Farmers' Market Nutrition Program (FMNP)		—	4,199
10.575	Farm to School Grant Program		—	99
10.576	Senior Farmers Market Nutrition Program		—	1,830
10.578	WIC Grants to States (WGS)		—	3,715
10.579	Child Nutrition Discretionary Grants Limited Availability		1,205	1,205
10.582	Fresh Fruit and Vegetable Program		9,050	9,050
10.664	Cooperative Forestry Assistance		—	3,027
10.675	Urban and Community Forestry Program		—	8
10.676	Forest Legacy Program		—	42
10.680	Forest Health Protection		—	270
10.902	Soil and Water Conservation		—	140
10.912	Environmental Quality Incentives Program		—	13
	U.S. Department of Commerce:			
11.407	Interjurisdictional Fisheries Act of 1986		—	19
11.419	Coastal Zone Management Administration Awards		—	3,281
11.420	Coastal Zone Management Estuarine Research Reserves		—	666
11.454	Unallied Management Projects		—	512
11.474	Atlantic Coastal Fisheries Cooperative Management Act		—	146
11.483	NOAA Programs for Disaster Relief Appropriations Act – Nonconstruction and Construction		—	108
11.549	State and Local Implementation Grant Program		—	417
11.611	Manufacturing Extension Partnership		—	6,893
	U.S. Department of Defense:			
12.104	Flood Plain Management Services		—	3
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services		—	307
12.400	Military Construction, National Guard		—	16,285
12.401	National Guard Military Operations and Maintenance (O&M) Projects		—	47,244
	U.S. Department of Housing and Urban Development:			
	Section 8 Project-Based Cluster:			
14.195	Section 8 Housing Assistance Payments Program		—	1,481,112
	Total Section 8 Project-Based Cluster		—	1,481,112 *
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii		51,170	51,170 *
14.231	Emergency Solutions Grant Program		—	6,440
14.239	Home Investment Partnerships Program		8,582	236,666 *
14.241	Housing Opportunities for Persons with AIDS		—	2,563
14.251	Economic Development Initiative – Special Project, Neighborhood			
14.267	Continuum of Care Program		1,875	1,875
	CDBG – Disaster Recovery Grants – Pub. L. No. 113-2 Cluster:			
14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants		61,796	534,848
14.272	National Disaster Resilience Competition		14	193
	Total CDBG – Disaster Recovery Grants – Pub. L. No. 113-2 Cluster		61,810	535,041

(Continued)

(Amounts in thousands)

Federal CFDA number	Federal agency/grantor/pass-through grantor program or cluster title	Pass-through identifying number	Passed through to subrecipients	Federal expenditures
14.401	Fair Housing Assistance Program State and Local		$ —	1,676
	Housing Voucher Cluster:			
14.871	Section 8 Housing Choice Vouchers		—	498,678
	Total Housing Voucher Cluster		—	498,678
	U.S. Department of the Interior:			
15.026	Indian Adult Education		—	12
15.114	Indian Education – Higher Education Grant Program		—	15
	Fish and Wildlife Cluster:			
15.605	Sport Fish Restoration Program		—	6,100
15.611	Wildlife Restoration and Basic Hunter Education		605	14,827
	Total Fish and Wildlife Cluster		605	20,927
15.424	Marine Minerals Activities – Hurricane Sandy		—	92
15.615	Cooperative Endangered Species Conservation Fund		—	17
15.622	Sportfishing and Boating Safety Act		—	733
15.626	Enhanced Hunter Education and Safety Program		—	360
15.634	State Wildlife Grants		97	2,209
15.667	Highlands Conservation Program		—	195
15.808	U.S. Geological Survey – Research and Data Collection		—	46
15.810	National Cooperative Geologic Mapping Program		—	138
15.814	National Geological and Geophysical Data Preservation Program		—	15
15.817	National Geospatial Program: Building the National Map		—	170
15.904	Historic Preservation Fund Grants-In-Aid		—	1,536
15.916	Outdoor Recreation – Acquisition, Development and Planning		—	4,121
15.925	National Maritime Heritage Grants Program		—	75
15.944	Natural Resource Stewardship		—	1
15.945	Cooperative Research and Training Programs - Resources of the National Park System		—	107
15.957	Historic Preservation Fund Grants to Provide Disaster Relief to Historic Properties Damaged by Hurricane Sandy		—	1,257
	U.S. Department of Justice:			
16.017	Sexual Assault Services Formula Program		—	732
16.021	Justice Systems Response to Families		—	17
16.029	Office on Violence Against Women Special Projects		—	2
16.523	Juvenile Accountability Block Grants		—	55
16.540	Juvenile Justice and Delinquency Prevention – Allocation to States		—	1,117
16.543	Missing Children's Assistance		—	496
16.550	State Justice Statistics Program for Statistical Analysis Centers		—	69
16.554	National Criminal History Improvement Program (NCHIP)		—	3,532
16.575	Crime Victim Assistance		—	28,163
16.576	Crime Victim Compensation		—	7,326
16.578	Federal Surplus Property Transfer Program		—	1,278
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance			
16.582	Crime Victim Assistance/Discretionary Grants		—	353
16.585	Drug Court Discretionary Grant Program		—	1,178
16.588	Violence Against Women Formula Grants		—	8,032
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program		—	132
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		—	166
16.593	Residential Substance Abuse Treatment for State Prisoners		—	396
16.606	State Criminal Alien Assistance Program		—	23,956
16.710	Public Safety Partnership and Community Policing Grants		—	208
16.734	Special Data Collections and Statistical Studies		—	419
16.735	PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities		—	90
16.738	Edward Byrne Memorial Justice Assistance Grant Program		—	7,939
16.741	DNA Backlog Reduction Program		—	642
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program		—	456
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program		—	173
16.751	Edward Byrne Memorial Competitive Grant Program		—	708
16.754	Harold Rogers Prescription Drug Monitoring Program		—	71
16.812	Second Chance Act Reentry Initiative		—	495
16.813	NICS Act Record Improvement Program		—	1,036
16.816	John R. Justice Prosecutors and Defenders Incentive Act		62	62
16.828	Swift, Certain, and Fair (SCF) Sanctions program: Replicating the Concepts behind Project HOPE		—	162
16.830	Girls in the Juvenile Justice System		—	133
16.922	Equitable Sharing Program		7	6,653
	U.S. Department of Labor:			
17.002	Labor Force Statistics		—	3,267
17.005	Compensation and Working Conditions		—	458
	Employment Service Cluster:			
17.207	Employment Service/Wagner-Peyser Funded Activities		1,171	37,771
17.801	Disabled Veterans' Outreach Program (DVOP)		—	7,567
	Total Employment Service Cluster		1,171	45,338

STATE OF NEW YORK

Schedule of Expenditures of Federal Awards

Year ended March 31, 2018

(Amounts in thousands)

Federal CFDA number	Federal agency/grantor/pass-through grantor program or cluster title	Pass-through identifying number	Passed through to subrecipients	Federal expenditures
17.225	Unemployment Insurance		$ —	2,422,419
17.225	ARRA – Unemployment Insurance		—	(1,495)
	Total Unemployment Insurance		—	2,420,924
17.235	Senior Community Service Employment Program		4,917	5,139
17.245	Trade Adjustment Assistance		2,960	7,286
	WIA/WIOA Cluster:			
17.258	WIA/WIOA Adult Program		50,999	55,344
17.259	WIA/WIOA Youth Program		45,759	50,748
17.278	WIA/WIOA Dislocated Worker Formula Grants		39,829	62,307
	Total WIA/WIOA Cluster		136,587	168,399 *
17.271	Work Opportunity Tax Credit Program (WOTC)		—	824
17.273	Temporary Labor Certification for Foreign Workers		—	2,034
17.277	WIOA National Dislocated Worker Grants/WIA National Emergency Grants		638	2,038
17.282	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants		—	191
17.283	Workforce Innovation Fund		2	29
17.285	Apprenticeship USA Grants		—	309
17.503	Occupational Safety and Health – State Program		—	3,620
17.504	Consultation Agreements		—	3,543
17.600	Mine Health and Safety Grants		—	289
17.805	Homeless Veterans Reintegration Project		—	23
	U.S. Department of Transportation:			
20.106	Airport Improvement Program		—	419
	Highway Planning and Construction Cluster:			
20.205	Highway Planning and Construction		493,463	1,697,035
20.205	ARRA – Highway Planning and Construction		—	(1)
20.219	Recreational Trails Program		118	568
	Total Highway Planning and Construction Cluster		493,581	1,697,602 *
20.218	National Motor Carrier Safety		—	10,228
20.232	Commercial Driver's License Program Improvement Grant		—	2,593
20.233	Border Enforcement Grants		—	425
20.314	Railroad Development		1,346	1,346
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants		2,460	2,497
20.319	ARRA – High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants		56,877	57,297
	Total High-Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants (total)		59,337	59,794
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research		5,974	8,471
20.509	Formula Grants for Rural Areas		20,614	22,394
	Transit Services Programs Cluster:			
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities		9,357	9,357
20.516	Job Access and Reverse Commute Program		503	503
20.521	New Freedom Program		259	259
	Total Transit Services Programs Cluster		10,119	10,119
20.528	Rail Fixed Guideway Public Transportation System State Safety Oversight formula Grant Program		—	31
	Highway Safety Cluster:			
20.600	State and Community Highway Safety		—	25,243
20.610	State Traffic Safety Information System Improvement Grants		—	5
	Total Highway Safety Cluster		—	25,248
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants		—	29
20.700	Pipeline Safety Program State Base Grant		—	4,096
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants		209	560
21.016	Equitable Sharing		56	3,933
	U.S. Appalachian Regional Commission:			
23.001	Appalachian Regional Development		150	150
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects		—	228
	U.S. Equal Employment Opportunity Commission:			
30.001	Employment Discrimination – Title VII of the Civil Rights Act of 1964		—	3,472
	National Endowment for the Arts:			
45.025	Promotion of the Arts – Partnership Agreements		—	540
	Institute of Museum and Library Services:			
45.310	Grants to States		—	8,288
	Small Business Administration:			
59.061	State Trade Expansion		—	486

STATE OF NEW YORK

Schedule of Expenditures of Federal Awards

Year ended March 31, 2018

(Amounts in thousands)

Federal CFDA number	Federal agency/grantor/pass-through grantor program or cluster title	Pass-through identifying number	Passed through to subrecipients	Federal expenditures
	Department of Veterans Affairs:			
64.010	Veterans Nursing Home Care		$ —	39,954
64.028	Post-9/11 Veterans Educational Assistance		—	12,847
64.032	Montgomery GI Bill Selected Reserve; Reserve Educational Assistance Program		—	59
64.116	Vocational Rehabilitation for Disabled Veterans		—	1,500
64.124	All-Volunteer Force Educational Assistance		—	3,928
	U.S. Environmental Protection Agency:			
66.001	Air Pollution Control Program Support		—	8,508
66.032	State Indoor Radon Grants		—	472
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act			1,195
66.204	Multipurpose Grants to States and Tribes		—	281
66.432	State Public Water System Supervision		—	4,259
66.454	Water Quality Management Planning		—	1,899
66.456	National Estuary Program		—	140
	Clean Water State Revolving Fund Cluster:			
66.458	Capitalization Grants for Clean Water State Revolving Funds		146,343	146,343
66.482	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants For Clean Water State Revolving Funds		8,431	8,431
	Total Clean Water State Revolving Fund Cluster		154,774	154,774
66.461	Regional Wetland Program Development Grants		—	25
66.466	Chesapeake Bay Program		—	2,474
	Drinking Water State Revolving Fund Cluster:			
66.468	Capitalization Grants for Drinking Water State Revolving Funds		43,604	51,684
	Total Drinking Water State Revolving Fund Cluster		43,604	51,684
66.469	Great Lakes Program		—	1,627
66.472	Beach Monitoring and Notification Program Implementation Grants		—	303
66.481	Lake Champlain Basin Program		—	329
66.605	Performance Partnership Grants		—	11,709
66.608	Environmental Information Exchange Network Grant Program and Related Assistance		—	11
66.700	Consolidated Pesticide Enforcement Cooperative Agreements		—	545
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements		—	173
66.708	Pollution Prevention Grants Program		—	6
66.801	Hazardous Waste Management State Program Support		—	6,302
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		—	373
66.804	Underground Storage Tank Prevention, Detection and Compliance Program		—	1,130
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program		—	3,573
66.817	State and Tribal Response Program Grants		—	376
66.819	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Leaking Underground Storage Tank Trust Fund Corrective Action Program		—	88
	U.S. Department of Energy:			
81.041	State Energy Program		—	2,008
81.042	Weatherization Assistance for Low-Income Persons		18,895	19,845
81.092	Environmental Restoration		—	14
81.119	State Energy Program Special Projects		—	780
81.138	State Heating Oil and Propane Program		—	24
	U.S. Department of Education:			
84.002	Adult Education – Basic Grants to States		34,418	39,206
84.010	Title I Grants to Local Educational Agencies		845,514	861,266
84.011	Migrant Education – State Grant Program		6,635	9,595
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth		—	3,174
	Special Education Cluster (IDEA):			
84.027	Special Education – Grants to States		665,096	757,954
84.173	Special Education – Preschool Grants		21,465	26,993
	Total Special Education Cluster (IDEA)		686,561	784,947
84.048	Career and Technical Education – Basic Grants to States		47,319	51,714
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States		—	175,133 *
84.144	Migrant Education – Coordination Program		—	50
84.177	Rehabilitation Services – Independent Living Services for Older Individuals Who are Blind		—	163
84.181	Special Education – Grants for Infants and Families		6,909	23,284
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities		—	2,810
84.196	Education for Homeless Children and Youth		3,972	5,401
84.282	Charter Schools		11,644	11,785
84.287	Twenty-First Century Community Learning Centers		67,669	72,627
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)		—	2,627
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs		4,546	4,937
	Pass-Through from Higher Education Services Corporation	P378A140035	—	196
	Total Gaining Early Awareness and Readiness for Undergraduate Programs		4,546	5,133
84.358	Rural Education		$ 2,011	2,017

(Continued)

(Amounts in thousands)

Federal CFDA number	Federal agency/grantor/pass-through grantor program or cluster title	Pass-through identifying number	Passed through to subrecipients	Federal expenditures
84.365	English Language Acquisition State Grants		79,372	81,861 *
84.366	Mathematics and Science Partnerships		5,488	5,949
84.367	Supporting Effective Instruction State Grants		131,045	139,303
84.369	Grants for State Assessments and Related Activities		—	16,641
84.377	School Improvement Grants		57,583	59,513 *
84.419	Preschool Development Grants		20,725	21,056
	U.S. Elections Assistance Commission:			
90.401	Help America Vote Act Requirements Payments		—	4,138
	U.S. Department of Health and Human Services:			
93.041	Special Programs for the Aging – Title VII, Chapter 3 – Programs for Prevention of Elder Abuse, Neglect and Exploitation		—	317
93.042	Special Programs for the Aging – Title VII, Chapter 2 – Long-Term Care Ombudsman Services for Older Individuals		1,594	1,594
93.043	Special Programs for the Aging – Title III, Part D – Disease Prevention and Health Promotion Services		886	950
	Aging Cluster:			
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers		23,276	24,719
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services		40,498	44,137
93.053	Nutrition Services Incentive Program		15,832	15,832
	Total Aging Cluster		79,606	84,688
93.048	Special Programs for the Aging – Title IV and Title II – Discretionary Projects		4	93
93.052	National Family Caregiver Support, Title III, Part E		7,296	7,745
93.071	Medicare Enrollment Assistance Program		1,127	1,184
93.072	Lifespan Respite Care Program		114	139
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements		—	182
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance		—	79
93.090	Guardianship Assistance		9,572	9,755
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program		2,079	2,248
	Hurricane Sandy Relief Cluster:			
93.095	HHS Programs for Disaster Relief Appropriations Act – Nonconstruction		13,133	24,896
	Total Hurricane Sandy Relief Cluster		13,133	24,896
93.103	Food and Drug Administration – Research		—	791
93.110	Maternal and Child Health Federal Consolidated Programs		209	460
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		—	1,709
93.130	Cooperative Agreement to States/Territories for the Coordination and Development of Primary Care Offices		—	234
93.150	Projects for Assistance in Transition from Homelessness (PATH)		3,065	3,344
93.165	Grants to States for Loan Repayment Program		411	411
93.217	Family Planning – Services		10,334	11,998
93.228	Indian Health Service – Health Management Development Program		—	30
93.235	Affordable Care Act (ACA) Abstinence Education Program		2,712	2,712
93.240	State Capacity Building		—	523
93.243	Substance Abuse and Mental Health Services – Projects of Regional and National Significance		—	3,076
93.268	Immunization Cooperative Agreements		1,559	113,102 *
93.303	Nurse Corps Scholarship Program		—	47
93.324	State Health Insurance Assistance Program		1,610	2,385
93.369	ACL Independent Living State Grants		—	1,004
93.394	Cancer Detection and Diagnosis Research		—	367
93.464	ACL Assistive Technology		—	380
	Maternal, Infant, and Early Childhood Home Visiting Cluster:			
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		3,550	8,036
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program		1,616	2,104
	Total Maternal, Infant, and Early Childhood Home Visiting Cluster		5,166	10,140
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review		—	216
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)s Exchanges		—	18,695
93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds		(982)	6,685
93.556	Promoting Safe and Stable Families		—	921
	TANF Cluster:			
93.558	Temporary Assistance for Needy Families		1,961,670	1,975,172
	Total TANF Cluster		1,961,670	1,975,172
93.563	Child Support Enforcement		118,270	221,601 *
93.566	Refugee and Entrant Assistance – State Administered Programs		7,526	14,511
93.568	Low-Income Home Energy Assistance		90,654	351,696
93.569	Community Services Block Grant		55,864	58,497

STATE OF NEW YORK

Schedule of Expenditures of Federal Awards

Year ended March 31, 2018

(Amounts in thousands)

Federal CFDA number	Federal agency/grantor/pass-through grantor program or cluster title	Pass-through identifying number	Passed through to subrecipients	Federal expenditures
	CCDF Cluster:			
93.575	Child Care and Development Block Grant		$ 74,903	114,294
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		251,450	251,450
	Total CCDF Cluster		326,353	365,744 *
93.576	Refugee and Entrant Assistance – Discretionary Grants		—	1,056
93.584	Refugee and Entrant Assistance – Targeted Assistance Grants		—	2,132
93.586	State Court Improvement Program		—	1,057
93.590	Community-Based Child Abuse Prevention Grants		1,046	1,279
93.597	Grants to States for Access and Visitation Programs		—	533
93.599	Chafee Education and Training Vouchers Program (ETV)		1,623	1,623
	Pass-Through from Human Services Administration for Children and Families	—	—	7
	Total Chafee Education and Training Vouchers Program (ETV)		1,623	1,630
93.600	Head Start		—	224
93.603	Adoption and Legal Guardianship Incentive Payments		50	50
93.626	Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models		145	157
93.630	Developmental Disabilities Basic Support and Advocacy Grants		—	4,378
93.634	ACA Support for Demonstration Ombudsman Programs Serving Beneficiaries of State Demonstrations to Integrate Care for Medicare-Medicaid		—	13
93.640	Basic Health Program (Affordable Care Act)		—	3,874,925 *
93.643	Children's Justice Grants to States		768	981
93.644	Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP		—	9
93.652	Adoption Opportunities		470	470
93.658	Foster Care – Title IV-E		482,145	491,852 *
93.659	Adoption Assistance		217,836	221,009 *
93.667	Social Services Block Grant		272,429	275,484 *
93.669	Child Abuse and Neglect State Grants		736	902
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services		916	5,031
93.674	Chafee Foster Care Independence Program		11,600	11,600
	Pass-Through from Human Services Administration for Children and Families	—	—	18
	Total Chafee Foster Care Independence Program		11,600	11,618
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs financed by Prevention and Public Health Funds (PPHF)		—	188
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)		3,308	11,462
93.767	Children's Health Insurance Program		83,567	1,707,575 *
	Medicaid Cluster:			
93.775	State Medicaid Fraud Control Units		—	38,775
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		—	28,771
93.778	Medical Assistance Program		213,727	39,311,537
93.778	ARRA – Medical Assistance Program		—	251,029
	Total Medicaid Cluster		213,727	39,630,112 *
93.791	Money Follows the Person Rebalancing Demonstration		—	18,693
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities		—	81
93.881	The Health Insurance Enforcement and Consumer Protections Grant Program		—	37
93.958	Block Grants for Community Mental Health Services		25,822	28,773
93.959	Block Grants for Prevention and Treatment of Substance Abuse		108,802	115,621 *
93.977	Preventive Health Services – Sexually Transmitted Diseases Control Grants		525	2,513
93.994	Maternal and Child Health Services Block Grant to the States		20,896	42,580 *
93.999	Test for Suppression Effects of Advanced Energy		—	192
	Corporation for National and Community Service:			
94.003	State Commissions		—	365
94.006	AmeriCorps		11,924	12,465
94.009	Training and Technical Assistance		—	192
	Foster Grandparent/Senior Companion Cluster:			
94.016	Senior Companion Program		—	234
	Total Foster Grandparent/Senior Companion Cluster		—	234
94.021	Volunteer Generation Fund		214	151
94.025	Operation AmeriCorps		1,465	1,465
	U.S. Social Security Administration:			
	Disability Insurance/SSI Cluster:			
96.001	Social Security – Disability Insurance		—	165,431
	Total Disability Insurance/SSI Cluster		—	165,431

STATE OF NEW YORK

Schedule of Expenditures of Federal Awards

Year ended March 31, 2018

(Amounts in thousands)

Federal CFDA number	Federal agency/grantor/pass-through grantor program or cluster title	Pass-through identifying number	Passed through to subrecipients	Federal expenditures
	U.S. Department of Homeland Security:			
97.008	Non-Profit Security Program		$ 2,568	2,568
97.012	Boating Safety Financial Assistance		—	2,815
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)		—	389
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)		1,103,221	1,120,316
97.039	Hazard Mitigation Grant		38,385	192,644
97.041	National Dam Safety Program		—	236
97.042	Emergency Management Performance Grants		7,145	15,495
97.043	State Fire Training Systems Grants		—	20
97.044	Assistance to Firefighters Grant		—	220
97.045	Cooperating Technical Partners		—	178
97.047	Pre-Disaster Mitigation		515	515
97.056	Port Security Grant Program		—	19
97.067	Homeland Security Grant Program		190,863	215,613 *
97.109	Disaster Housing Assistance Grant		—	30
	Other Clusters:			
	Student Financial Assistance Cluster:			
	U.S. Department of Education			
84.007	Federal Supplemental Educational Opportunity Grants		—	5,790
84.033	Federal Work – Study Program		—	10,107
84.038	Federal Perkins Loan (FPL) – Federal Capital Contributions		—	141,058
84.063	Federal Pell Grant Program		—	318,611
84.268	Federal Direct Student Loans		—	1,151,145
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)		—	2,737
	Total U.S. Department of Education		—	1,629,448
	U.S. Department of Health and Human Services			
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students		—	16,896
93.364	Nursing Student Loans		—	6,293
	Total U.S. Department of Health and Human Services		—	23,189
	Total Student Financial Assistance Cluster		—	1,652,637 *
	Research and Development Cluster:			
16.735	PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities		—	11
16.812	Second Chance Act Reentry Initiative		—	9
16.828	Swift, Certain, and Fair (SCF) Sanctions Program: Replicating the Concepts Behind Project Hope		—	13
20.205	Highway Planning and Construction		—	8,667
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth		—	32
93.563	Child Support Enforcement Paycheck Plus Pilot Program		—	129
	Total Research and Development Cluster		—	8,861
	Total Expenditures of Federal Awards		$ 10,773,884	70,408,142

* Represents Major Program

See accompanying notes to schedule of expenditures of federal awards.

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

For purposes of complying with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the State of New York (State) is defined in a manner consistent with the entity defined in the State of New York Comprehensive Annual Financial Report (CAFR) as of and for the year ended March 31, 2018. The following entities, however, are excluded:

i. New York State and Local Retirement System, State Lottery, and the City University of New York Fund;

ii. Research Foundation of the State University of New York;

iii. All public benefit corporations, as defined in the CAFR (note 14), except for the following four public benefit corporations which are included:

1. Dormitory Authority of the State of New York,
2. New York State Energy Research and Development Authority,
3. Hugh L. Carey Battery Park City Authority, and
4. Housing Trust Fund Corporation.

Each of the excluded entities is subject to separate audits in compliance with the Uniform Guidance, as applicable.

(b) Basis of Presentation

The Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the State under programs of the federal government for the year ended March 31, 2018. The information in this Schedule is presented in accordance with the Uniform Guidance. The Schedule presents only a selected portion of the operations of the State; therefore, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the State.

(c) Basis of Accounting

Expenditures reported on the Schedule are generally reported on the cash basis of accounting, as reported by the Statewide Financial System (SFS). The expenditures reported on the Schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. The negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The SFS provides the primary information from which the basic financial statements are prepared.

(Continued)

(d) Matching Costs

Matching costs, the nonfederal share of certain program costs, are not included in the Schedule except for the State's share of unemployment insurance (see note 4).

(2) Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the Schedule, which is prepared on the basis explained in note 1(c).

(3) Indirect Cost Rate

The State does not utilize the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Unemployment Insurance

State unemployment tax revenues and other payments must be deposited into the Unemployment Trust Fund in the U.S. Treasury. Use of these funds is restricted to pay benefits under the federally approved State unemployment law. State unemployment insurance funds as well as federal funds are used to pay benefits under the Unemployment Insurance program (CFDA No. 17.225). The amount reported in the Schedule for the Unemployment Insurance program included $2.2 billion in State-funded expenditures deposited into the Unemployment Trust Fund in the U.S. Treasury.

(5) Loan and Loan Guarantee Program

(a) Federal Student Loan and Loan Guarantee Programs

The federal student loan programs listed below are administered by the State through the State University of New York (SUNY), and balances and transactions related to these programs are included in the State's CAFR. Loans made during the year are included as federal expenditures presented in the Schedule. Loans outstanding at March 31, 2018 amounted to $145.3 million, net of an allowance for doubtful accounts. The following table displays activity for federal student loans outstanding at March 31, 2018 (in thousands):

CFDA number	Program title		Beginning balance	Additions	Deletions	Ending balance
84.038	Federal Perkins Loan Program – Federal Capital Contributions	$	124,040	17,018	15,528	125,530
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students		15,666	1,230	2,929	13,967
93.364	Nursing Student Loans		4,984	1,309	529	5,764

SUNY participates in the Federal Direct Student Loans program (CFDA No. 84.268), which provides federal loans directly to students rather than through private lending institutions. SUNY is responsible only for the origination of the loan (i.e., determining student eligibility and disbursing loan proceeds to the borrower). The Direct Loan Servicer is then responsible for overall servicing and collection of the loan. During the year ended March 31, 2018, SUNY processed approximately $1.2 billion of new loans under the Federal Direct Student Loans program, which are included in the Schedule. The program is administered by the Federal government; therefore, new loans made during the year are reported in the Schedule, whereas the outstanding loan balances are not.

(b) Home Investment Partnerships Program

The State administers the Home Investment Partnerships (HOME) Program (CFDA No. 14.239) through the Housing Trust Fund Corporation. A portion of the HOME Program payments are in the form of low-interest loans made to not-for-profit and for-profit organizations to construct multi-family apartment buildings. Loans outstanding at March 31, 2018 amounted to $227 million. The following table displays activity for the HOME Program loans outstanding at March 31, 2018 (in thousands):

CFDA number	Program title		Beginning balance	Additions	Deletions	Ending balance
14.239	Home Investment Partnerships Program	$	218,512	8,445	—	226,957

(c) Hurricane Sandy Community Development Block Grant Disaster Recovery Grants

The State administers the Hurricane Sandy Community Development Block Grant Disaster Recovery (CDBG-DR) Grants program (CFDA No. 14.269) through the Governor's Office of Storm Recovery. A portion of the program payments are in the form of loans. Loans outstanding as of March 31, 2018 amounted to $62.5 million. The following table displays activity for the Hurricane Sandy CDBG-DR Grants program at March 31, 2018 (in thousands):

CFDA number	Program title		Beginning balance	Additions	Deletions	Ending balance
14.269	Hurricane Sandy CDBG-DR	$	41,412	21,106	—	62,518

(6) Non-Cash Awards

The State is the recipient of federal award programs that do not result in cash receipts or disbursements and are therefore not recorded in the State's fund financial statements. Noncash amounts of awards received by the State are included in the Schedule as follows:

CFDA number	Program title		Noncash awards (in thousands)
10.551	Supplemental Nutrition Assistance Program	$	4,629,415
10.555	National School Lunch Program		84,669
10.558	Child and Adult Care Food Program		69
10.559	Summer Food Service Program for Children		294
10.565	Commodity Supplemental Food Program		5,813
10.569	Emergency Food Assistance Program		33,672
16.578	Federal Surplus Property Transfer Program		1,278
93.268	Immunization Cooperative Agreements		108,945
	Total	$	4,864,155

(7) Litigation

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

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

(1) Summary of Auditors' Results

(a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**

(b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

- Material weaknesses: **No**
- Significant deficiencies: **Yes**

(c) Noncompliance material to the financial statements: **No**

(d) Internal control deficiencies over major programs disclosed by the audit:

- Material weaknesses: **Yes**
- Significant deficiencies: **Yes**

(e) Type of report issued on compliance for major programs: **Unmodified except for:**

Qualified Opinions

- Adoption Assistance (93.659)
- Basic Health Program (Affordable Care Act) (93.640)
- Block Grant for Prevention and Treatment of Substance Abuse (93.959)
- CCDF Cluster (93.575, 93.596)
- Children's Health Insurance Program (93.767)
- Child and Adult Care Food Program (10.558)
- Child Support Enforcement (93.563)
- Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (14.228)
- Foster Care – Title IV-E (93.658)
- Medicaid Assistance Program (93.778)
- Maternal and Child Health Services Block Grant to the States (93.994)
- School Improvement Grants (84.377)
- Social Services Block Grant (93.667)
- Special Supplemental Nutrition Program of Women, Infants, and Children (10.557)

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**

(g) Major programs:

- Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)
- Child and Adult Care Food Program (10.558)

(Continued)

- Section 8 Project-Based Cluster (14.195)
- Community Development Block Grant/State’s program and Non-Entitlement Grants in Hawaii (14.228)
- Home Investment Partnership Program (14.239)
- Highway Planning and Construction Cluster (20.205, 20.219)
- WIA/WIOA Cluster (17.258, 17.259, 17.278)
- Student Financial Aid Cluster (84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, 93.364)
- Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
- English Language Acquisition State Grants (84.365)
- School Improvement Grants (84.377)
- Immunization Cooperative Agreements (93.268)
- Child Support Enforcement (93.563)
- CCDF Cluster (93.575, 93.596)
- Basic Health Program (Affordable Care Act) (93.640)
- Foster Care Title IV-E (93.658)
- Adoption Assistance (93.659)
- Social Services Block Grant (93.667)
- Medicaid Cluster (93.775, 93.777, 93.778)
- Children’s Health Insurance Program (93.767)
- Block Grant for Prevention and Treatment of Substance Abuse (93.959)
- Maternal and Child Health Services Block Grant to the States (93.994)
- Homeland Security Grant Program (97.067)

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$105,612,213**

(i) Auditee qualified as a low-risk auditee: **No**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

No material weaknesses or material instances of noncompliance have been identified in our audit of the financial statements. However, we identified one deficiency in internal control that we consider to be a significant deficiency in internal control over financial reporting; this significant deficiency relates to the accounting and reporting of amounts payable to local governments for emergency management public assistance grants. Refer to the separately issued report dated July 25, 2018 for specific details regarding these findings.

(3) Findings and Questioned Costs Relating to Federal Awards

See accompanying pages 19 through 136.

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Child Support Enforcement (93.563)
Federal Award Numbers:	G1504NYCSES, G1604NYCSES, 1704NYCSES, 1704NYCEST, and 1804NYCSES
Federal Award Years:	2015, 2016, 2017, and 2018
State Agency:	Office of Temporary and Disability Assistance
Reference:	2018-001

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, Section 75.306(b), requires for all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

(1) Are verifiable from the non-Federal entity's records;

(2) Are not included as contributions for any other Federal award;

(3) Are necessary and reasonable for accomplishment of project or program objectives;

(4) Are allowable under subpart E of 45 CFR 75;

(5) Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;

(6) Are provided for in the approved budget when required by the HHS awarding agency; and

(7) Conform to other provisions of this part, as applicable.

Additionally, 45 CFR 75.303 also states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

(Continued)

Condition

The Office of Temporary and Disability Assistance (the Office) enters into funding arrangements with local districts to provide programmatic services for the Child Support Enforcement federal program. The local districts pay 100% of costs incurred under the grant for each program and periodically submit requests for reimbursement to the State of New York for services rendered. The Office reimburses the local districts for only the federal share of the costs incurred and the related match (or the State's share of costs incurred) is provided for by the local district. During the fiscal year ended March 31, 2018, the Office relied upon the local districts' match rate of 34% to ensure the State met its matching requirements for the Child Support Enforcement federal program (CFDA number 93.563). During our testwork over the Office's matching and subrecipient monitoring process, we noted that the Office does not have a process or internal controls in place to monitor the local districts' source of funds utilized to meet matching requirements of the federal program awards to ensure that the source of funds utilized is allowable under federal regulations.

Cause

The condition is due to a lack of policies and procedures to ensure that funds utilized by the local districts for cost sharing or matching purposes are in accordance with 45 CFR 75.306(b). Additionally, the Office's subrecipient monitoring procedures performed over the local districts do not include a review of the local funds utilized for cost sharing or matching purposes.

Possible Asserted Effect

Failure to review the sources of the funds utilized for the local district match could result in the use of inappropriate funds being utilized for cost sharing or matching of expenditures and noncompliance with the program laws, regulations, and terms and conditions of Federal awards.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

A similar finding was included in the 2017 Single Audit Report as finding number 2017-009 on pages 29–30.

Questioned Costs

Cannot be determined.

Recommendation

We recommend the Office implement policies and procedures to ensure its monitoring controls and procedures over the local districts includes reviewing the source of the local district's cost sharing or match to determine that the source is appropriate and in accordance with 45 CFR 75.306(b).

Views of Responsible Officials

Recommendation accepted. The State is in the process of developing enterprise wide policies and procedures to ensure appropriate monitoring controls are in place over subrecipients.

(Continued)

Federal Agency: U.S. Department of Health and Human Services

Federal Program: Child Support Enforcement (93.563)

Federal Award Numbers: G1504NYCSES, G1604NYCSES, 1704NYCSES, 1704NYCEST, and 1804NYCSES

Federal Award Years: 2015, 2016, 2017, and 2018

State Agency: Office of Temporary and Disability Assistance

Reference: 2018-002

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards,* Section 75.352(b), states all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

(1) The subrecipient's prior experience with the same or similar subawards;

(2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with subpart F, and the extent to which the same or similar subaward has been audited as a major program;

(3) Whether the subrecipient has new personnel or new or substantially changed systems; and

(4) The extent and results of HHS awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a HHS awarding agency).

Additionally, 45 CFR 75.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During the fiscal year ended March 31, 2018, the Office of Temporary and Disability Assistance (the Office) passed through $118,269,781 under the Child Support Enforcement federal program (CFDA number 93.563) to local district offices. During the audit period, the Office did not have a risk assessment process in place to identify subrecipient monitoring activities to be performed to ensure that the subawards were spent in compliance with Federal statues, regulations, and the term and conditions of the subaward.

Cause

The condition found was primarily due to the timing of when the Office developed and implemented its risk assessment procedures.

Possible Asserted Effect

Failure to perform a timely risk assessment over each subrecipient to determine appropriate subrecipient monitoring procedures may result in procedures that are insufficient to detect noncompliance with laws, regulations, and the terms and conditions of the award.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

A similar finding was included in the 2017 Single Audit Report as finding number 2017-010 on pages 31–32.

Questioned Costs

None.

Recommendation

We recommend the Office implement and utilize its risk assessment procedures developed during the current year and utilize the results of the risk assessment performed to determine the appropriateness of its subrecipient monitoring procedures.

Views of Responsible Officials

Recommendation accepted. Agency has a risk assessment process in place and to elevate the process, Agency has developed and is currently implementing enhanced risk assessment procedures. Reference the corrective action plan for further details.

(Continued)

Federal Agency: U. S. Department of Health and Human Services

Federal Program: Child Support Enforcement (93.563)

Federal Award Numbers: G1504NYCSES, G1604NYCSES, and 1704NYCSES

Federal Award Years: 2015, 2016, and 2017

State Agency: Office of Temporary and Disability Assistance

Reference: 2018-003

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, Section 303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Office of Temporary Disability Assistance (the Office) did not have appropriate management review controls at the level of precision necessary to ensure documentation was maintained to support the amounts of cash drawdowns for operating transfers (Source 9 transactions) in accordance with 45 CFR 75.

Cause

The condition found was primarily due to the timing of when the Office developed and implemented its management review controls at a level of precision necessary to ensure cash drawdowns generated from the State's Source 9 transactions for State administrative expenditures at grant closure had complete supporting documentation.

Possible Asserted Effect

Failure to adequately review and support drawdowns made under the Federal program may result in costs inconsistent with the laws, regulations, and terms and conditions of grant agreements being claimed to Federal programs.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

A similar finding was included in the 2017 Single Audit Report as finding number 2017-004 on pages 18–19.

Questioned Costs

None.

Recommendation

We recommend that the Office continue to utilize its management review controls related to cash drawdowns from federal awards at grant closures to ensure that adequate supporting documentation is maintained for the amount drawn that was reported on Form OCSE-396 but not yet drawn from the grant award.

Views of Responsible Officials

Agreed. Agency has developed new controls and implemented significant process enhancements in this area. Reference the corrective action plan for further details.

Federal Agency: U.S. Department of Health and Human Services

Federal Program: Child Support Enforcement (93.563)

Federal Award Numbers: G1504NYCSES, G1604NYCSES, and 1704NYCSES

Federal Award Years: 2015, 2016, and 2017

State Agency: Office of Temporary and Disability Assistance

Reference: 2018-004

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, Section 352(a) states all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information include:

(1) Federal Award Identification.

- (i) Subrecipient name (which must match the name associated with its unique entity identifier;
- (ii) Subrecipient's unique entity identifier;
- (iii) Federal Award Identification Number (FAIN);
- (iv) Federal Award Date (see Section 75.2 Federal award date) of award to the recipient by the HHS awarding agency;
- (v) Subaward Period of Performance Start and End Date;
- (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
- (vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
- (viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
- (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- (x) Name of HHS awarding agency, pass-through entity, and contract information for awarding official of the pass-through entity;
- (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
- (xii) Identification of whether the award is R&D; and
- (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per Section 75.414).

(Continued)

Additionally, 45 CFR 75.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Office's policies and procedures are not designed to ensure that changes in data elements under subaward modifications are provided to subrecipients as required by 45 CFR 75.352(a).

During the fiscal year ended March 31, 2018, the Office of Temporary and Disability Assistance (the Office) passed through $118,269,781 under the Child Support Enforcement federal program (CFDA number 93.563) to local district offices. The Office's pass-through recipients for the program are local district social services offices (subrecipients) of the State of New York that had funding relationships under the program established by the State of New York Laws of 1997. Quarterly, the Federal Government provides a notice of grant awards to the Office for the federal program. The Office was unable to provided evidence of their communication to the subrecipients of the new data elements in the quarterly notice. Specifically, the following information was not provided to the subrecipients:

1) Federal Award Identification Number (FAIN)

2) Federal Award Date

3) Subaward Period of performance Start and End Date

4) Federal award project description

5) Identification of whether the award is research and development (R&D)

Additionally, while the Office provides postsettlement summaries of federal dollars paid to the subrecipients, no documentation was provided evidencing the Office (the pass-through entity) had identified the dollar amount made available under each Federal award and the related CFDA number at time of the disbursement.

Cause

The condition found is primarily due the lack of written policies and procedures to ensure that all required award identification information per 45 CFR 75.352(a) is communicated to the subrecipients for each federal subaward period and/or data element changes from subsequent subaward modifications (i.e., quarterly or annually).

Possible Asserted Effect

Failure to adequately communicate changes in award identification information could result in the subrecipient not being able to adequately track and report the subawards received resulting in errors being reported on the schedule of expenditures of federal awards within a subrecipient's annual single audit report and not being able to comply with required terms and conditions of the federal award.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend that the Office continue to enhance its reporting to the subrecipients of the federal program to ensure all award identification information required under 45 CFR 75.352(a) is provided to the subrecipients of the Office as data element changes or funding is passed-through.

Views of Responsible Officials

Recommendation accepted. New policies and procedures will be developed to ensure all required information is provided to each subrecipient including any changes.

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Adoption Assistance (93.659) Foster Care – Title IV-E (93.658)
Federal Award Numbers:	1601NYADPT, 1701NYADPT, G1401NY1407, G1501NYADPT, 1601NYFOST, 1701NYFOST, G1201NY1401, G1301NY1401, G1401NY1401, and G1501NYFOST
Federal Award Years:	2011, 2012, 2013, 2014, 2015, 2016, and 2017
State Agency:	Office of Children and Family Services
Reference:	2018-005

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, Section 75.352(b), states all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

(1) The subrecipient's prior experience with the same or similar subawards;

(2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with subpart F, and the extent to which the same or similar subaward has been audited as a major program;

(3) Whether the subrecipient has new personnel or new or substantially changed systems; and

(4) The extent and results of HHS awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a HHS awarding agency).

Additionally, 45 CFR 75 303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During the fiscal year ended March 31, 2018, the Office of Children and Families (the Office) passed through $482,144,583 under the Foster Care – Title IV-E federal program (CFDA number 93.658) and $217,836,487 under the Adoption Assistance federal program (CFDA number 93.659) to local district offices. As part of its subrecipient monitoring process, the Office developed and implemented a formal risk assessment process at the end of the current State fiscal year to identify subrecipient monitoring activities to be performed to ensure that the subawards were spent in compliance with Federal statues, regulations, and the term and conditions of the subaward. However, given the timing of when management performed its risk assessments, it could not be utilized during the current fiscal year.

(Continued)

Cause

The condition found was primarily due to the timing of when the Office developed and implemented its risk assessment procedures.

Possible Asserted Effect

Failure to perform a timely risk assessment over each subrecipient to determine appropriate subrecipient monitoring procedures may result in procedures that are insufficient to detect noncompliance with laws, regulations, and the terms and conditions of the award.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

A similar finding was included in the 2017 Single Audit Report as finding number 2017-010 on pages 31–32.

Questioned Costs

None.

Recommendation

We recommend that the Office continue to utilize its risk assessment procedures developed during the current year and utilize the results of the risk assessment performed to determine the appropriateness of its subrecipient monitoring procedures.

Views of Responsible Officials

Recommendation accepted. Agency is working on improvements to the risk assessment tool and process to improve the efficiency of its completion and increase its effectiveness. See corrective action plan for more details.

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Foster Care – Title IV-E (93.658)
Federal Award Numbers:	1601NYFOST, 1701NYFOST, G1201NY1401, G1301NY1401, G1401NY1401, and G1501NYFOST
Federal Award Years:	2011, 2012, 2013, 2014, 2015, 2016, and 2017
State Agency:	Office of Children and Family Services
Reference:	2018-006

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards,* Section 75.352(d) states all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by 45 CFR 75.521.

Additionally, 45 CFR 75.203(c) requires the non-Federal entity to evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms of the Federal awards. The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the federal award (45 CFR 75.400(b)). Each state must expend and account for the federal award in accordance with state laws and procedures for expending the state's own funds. Such monitoring activities should ensure:

(1) Expended funds for foster care maintenance payments on behalf of eligible children, in accordance with the Title IV-E agency's foster care maintenance payment schedule in accordance with Title 45 U.S. Code of Federal Regulations Part 1356 (45 CFR 1356), *Requirements Applicable of Title IV-E,* Section 1356.21.

(2) Determined eligibility in accordance with federal regulations as outlined in 42 U.S. Code 672(a) (42 USC 672(a)), *Foster care maintenance payments program*.

(3) Placed the eligible child in a properly licensed home and the appropriate criminal background checks had been performed.

(4) To ensure compliance with 45 CFR 1356.21(m) which requires the title IV-E agency review at reasonable, specific, time-limited periods established by the agency the amount of the payments made for foster care maintenance and adoption assistance to ensure their continued appropriateness.

(5) Ensuring that any shared costs or matching funds provided by third party in-kind contributions meet the following requirements outlined 45 CFR 75.306(b), including having procedures in place to monitor that the subrecipient's match is:

a) Are verifiable from the non-Federal entity's records;

b) Are not included as contributions for any other Federal award;

c) Are necessary and reasonable for accomplishment of project or program objectives;

d) Are allowable under subpart E of 45 CFR 75;

e) Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;

f) Are provided for in the approved budget when required by the HHS awarding agency; and

g) Conform to other provisions of this part, as applicable.

Further, 45 CFR 75.352(e) states, depending upon the pass-through entity's assessment of risk posed by the subrecipient, the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

(1) Providing subrecipients with training and technical assistance on program-related matters; and

(2) Performing on-site reviews of the subrecipient's program operations;

(3) Arranging for agreed-upon-procedures engagements as described in 45 CFR 75.425.

Lastly, per 45 CFR 75.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During the fiscal year ended March 31, 2018, the Office of Children and Families (the Office) passed through $482,144,583, under the Foster Care – Title IV-E (Foster Care) federal program (CFDA number 93.658), to local districts (or subrecipients) to provide programmatic services under the Foster Care program. As part of the funding arrangements, the local districts are responsible for determining participant eligibility for services, establishing rates to be paid on behalf of eligible participants, and ensuring that eligible participants are placed with a provider that has met the appropriate licensing requirements. In addition, the local districts pay 100% of the costs incurred for these services and periodically submit requests for reimbursement to the Office for services rendered. The Office reimburses the local districts for

(Continued)

only the federal share of the costs incurred and the remaining costs incurred by the local districts are used by the Office to meet its required state match.

The Office was unable to demonstrate that it had a system of internal controls or policies and procedures in place to ensure it had performed sufficient subrecipient monitoring activities over the local districts at a level of precision necessary to ensure that the federal funds expended by the local districts were spent in compliance with Federal statutes, regulations, and the terms and conditions of the subaward and that subaward performance goals were achieved. This would include monitoring subrecipients to ensure they had complied with federal requirements related to allowability of costs incurred, that participant eligibility was determined in accordance with federal regulations, that participants were placed with eligible foster care providers, that the source of matching funds utilized by the local districts was appropriate, and that the foster care maintenance rate utilized by the local districts for participant benefit payments was appropriate. In addition, the Office was not able to provide written policies and procedures related to subrecipient monitoring of the local district offices including procedures to ensure that the local district offices had complied with statutes, regulations, and the terms and conditions of its Federal awards for the Foster Care program.

The Office conducted a “dress rehearsal” in October 2016 (state’s fiscal year ended March 31, 2017) in anticipation of an upcoming federal review that would take place in September of 2018 (during the state fiscal year March 31, 2019). As part of the dress rehearsal process, the Office selected a sample of cases across all local district offices and reviewed each case to ensure that the eligibility determination for each selected case was complete and accurate and that the participant was properly placed in an approved foster boarding home. The Office used a checklist to document the results of each case reviewed and at the end of the review (April 2017), a closure letter was sent to the local districts documenting the results of the review. As part of our testwork, a sample of 25 closure letters were selected and verified that the closure letters were sent; however, we were not provided with the documentation to support the performance of the review (i.e., case checklists) as the Office did not maintain this documentation.

The Office, through its Regional Offices, performs quarterly programmatic site visits at local districts in addition to Safety Permanency Assessments (SPAs) and Voluntary Agency Reviews (VARs) over other local agencies that provide Foster Care – related services through agreements with the local district offices. During our testwork over the subrecipient monitoring process, we selected a sample of three SPAs, eight VARs and 25 quarterly site visits to review for compliance. For all sample items selected, supporting documentation provided of management’s monitoring reviews did not evidence whether or not the local districts complied with the federal requirements related to allowable costs, participant eligibility and provider eligibility, matching requirements, and the appropriateness of foster care maintenance rates.

In addition to the programmatic quarterly site visits described above, the Office relies on the local districts annual single audit report for its fiscal monitoring. For 18 of the 25 subrecipient single audit reports selected for testwork, Foster Care was not determined to be a major program and the Office did not have any other verifiable evidence that it had monitored these subrecipients for compliance through its own internal subrecipient monitoring activities.

Cause

The condition found was primarily due to the Office not have subrecipient monitoring controls in place over the Foster Care federal program to ensure the State’s compliance with 45 CFR 75.352(d) and 45

CFR 75.352(e). While there were programmatic site visits performed, the programmatic site visits did not include monitoring of all compliance areas required by 45 CFR 75.352(d) and 45 CFR 75.352(e). Additionally, the Office's policies and procedures over subrecipient monitoring financial activities were limited to obtaining and reviewing subrecipients' single audit reports without consideration for the results of the single audit reports.

In addition, the condition found related to monitoring of Foster Care maintenance payments was due to lack of a process established by the Office to periodically monitor the continued appropriateness of the maintenance payment rates utilized by local districts for foster boarding homes provided under the Foster Care federal program. Instead, the Office relies on information technology controls to ensure that the rate paid per eligible child does not exceed the maximum rate established by the Office annually versus ensuring the rate utilized was appropriate.

Possible Asserted Effect

The lack of written policies and procedures and failure to perform sufficient monitoring activities over subawards to subrecipients could result in the use of federal funding not being in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

A similar finding was included in the 2017 Single Audit Report as finding number 2017-011 on pages 33–35, finding number 2017-009 on pages 29–30, and finding 2017-012 on pages 36–37.

Questioned Costs

Cannot be determined.

Recommendation

We recommend the Office implement subrecipient monitoring policies, procedures, and internal controls to help ensure it is monitoring subrecipients in accordance with 45 CFR 75.352(d) and 45 CFR 75.352(e). The Office should also develop written policies and procedures to ensure that it is able to identify the Federal statutes, regulations, and terms and conditions it must comply with and implement measures whereby it can evaluate and monitor its compliance and to take prompt action when instances of noncompliance are identified and to take reasonable measures.

Views of Responsible Officials

Recommendation accepted. New policies, procedures and internal controls are being developed, and the implementation of the new procedures are in progress. See corrective action plan for more details.

(Continued)

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Adoption Assistance (93.659)
Federal Award Numbers:	1601NYADPT, 1701NYADPT, G1401NY1407, G1501NYADPT
Federal Award Years:	2011, 2012, 2013, 2014, 2015, 2016, and 2017
State Agency:	Office of Children and Family Services
Reference:	2018-007

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards,* Section 75.352(d) states all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by 45 CFR 75.521.

Additionally, 45 CFR 75.203(c) requires the non-Federal entity to evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms of the Federal awards. The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the federal award (45 CFR 75.400(b)). Each state must expend and account for the federal award in accordance with state laws and procedures for expending the state's own funds. Such monitoring activities should ensure:

(1) Expended funds for adoption assistance subsidy payments made on behalf of eligible children, in accordance with a written and binding adoption assistance agreement in accordance with 42 U.S. Code Section 673 (42 USC 673), *Adoption and guardianship assistance program,* Section 673(a) 673(a) (2).

(2) Determined eligibility in accordance with federal regulations as outlined in 42 USC 673(a).

(3) Placed the eligible child in a properly licensed home and the appropriate criminal background checks had been performed.

(4) Ensuring that any shared costs or matching funds provided by third party in-kind contributions meet the following requirements outlined 45 CFR 75.306(b), including having procedures in place to monitor that the subrecipient's match is:

a) Are verifiable from the non-Federal entity's records;

b) Are not included as contributions for any other Federal award;

c) Are necessary and reasonable for accomplishment of project or program objectives;

d) Are allowable under subpart E of 45 CFR 75;

e) Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;

f) Are provided for in the approved budget when required by the HHS awarding agency; and

g) Conform to other provisions of this part, as applicable.

Further, 45 CFR 75.352(e) states, depending upon the pass-through entity's assessment of risk posed by the subrecipient, the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

(1) Providing subrecipients with training and technical assistance on program-related matters; and

(2) Performing on-site reviews of the subrecipient's program operations;

(3) Arranging for agreed-upon-procedures engagements as described in 45 CFR 75.425.

Lastly, per 45 CFR 75.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During the fiscal year ended March 31, 2018, the Office of Children and Families (the Office) passed through $217,836,487 under the Adoption Assistance federal program (CFDA number 93.659) to local districts (or subrecipients) to provide programmatic services under the Foster Care program. As part of the funding arrangement, the local districts are responsible for determining participant eligibility for services, establishing rates to be paid on behalf of eligible participants, and ensuring that eligible participants are placed with a provider that has met the appropriate licensing requirements. In addition, the local districts pay 100% of the costs incurred for these services and periodically submit requests for reimbursement to the Office for services rendered. The Office reimburses the local districts for only the federal share of the costs incurred, and the remaining costs incurred by the local districts are used by the Office to meet its required state match.

(Continued)

The Office was unable to demonstrate that it had a system of internal controls or policies and procedures in place to ensure it had performed sufficient subrecipient monitoring activities over the local districts at a level of precision necessary to ensure that the federal funds expended by the local districts were spent in compliance with Federal statutes, regulations, and the terms and conditions of the subaward and that subaward performance goals were achieved. This would include monitoring subrecipients to ensure that they complied with federal requirements related to allowability of costs incurred, that participant eligibility was determined in accordance with federal regulations, that participants were placed with eligible providers, and that the source of matching funds utilized by the local districts was appropriate. In addition, the Office was not able to demonstrate that it has written policies and procedures to describe their subrecipient monitoring policy is over the local district offices and was not able to demonstrate that it has sufficient means to determine whether or not the local district offices have complied with statutes, regulations, and the terms and conditions of its Federal awards for the Adoption Assistance program.

The Office's internal control monitoring process consisted solely of a specific review over the accuracy of subrecipient eligibility determinations for cases that are considered to have been delinked as directed by the Fostering Connections to Success and Increasing Adoptions Act of 2008 (P.L. 110-361) enacted in October of 2008. Although management performed this review process, we noted that the review was required by the federal government in order to test the accuracy of the annually reported savings achieved as a result of the delinking process and was not a review process that the Office had implemented as part of its system of internal controls to monitor the accuracy of eligibility determinations performed by the local district offices.

Additionally, the Office identified in March 2018, through its Audit Quality Control (AQC) Unit, an ad hoc independent Adoption Subsidy Eligibility Review for claims processed was conducted for the period June 2017 through December 2017 as its internal control monitoring process. Although the ad hoc audit was performed, no other audits or monitoring actives were identified or performed.

In addition to the monitoring activities described above, the Office relies on the local districts annual single audit reports for its fiscal monitoring. For 15 of the 25 subrecipient single audit reports selected for testwork, Adoption Assistance was not determined to be a major program and the Office did not have any other verifiable evidence that it had monitored these subrecipients for compliance through its own internal subrecipient monitoring activities.

Cause

The condition found was primarily due to the Office not having monitoring controls in place over the Adoption Assistance program to ensure the State's compliance with 45 CFR 75.352(d) and 45 CFR 75.352(e). Additionally, the Office's policies and procedures over fiscal subrecipient monitoring activities were limited to obtaining and reviewing subrecipients' single audit reports without consideration of the results of the single audit reports.

Possible Asserted Effect

The lack of written policies and procedures and failure to perform sufficient monitoring activities over subawards to subrecipients could result in the use of federal funding not being in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Statistical Sampling

The sample was not intended to be and was not a statistically valid sample.

Repeat Finding

A similar finding was included in the 2017 Single Audit Report as finding number 2017-011 on pages 33–35 and finding number 2017-009 on pages 29–30.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Office implement its subrecipient monitoring policies, procedures, and internal controls to help ensure it is monitoring subrecipients in accordance with 45 CFR 75.352(d) and 45 CFR 75.352(e). The Office should also develop written policies and procedures to help ensure it is able to identify the Federal statutes, regulations, and terms and conditions it must comply with and implement measures whereby it can evaluate and monitor its compliance and to take prompt action when instances of noncompliance are identified and to take reasonable measures.

Views of Responsible Officials

Recommendation accepted. New policies, procedures and internal controls are being developed, and the implementation of the new procedures are in progress. See corrective action plan for more details.

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Child Care and Development Fund Cluster (93.575, 93.596) Social Services Block Grant (93.667)
Federal Award Numbers:	G1501NYCCDF, 1701NYCCDF, 1801NYCCDF, G1503NYTANF, G1601NYTANF, 1701NYTANF, 1701NYSOSR
Federal Award Years:	2015, 2016, 2017, and 2018
State Agency:	Office of Children and Family Services
Reference:	2018-008

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, Section 75.352(b), states all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

(1) The subrecipient's prior experience with the same or similar subawards;

(2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with subpart F, and the extent to which the same or similar subaward has been audited as a major program;

(3) Whether the subrecipient has new personnel or new or substantially changed systems; and

(4) The extent and results of HHS awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a HHS awarding agency).

45 CFR 75 303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During the fiscal year ended March 31, 2018, the Office of Children and Families (the Office) passed through $325,951,745 under the Child Care and Development Fund Cluster program (CFDA numbers 93.575 and 93.596) and $272,428,761 under the Social Services Block Grant federal program (CFDA number 93.667) to subrecipients. As part of its subrecipient monitoring process, the Office developed and implemented a formal risk assessment process at the end of the current State fiscal year to identify subrecipient monitoring activities to be performed to ensure that the subawards were spent in compliance with Federal statues, regulations, and the term and conditions of the subaward. However, given the timing of when management performed the risk assessments, it could not be utilized during the current fiscal year.

(Continued)

Cause

The condition found was primarily due to the timing of when the Office developed and implemented its risk assessment procedures at the end of the current fiscal year and did not allow for management to utilize the results as part of its current fiscal year monitoring activities.

Possible Asserted Effect

Failure to perform a timely risk assessment over each subrecipient to determine appropriate subrecipient monitoring procedures may result in procedures that are insufficient to detect noncompliance with laws, regulations, and the terms and conditions of the award.

Statistical Sampling

The sample was not intended to be and was not a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend that the Office continue to utilize its risk assessment procedures developed during the current year and utilize the results of the risk assessment performed to determine the appropriateness of their subrecipient monitoring procedures.

Views of Responsible Officials

Recommendation accepted. New policies, procedures and internal controls are being developed, and the implementation of the new procedures are in progress. See corrective action plan for more details.

(Continued)

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Child Care and Development Fund Cluster (93.575, 93.596)
Federal Award Numbers:	G1501NYCCDF, 1701NYCCDF, 1801NYCCDF, G1503NYTANF, G1601NYTANF, 1701NYTANF, 1701NYSOSR
Federal Award Years:	2015, 2016, and 2017
State Agency:	Office of Children and Family Services
Reference:	2018-009

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards,* Section 75.352(d) states all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by 45 CFR 75.521.

Further, 45 CFR 75.352(e) states, depending upon the pass-through entity's assessment of risk posed by the subrecipient, the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

(1) Providing subrecipients with training and technical assistance on program-related matters; and

(2) Performing on-site reviews of the subrecipient's program operations;

(3) Arranging for agreed-upon-procedures engagements as described in 45 CFR 75.425.

Additionally, 45 CFR 75.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During the fiscal year ended March 31, 2018, the Office of Children and Families (the Office) passed through $326,353,946 under the Child Care and Development Fund Cluster (CCDF) program (CFDA numbers 93.575 and 93.596) to local districts to provide programmatic services. As part of the funding arrangements, the local districts are responsible for determining participant eligibility for services, establishing rates to be paid on behalf of eligible participants, and ensuring that eligible participants are placed with a licensed child care provider. In addition, the local districts pay 100% of the costs incurred for these services and periodically submit requests for reimbursement to the Office for services rendered. The Office reimburses the local districts for only the federal share of the costs incurred, and the remaining costs incurred by the local districts are used by the Office to meet its required state match.

The Office was unable to demonstrate that it had a system of internal controls and documented policies and procedures in place to ensure that sufficient subrecipient monitoring activities were performed over the local districts during the period under audit. Such internal monitoring control procedures should be at a level of precision to ensure that the federal funds expended by the local districts were spent in compliance with Federal statutes, regulations, and the terms and conditions of the subaward and that subaward performance goals were achieved. This would include monitoring activities to ensure that the local districts had complied with federal requirements related to the following: allowability of costs incurred, determination of participant eligibility, determination that participants were placed with approved licensed child care providers, and appropriate policies and procedures were place for fraud detection as required by 45 CFR 98. In addition, the Office was not able to demonstrate that it has written policies and procedures that describe its subrecipient monitoring policy over local district offices and was not able to demonstrate that it had sufficient means to determine whether or not the local district offices have complied with statutes, regulations and the terms and conditions of the Federal awards for the CCDF program.

The Office, through the Audit Quality Control (AQC) Unit, conducted one ad hoc audit over one local district office related to the CCDF program. The AQC report issued in August of 2017 focused on cases for the period of April 2016 through September 2016. For 626 of the 1,336 files selected for testwork, the AQC Unit identified findings over the eligibility determination process and the accuracy of claims paid with a known identified error amount of $183,392. Based on the results of the review, various recommendations were made, including the need to consider providing additional training on eligibility the determination process and procedures, updating application forms to include required elements of the eligibility determination process, and consider using electronic forms instead of paper-based claim files and that the district office undertake a review and update to its system of internal controls within applications used in the eligibility determination and claiming processes to help ensure accuracy and consistency between the eligibility determination and rates claimed. A corrective action plan has been implemented, and AQC is actively monitoring the implementation of this corrective action plan.

In addition to the ad hoc audit noted above, the Office relies on the local districts annual single audit report for its fiscal monitoring. For 17 of 25 subrecipient single audit reports, CCDF was not determined to be a major program and the Office did not have any other verifiable evidence that it had monitored these subrecipients for compliance through its own internal subrecipient monitoring activities.

Cause

The condition found was primarily due to the Office’s lack of monitoring internal controls over the Foster Care program to ensure the State’s compliance with 45 CFR 75.352(d) and 45 CFR 75.352(e). Additionally, the

Office’s policies and procedures over fiscal subrecipient monitoring activities were solely limited to obtaining and reviewing subrecipients’ single audit reports for fiscal monitoring activities without consideration of the results of the single audit reports.

Possible Asserted Effect

The lack of written policies and procedures and failure to perform sufficient monitoring activities over subawards provided to subrecipients could result in the use of federal funding provided under the federal award not being spent in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Statistical Sampling

The sample was not intended to be and was not a statistically valid sample.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Office enhance its subrecipient monitoring policies, procedures, and internal control to help ensure the Office is monitoring subrecipients in accordance with 45 CFR 75.352(d) and 45 CFR 75.352(e). The Office should also develop written policies and procedures to ensure that it is able to identify the Federal statutes, regulations, and terms and conditions it must comply with and implement measures whereby it can evaluate and monitor its compliance and to take prompt action when instances of noncompliance are identified and to take reasonable measures.

Views of Responsible Officials

Recommendation accepted. New policies, procedures and internal controls are being developed, and the implementation of the new procedures are in progress. See corrective action plan for more details.

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Child Care and Development Fund Cluster (93.575, 93.596)
Federal Award Numbers:	1801NYCCDF
Federal Award Years:	2018
State Agency:	Office of Children and Family Services
Reference:	2018-010

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards,* section 302, *Financial management* states that:

(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

(b) The financial management system of each non-Federal entity must provide for the following (see also section 75.361, 75.362, 75.363, 75.364, and 75.365):

  (1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.

  (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in section 75.341 and 75.342. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.

  (3) Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

(Continued)

(4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See section 75.303.

(5) Comparison of expenditures with budget amounts for each Federal award.

(6) Written procedures to implement the requirements of section 75.305.

(7) Written procedures for determining the allowability of costs in accordance with Subpart E – Cost Principles of this part and the terms and conditions of the Federal award.

Additionally, 45 CFR 75.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

For the quarter ended March 31, 2018, the Office of Children and Family Services (the Office) incorrectly reported unliquidated obligations of $18,749,657 as an unobligated balance on the ACF-696, *Child Care and Development Fund Financial Report (OMB No. 0970-0163)*.

Cause

The condition found was due to insufficient internal controls over the review and approval of the ACF-696 at a precision level necessary to detect and correct a misstatement on the report prior to submission of the report.

Possible Asserted Effect

Failure to adequately ensure the completeness and accuracy of the amounts reported on the ACF-696 may result in inaccurate reporting to the U.S. Department of Health and Human Services and may inhibit its ability to effectively monitor and evaluate the State's performance relative to the Child Care and Development Fund Cluster.

Statistical Sampling

The sample was not intended to be and was not a statistically valid sample.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Office enhance their internal controls to ensure appropriate management reviews are performed by staff over the completeness and accuracy of amounts reported by the Office.

Views of Responsible Officials

Recommendation accepted. Corrective action as already been implemented, and the issue has been resolved.

(Continued)

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Child Care and Development Fund Cluster (93.575, 93.596)
Federal Award Numbers:	G1503NYCCDF, 1601NYCCDF, 1701NYCCDF, 1801NYCCDF, G1503NYTANF, G1601NYTANF, 1701NYTANF
Federal Award Years:	2015, 2016, 2017, and 2018
State Agency:	Office of Children and Family Services
Reference:	2018-011

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, Section 75.303 states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. This would include allowing the non-Federal entity to evaluate and monitor its compliance with statute, regulations and the terms and conditions of federal awards and to take prompt action when instances of noncompliance are identified and to take reasonable measures.

Additionally, 45 CFR 75.351 states the non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with HHS awarding agencies and pass-through entities. Therefore, a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor.

Condition

In addition to establishing funding arrangements with local districts, the Office of Children and Family Services (the Office) enters into agreements with nonprofit organizations to provide services under the Child Care and Development Fund Cluster (CCDF). The Office does not have a formal vendor determination policy that it utilizes when identifying whether the agreements with the nonprofit organizations are contracts or subrecipient arrangements. Management has presented all these agreements as subrecipient arrangements in the schedule of expenditures of federal awards. For 3 of the 39 grant arrangements we tested, the description of services relate to contracted services and should not have been considered subrecipient arrangements.

For 6 of 6 agreements selected for testing, the Office did not provided its determination of the agreement as a subrecipient arrangement or contractor arrangement. Additionally, for the agreements, which the Office indicated were subrecipient arrangements, the Office did not provide the required award identification information as required by 45 CFR 75.352.

Cause

The condition found is due to the Office’s lack of a formal vendor determination policy.

Possible Asserted Effect

Failure to properly identify whether an entity receiving federal funds is a subrecipient or a contractor could result in noncompliance with either federal procurement or subrecipient monitoring requirements the Office or subject the third party to unnecessary compliance requirements.

Statistical Sampling

The sample was not intended to be and was not a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend that the Office develop a formal vendor determination policy that is utilized consistently throughout the Office. In addition, procedures and internal controls should be established to ensure that all determinations are properly documented.

Views of Responsible Officials

Recommendation accepted. The Office is in the process of developing new policies and procedures. See corrective action plan for more details.

STATE OF NEW YORK

Schedule of Findings and Questioned Costs

Year ended March 31, 2018

Federal Agency: U.S. Department of Health and Human Services

Federal Program: Social Services Block Grant (93.667)

Federal Award Numbers: G1503NYTANF, G1601NYTANF, 1701NYTANF, 1701NYSOSR G1503NYTANF

Federal Award Years: 2015, 2016, 2017, and 2018

State Agency: Office of Children and Family Services

Reference: 2018-012

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards,* section 75.352(d) states all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by 45 CFR 75.521.

Additionally, 45 CFR 75.203(c) requires the non-Federal entity to evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms of the Federal awards. The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the federal award (45 CFR 75.400(b)). Each state must expend and account for the federal award in accordance with state laws and procedures for expending the state's own funds. Such monitoring activities should ensure:

(1) Expended federal funds for allowable costs in accordance with federal regulations.

(2) Monitoring compliance to ensure that the use all of the amount transferred in from Temporary Assistance for Needy Families (TANF) (CFDA 93.558) only for programs and services to children or their families whose income is less than 200% of the official poverty guideline as revised annually by HHS (42 U.S. Code section 604, *Use of grants* (42 USC 604) section 604(d)(3)(A) and 42 US Code section 9902 (42 USC 9902), *Definitions* Section 9902(2)).

(3) Ensuring that any shared costs or matching funds provided by third party in-kind contributions meet the following requirements outlined 45 CFR 75.306(b), including having procedures in place to monitor that the subrecipient's match is:

a) Are verifiable from the non-Federal entity's records;

b) Are not included as contributions for any other Federal award;

c) Are necessary and reasonable for accomplishment of project or program objectives;

d) Are allowable under subpart E of 45 CFR 75;

e) Are not paid by the Federal Government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;

f) Are provided for in the approved budget when required by the HHS awarding agency; and

g) Conform to other provisions of this part, as applicable.

Further, 45 CFR 75.352(e) states, depending upon the pass-through entity's assessment of risk posed by the subrecipient, the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

(1) Providing subrecipients with training and technical assistance on program-related matters; and

(2) Performing on-site reviews of the subrecipient's program operations;

(3) Arranging for agreed-upon procedures engagements as described in 45 CFR 75.425.

Additionally, 45 CFR 75.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During the fiscal year ended March 31, 2018, the Office of Children and Families (the Office) passed through $272,428,761 under the Social Services Block Grant (SSBG) federal program (CFDA number 93.667) to local districts (subrecipients) to provide programmatic services. As part of the funding arrangement, the local districts are responsible for the administration of the federal program, including ensuring that costs incurred under the federal program are in compliance with federal regulations.

The Office was unable to demonstrate that it had a system of internal controls or policies and procedures in place to ensure it had performed sufficient subrecipient monitoring activities over the local districts at a level of precision necessary to ensure the federal funds expended by the local districts were spent in compliance with Federal statutes, regulations, and the terms and conditions of the subaward and that subaward performance goals were achieved. This would include monitoring subrecipients to ensure they had complied with federal requirements related to allowability of costs incurred. Additionally, the Office was not able to demonstrate it had monitored the local district offices' use of funds transferred into the SSBG program from the TANF program to ensure that the funds were used to provide services to individuals that met the applicable federal poverty standards. In addition, the Office could not provide written policies and procedures related to its subrecipient monitoring process. As a result, the Office was not able to demonstrate that it has any means to determine whether or not it has complied with the statutes, regulations, and the terms and conditions of its Federal awards the SSBG program.

In addition, the Office relies on the local districts annual single audit report for its fiscal monitoring. For 14 of 25 subrecipient single audit reports selected for testwork, SSBG was not determined to be a major program and the Office did not have any other verifiable evidence that it had monitored these subrecipients for compliance through its own internal subrecipient monitoring activities.

Cause

The condition found was primarily due to the Office not having subrecipient monitoring controls in place over the SSBG program to help ensure the State's compliance with 45 CFR 75.352(d) and 45 CFR 75.352(e). Additionally, the Office's policies and procedures over subrecipient monitoring activities were limited to obtaining and reviewing subrecipients' single audit reports without consideration of the results of the single audit reports.

Possible Asserted Effect

The lack of written policies and procedures and failure to perform sufficient monitoring activities over subawards to subrecipients could result in noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Statistical Sampling

The sample was not intended to be and was not a statistically valid sample.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Office implement its subrecipient monitoring policies, procedures, and internal controls to help ensure it is monitoring subrecipients in accordance with 45 CFR 75.352(d) and 45 CFR 75.352(e). The Office should also develop written policies and procedures to help ensure that it is able to identify the Federal statutes, regulations, and terms and conditions it must comply with and implement measures whereby it can evaluate and monitor its compliance and to take prompt action when instances of noncompliance are identified and to take appropriate measures.

Views of Responsible Officials

Recommendation accepted. New policies, procedures and internal controls are being developed, and the implementation of the new procedures are in progress. See corrective action plan for more details.

(Continued)

Federal Agency: U.S. Department of Health and Human Services

Federal Program: Adoption Assistance (93.659)
Foster Care – Title IV-E (93.658)
Child Care and Development Fund Cluster (93.575, 93.596)
Social Services Block Grant (93.667)

Federal Award Numbers: 1601NYADPT, 1701NYADPT, 1601NYFOST, 1701NYFOST, G1501NYFOST, G1501NYCCDF, 1701NYCCDF, 1801NYCCDF, G1503NYTANF, G1601NYTANF, 1701NYTANF, 1701NYSOSR

Federal Award Years: 2015, 2016 and 2017

State Agency: Office of Children and Families

Reference: 2018-013

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 352(a) states “all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information include:

(1) Federal Award Identification.

- (i) Subrecipient name (which must match the name associated with its unique entity identifier;
- (ii) Subrecipient's unique entity identifier;
- (iii) Federal Award Identification Number (FAIN);
- (iv) Federal Award Date (see section 75.2 Federal award date) of award to the recipient by the HHS awarding agency;
- (v) Subaward Period of Performance Start and End Date;
- (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
- (vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
- (viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
- (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- (x) Name of HHS awarding agency, pass-through entity, and contract information for awarding official of the pass-through entity;
- (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
- (xii) Identification of whether the award is R&D; and

(xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per section 75.414).

Additionally, 45 CFR 75.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The policies and procedures within the Office of Children and Family Services (the Office) are not designed to ensure that changes in data elements under subaward modifications are provided to subrecipients, as required by 45 CFR 75.352(a).

During the fiscal year ended March 31, 2018, the Office passed through the following funds to local district offices:

- $482,144,583 under the Foster Care – Title IV-E program (CFDA number 93.658)
- $217,836,487 under the Adoption Assistance program (CFDA number 93.659)
- $326,354,946 under the Child Care and Development Fund Cluster (CFDA numbers 93.575 and 93.596)
- $272,428,761 under the Social Services Block Grant (CFDA number 93.667).

The Office's passes through program funds to local district social services offices (subrecipients) of the State of New York which had a funding relationship under the program established by the State of New York Laws of 1997. Quarterly, the Federal Government provides a notice of grant awards to the Office for the federal program. The Office was unable to provide evidence of their communication with the subrecipients about the new data elements in the notice of grant award. Specifically, the following information was not provided to the subrecipients:

(1) Federal Award Identification Number (FAIN)

(2) Federal Award Date

(3) Subaward Period of performance Start and End Date

(4) Federal award project description

(5) Identification of whether the award is research and development (R&D)

Additionally, while the Office of Temporary and Disability Assistance processes claims submitted by the local district social services offices on behalf of the Office, and provides post settlement summaries of federal dollars reimbursed to the subrecipients, no documentation was provided evidencing the Office (the pass-through entity) had identified the dollar amount made available under each Federal award and the related CFDA number at time of the disbursement.

Cause

The condition found is primarily due the lack of written policies and procedures necessary to ensure that all required award identification information per 45 CFR 75.352(a) is communicated to the subrecipients for each federal subaward period and/or data element changes from subsequent subaward modifications (i.e., quarterly or annually).

Possible Asserted Effect

Failure to adequately communicate changes in award identification information could result in the subrecipients not being able to adequately track and report the subawards received resulting in errors being reported on the subrecipient's annual schedule of expenditures of federal awards and result in noncompliance with required terms and conditions of the federal award.

Statistical Sampling

The sample was not intended to be and was not a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend that the Office continue to enhance its communication with the subrecipients of the federal program to ensure all award identification information (including change in data elements) required under 45 CFR 75.352(a) is provided to the subrecipients of the Office.

Views of Responsible Officials

Recommendation accepted. New policies, procedures and internal controls are being developed, and the implementation of the new procedures are in progress. See corrective action plan for more details.

(Continued)

Federal Agency:	U.S. Department of Education
Federal Program:	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Federal Award Numbers:	H126A170048
Federal Award Years:	2017
State Agency:	Office of Children and Family Services
Reference:	2018-014

Criteria

Title 29 U.S. Code Part 723 (29 USC 723), *Vocational rehabilitation services*, section 723(a) states that services provided under this subchapter are any services described in an individualized plan for employment necessary to assist an individual with a disability in preparing for, securing, retaining, or regaining an employment outcome that is consistent with the strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice of the individual including criteria identified within 29 USC 723(a)(1) through 29 USC 723(a)(20).

Additionally, Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, section 200.303, states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Office of Children and Family Services' (the Office) management review control did not operate at a level of precision sufficient to ensure expenditures charged to the federal program were accurate and incurred for the purpose of the federal program.

For 2 of 65 participant expenditures selected, management improperly requested Federal reimbursement for costs not spent in accordance with the Rehabilitation Services – Vocational Rehabilitation Grants to States (Voc Rehab) program requirements.

Cause

The condition found was primarily caused by incorrectly coding of expenditures to the Voc Rehab program, rather than to the Independent Living and Children's program. Management's review of expenditures incurred by the federal program was not at a level of precision to detect the error in coding prior to the close of the State fiscal year.

Possible Asserted Effect

Failure to adequately review expenditures charged to the federal programs for coding purposes may result in federal funds being utilized for purposes that are not allowable as defined by the laws, regulations, and terms and conditions of the grant agreements of the Federal program.

(Continued)

Statistical Sampling

The sample was not intended to be and was not a statistically valid sample.

Repeat Finding

A similar finding for the Office was included in the prior year Single Audit Report as finding number 2017-014 at page 40.

Questioned Costs

$373 (2 claims improperly charged to the federal program)

Recommendation

We recommend that the Office enhance its management review controls over expenditures to help ensure expenditures are reviewed at a level of precision to detect coding errors.

Views of Responsible Officials

Agreed. The Office has put a process is in place to identify any miscoded vouchers. Corrective action for those identified has already taken place.

Federal Agency: U.S. Department of Education

Federal Program: Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)

Federal Award Numbers: H126A160047, H126A170047, H126A180047

Federal Award Years: 2016, 2017, and 2018

State Agency: State Education Department

Reference: 2018-015

Criteria

Title 29 U.S. Code Part 722 (29 USC 722), *Eligibility and individualized plan for employment*, section 722(a)(6)(A) states the designated State unit shall determine whether an individual is eligible for vocational rehabilitation services under this subchapter within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless:

(A) exceptional and unforeseen circumstances beyond the control of the designated State unit preclude making an eligibility determination within 60 days and the designated State unit and the individual agree to a specific extension of time; or

(B) the designated State unit is exploring an individual's abilities, capabilities, and capacity to perform in work situations under 29 USC 722(2)(B).

Additionally, Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, section 200.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The State Education Department (the Department) did not have effective internal controls to monitor for and maintain documentation of the timely participant eligibility determinations were made within 60 days after the submission of an application for services by the participant.

The Department's district offices perform individual eligibility determinations. During our testwork over eligibility we noted, for 7 of 65 individual eligibility determinations made during the State Fiscal Year ended March 31, 2018, that the determination was made beyond the required 60 days.

Additionally, for 1 of 65 individual eligibility determinations made during the State Fiscal Year ended March 31, 2018, we noted the Department did not maintain support for the ACCES-VR counselor's review and approval of the eligibility determination as documented by a signature on the Eligibility/Significance of Disability Case Note.

(Continued)

Cause

The cause of the conditions found is primarily due to a lack of effective monitoring and review controls in place to ensure that eligibility determinations are properly made and documented within 60 days of submission of the participant's application.

Possible Asserted Effect

The effect of the condition found may result in federal funds being awarded to participants that are not eligible, as defined by the laws, regulations, and terms and conditions of the grant agreements of the Federal program.

Statistical Sampling

The sample was not intended to be and was not a statistically valid sample.

Repeat Finding

A similar finding for the Office was included in the prior year Single Audit Report as finding number 2017-016 at page 44.

Questioned Costs

None.

Recommendation

We recommend that the Department review and update its existing policies and procedures over individual eligibility determinations to ensure that case file reviews are performed to ensure that eligibility determinations are made within the 60-day requirement or that appropriate documentation is completed to support the basis for the extension of time required.

Views of Responsible Officials

Recommendations accepted. Policy and procedures will be updated, and the implementation of new procedures are in progress.

Federal Agency:	U.S. Department of Education
Federal Program:	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Federal Award Numbers:	H126A160047, H126A170047, and H126A180047
Federal Award Years:	2016, 2017, and 2018
State Agency:	State Education Department
Reference:	2018-016

Criteria

Title 29 U.S. Code Part 722 (29 USC 722), *Eligibility and individualized plan for employment*, section 722(b)(3)(F) states that the individualized plan for employment shall be developed as soon as possible but not later than a deadline of 90 days after the date of the determination of eligibility described in section 722(b)(1), unless the designated State unit and the eligible individual agree to an extension of that deadline to a specific date by which the individualized plan for employment shall be completed.

Additionally, Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, section 200.303 states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The State Education Department (the Department) did not have effective monitoring controls in place to ensure each participant's individualized plan for employment (IPE) was developed within 90 days after the date of the determination of eligibility.

During our testwork over eligibility determinations made by the Department's district offices during the State Fiscal Year 2018, we noted, for 4 of 65 eligibility determinations selected for testwork, the related IPE was not developed within 90 days of the eligibility determination. Additionally, there was no evidence that extension deadlines were agreed to by the Department's district offices and the individual.

Cause

The cause of the condition found is primarily due to a lack of monitoring controls in place to ensure that IPEs are developed within the required 90 days.

Possible Asserted Effect

Failing to develop an IPE within timeframes consistent with 29 USC 722(b)(3)(F) may result in services being provided that are not necessary for the individual to achieve an employment outcome that is consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities, and informed choice and costs that could be unallowed.

Statistical Sampling

The samples were not intended to be and were not a statistically valid sample.

Repeat Finding

A similar finding for the Office was included in the prior year Single Audit Report as finding number 2017-017 at page 47.

Questioned Costs

None.

Recommendation

We recommend that the Department strengthen its existing policies and procedures and implement monitoring controls over IPE development to ensure that IPEs are developed within the 90-day requirement or ensure an extension to support the eligibility of participants is approved.

Views of Responsible Officials

Recommendations accepted. Policy and procedures will be updated, and the implementation of new procedures are in progress.

Federal Agency:	U.S. Department of Education
Federal Program:	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Federal Award Numbers:	H126A160047, H126A170047, and H126A180047
Federal Award Years:	2016, 2017, and 2018
State Agency:	State Education Department
Reference:	2018-017

Criteria

Title 29 U.S. Code Part 723 (29 USC 723), *Vocational Rehabilitation Services*, section 723(a) states that services provided under this subchapter are any services described in an individualized plan for employment necessary to assist an individual with a disability in preparing for, securing, retaining, or regaining an employment outcome that is consistent with the strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice of the individual including criteria identified within 29 USC 723(a)(1) through 29 USC 723(a)(20).

Further, Title 29 U.S. Code Part 722 (29 USC 722), *Eligibility and Individualized Plan for Employment*, section 722(b)(3)(F) states that the individualized plan for employment shall be developed as soon as possible, but not later than a deadline of 90 days after the date of the determination of eligibility described in section 722(b)(1), unless the designated State unit and the eligible individual agree to an extension of that deadline to a specific date by which the individualized plan for employment shall be completed.

Lastly, Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, section 200.303 states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

We noted that part of the mandatory requirements for the individualized plan for employment (IPE) process is that an IPE be agreed to, and signed by, such eligible individual or, as appropriate, the individual’s representative and approved and signed by a qualified vocational rehabilitation (VR) counselor employed by the designated State unit.

The State Education Department (the Department) did not have effective internal controls in place to ensure each participant’s IPE was approved by both the participant and VR counselor prior to any activity on the IPE. During our testwork over allowable costs:

- For 2 of 65 participants selected for testwork, we noted the IPEs that initiated during the fiscal year ended March 31, 2018 were missing the signature of both the participant and the VR counselor.
- For 2 other participants of the 65 participants selected for testwork, we noted the IPEs were missing the signature of the participant.

Cause

The cause of the condition found is due to ineffective internal controls in the Department related to the documentation of the review and approval of the participant IPE.

Possible Asserted Effect

The effect of failing to ensure all IPEs are reviewed and approved by both the VR counselor, and the participant could result in expenditures or charges to the program for which the counselor and participant did not agree and that may not directly relate to the participant's employment goals. This increases the risk of costs being claimed that are inconsistent with the laws, regulations, and terms and conditions of grant agreements of the Federal programs.

Statistical Sampling

The sample was not intended to be and was not a statistically valid sample.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Department strengthen its existing internal controls to ensure all participant's IPEs are reviewed and approved by both the appropriate individuals and the VR counselor, and documentation of the approval is maintained.

Views of Responsible Officials

Recommendations accepted. Policy and procedures will be updated, and the implementation of new procedures are in progress.

(Continued)

Federal Agency:	U.S. Department of Education
Federal Program:	School Improvement Grants (84.377)
Federal Award Numbers:	S377A140033, S377A150033, and S377A160033
Federal Award Years:	2014, 2015, and 2016
State Agency:	State Education Department
Reference:	2018-018

Criteria

Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, section 200.331(b) states all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraph (e) of this section, which may include consideration of such factors as:

(1) The subrecipient's prior experience with the same or similar subawards;

(2) The results of previous audits, including whether or not the subrecipient receives a Single Audit in accordance with Subpart F – Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;

(3) Whether the subrecipient has new personnel or new or substantially changed systems; and

(4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Additionally, 2 CFR 200.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During the fiscal year ended March 31, 2018, the New York State Education Department (the Department) passed through $57,582,895 of federal funding to School Improvement Grants 1003(g) eligible school buildings (buildings) local education agencies (LEAs).

The Department did not have a risk assessment policy and process designed at a precision level to include each LEA's building's individual evaluation of risk of noncompliance with Federal regulations for the purpose of determining appropriate subrecipient monitoring procedures, as defined in 2 CFR 200.331(b).

(Continued)

The Department performed risk assessment procedures prior to the start of the 2017–2018 school year and in specific circumstances when additional information was received over LEA building school designations and risk factors; however, the Department did not consider risk factors specific to the buildings for individual LEAs as described in 2 CFR 200.331 (b) to determine appropriate subrecipient monitoring procedures to perform and to ensure that subawards are used for authorized purposes in compliance with federal statutes, regulations, and the terms and conditions of the subaward and that subaward performance goals are achieved when planning their monitoring procedures. The Department utilized receivership New York Consolidated Laws, Education Law Section 211(f) to determine schools were either "nonreceivership" or "receivership" schools, and are further designated as "struggling" or "persistently struggling." A "Nonreceivership" school is a designation used by the Department for schools, which are School Improvement grant funded but not in receivership. "Struggling" schools have been priority schools since the 2012–2013 school year and will be given two years under a "Superintendent Receiver" (i.e., the superintendent of schools of the school district vested with the powers a receiver would have under New York Consolidated Laws, Education Law §section 211(f)-f and section 100.19) to improve student performance. "Persistently struggling" schools are priority schools that have been in the most severe accountability status since the 2006–2007 school year.

For schools that were considered to be "nonreceivership" schools, the Department did not perform any additional school-specific risk assessment related to compliance with federal awards. Instead, the Department required the schools to submit midyear progress reports, which included a detailed fiscal review with the goal being State Fiscal Year 2018 would be the "base line" year for the risk assessment process to be implemented starting with State Fiscal Year 2019. Additionally, the Department did not have documented risk assessment policies and procedures.

"Receivership" schools, these schools were determined to be either "struggling" or "persistently struggling schools" based on School Improvement Grant New York Consolidated Laws, Education law 211(f). Each of the receivership school received between 2 and 4 "contacts" consisting of site visits and/or progress review phone conferences. Schools were required to submit quarterly progress reports to the Department. Additionally, "struggling" schools received one site visit during the year, and "persistently struggling" schools received one to two site visits. However, the Department's school-specific risk assessment over these schools considered only the schools demonstrable improved indicators and no other risk factors consistent with 2 CFR 200.331(b); such as the subrecipient's prior experience with the same or similar subawards; the results of previous audits, including whether or not the subrecipient receives a Single Audit and the extent to which the same or similar subaward has been audited as a major program; whether the subrecipient has new personnel or new or substantially changed systems, and the extent and results of Federal awarding agency monitoring. Lastly, the Department did not have a documented risk-based assessment policy and procedure manual.

Cause

The condition found is due to timing necessary to implement the Department's corrective action plan from a prior year finding did not allow the Department to implement and utilize the updated risk assessment as part of its March 31, 2018 fiscal year; the design of controls in place over monitoring procedures, which only take into consideration the LEA school designation and does not consider factors present at each individual LEA receiving Federal funding for the purpose of determining appropriate subrecipient monitoring procedures.

(Continued)

Possible Asserted Effect

Failure to perform and document a risk assessment over each building to determine appropriate subrecipient monitoring procedures may result in the subrecipient monitoring procedures being inadequate or inappropriate to detect noncompliance with laws, regulations, and the terms and conditions of the award.

Statistical Sampling

The samples were not intended to be and were not a statistically valid sample.

Repeat Finding

A similar finding was included in the prior year Single Audit Report as finding 2017-019 at page 51.

Questioned Costs

None.

Recommendation

We recommend that the Department review its existing internal controls and policies and procedures over subrecipient monitoring, relative to risk assessments, and implement additional procedures as necessary to ensure risk assessments are performed and documented over each individual building LEA to consider the factors noted in 2 CFR 200.331(b).

Views of Responsible Officials

Recommendations accepted. Policy and procedures will be updated, and the implementation of new procedures are in progress.

Federal Agency:	U.S. Department of Education
Federal Program:	School Improvement Grants (84.377)
Federal Award Numbers:	S377A140033, S377A150033, and S377A160033
Federal Award Years:	2014, 2015, and 2016
State Agency:	State Education Department
Reference:	2018-019

Criteria

Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, section 200.331(d) states all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity;

(2) Following up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by section 200.521 Management decision.

Additionally, 2 CFR 200.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During the fiscal year ended March 31, 2018, the New York State Education Department (the Department) passed through $57,582,895 of federal funding to School Improvement Grants 1003(g) eligible school buildings (buildings).

The Department did not have sufficient documentation to demonstrate that its subrecipient monitoring policies and procedures were in accordance with Federal regulations.

For 18 of 20 “receivership” buildings selected for testwork, the Department’s monitoring activities did not include documented fiscal monitoring activities to ensure the federal awards were used for authorized purposes in compliance with federal statues, regulations, and the terms and conditions of the subaward.

Cause

The condition found is due to the design of controls in place over monitoring procedures not requiring that documentation to be maintained to evidence monitoring performed over school.

The Department's subrecipient monitoring policy includes the performance of fiscal monitoring procedures; however, the Department did not implement this process for all of the "receivership" schools during the period under audit. Further timing between the implementation of the Department's corrective action plan from a prior year finding to ensure all evidence of monitoring procedures were properly documented and maintained by the Department was not implemented to ensure compliance during the fiscal year.

Possible Asserted Effect

Failure to perform fiscal monitoring activities over subrecipients may result in in undetected noncompliance and improper administration of the Federal program in accordance with laws, regulations, and the terms and conditions of the award.

Statistical Sampling

The samples were not intended to be and were not a statistically valid sample.

Repeat Finding

A similar finding was included in the prior year Single Audit Report as finding 2017-019 at page 51.

Questioned Costs

None.

Recommendation

We recommend the Department review its existing internal controls and policies and procedures over subrecipient monitoring to ensure the evidence of its monitoring procedures performed over subrecipients be maintained.

Views of Responsible Officials

Recommendations accepted. Policy and procedures will be updated, and the implementation of new procedures are in progress.

Federal Agency:	U.S. Department of Education
Federal Program:	School Improvement Grants (84.377)
Federal Award Numbers:	S377A140033, S377A150033, and S377A160033
Federal Award Years:	2014, 2015, and 2016
State Agency:	State Education Department
Reference:	2018-020

Criteria

Title 20 U.S. Code section 6314, *Schoolwide programs,* states an LEA that uses SIG funds to serve one or more Title I Tier I, Tier II, Tier III, priority, or focus schools that operate a schoolwide program, may use SIG funds only to supplement the amount of non-Federal funds that the school would otherwise have received if it were not operating the schoolwide program, including those funds necessary to provide services required by law for students with disabilities and limited English proficient students.

Additionally, Title 2 U.S. Code of Federal Regulations, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (2 CFR 200) section 200.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During the fiscal year ended March 31, 2018, the New York State Education Department (the Department) passed through $57,582,895 of federal funding to School Improvement Grants 1003(g) eligible school buildings (buildings).

The Department did not have internal controls in place to ensure that subrecipient monitoring policies and procedures were performed over schools. Such procedures should have been performed to ensure SIG funds were only used to supplement and not supplant the amount of non-Federal funds.

For 20 of 20 “receivership” buildings selected for testwork and 10 of 10 “nonreceivership” buildings selected for testwork, the Department’s monitoring activities did not include monitoring activities to ensure the building did not supplant the amount of non-Federal funds received with the SIG funds provided in accordance with federal statues, regulations, and the terms and conditions of the subaward.

Cause

The condition found is due to the design of controls in place over monitoring controls not including activities related to ensuring SIG funds received by the building were only used to supplement and not supplant the amount of non-Federal funds the building would otherwise have received if it were not operating a schoolwide program.

(Continued)

Possible Asserted Effect

Failure to perform fiscal monitoring activities over supplement not supplant level of effort compliance requirements for subrecipients may result in subrecipients inappropriately supplanting non-Federal funds typically received had it not participated in a schoolwide program with federal funds.

Statistical Sampling

The samples were not intended to be and were not a statistically valid sample.

Repeat Finding

A similar finding was included in the prior year Single Audit Report as finding 2017-019, at page 51.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Department revise subrecipient monitoring activities and internal controls to include monitoring activities over subrecipients and ensure that buildings only use SIG funding received to supplement and not supplant non-Federal Funds that the school would otherwise have received if it were not operating the schoolwide program.

Views of Responsible Officials

Recommendations accepted. Policy and procedures will be updated, and the implementation of new procedures are in progress.

(Continued)

Federal Agency:	U.S. Department of Education
Federal Program:	English Language Acquisition State Grants (84.365)
Federal Award Numbers:	S365A150032, S365B150032, S365A160032
Federal Award Years:	2015 and 2016
State Agency:	State Education Department
Reference:	2018-021

Criteria

Title 20 U.S. Code Part 7901 (20 USC 7901) *Maintenance of effort*, section 7901(a) states in general, a local educational agency may receive funds under a covered program for any fiscal year only if the State educational agency finds that either the combined fiscal effort per student or the aggregate expenditures of the agency and the State with respect to the provision of free public education by the agency for the preceding fiscal year was not less than 90% of the combined fiscal effort or aggregate expenditures for the second preceding fiscal year, subject to the requirements of subsection (b). Section 7901 (b)(1) states in general, the State educational agency shall reduce the amount of the allocation of funds under a covered program in any fiscal year in the exact proportion by which a local educational agency fails to meet the requirement of subsection (a) of this section by falling below 90% of both the combined fiscal effort per student and aggregate expenditures (using the measure most favorable to the local agency), if such local educational agency has also failed to meet such requirement (as determined using the measure most favorable to the local agency) for 1 or more of the 5 immediately preceding fiscal years.

Additionally, Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements,* section 200.303 states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The State Education Department (the Department) Office of State Aid performed the annual maintenance of effort (MOE) calculation to ensure each local educational agency's (LEAs) combined fiscal effort per student or aggregate expenditures of the LEA and the State of New York with respect to the provision of free public education by the LEA for the preceding year was not less than 90% of the combined fiscal efforts or aggregate expenditures for the second preceding fiscal year. As part of the calculation for school fiscal year 16–17 (July 1 2016 to June 30, 2017), the Department identified one out of 689 LEAs had failed to maintain the required effort by falling below the 90% threshold. Additionally the State educational agency did not reduce the amount of the allocation of funds in the exact proportion by which the LEA failed to maintain effort by falling below 90% in a timely fashion. As a result, the Department did not have effective internal controls to ensure the Maintenance of Effort calculation was timely communicated to the P-12 Administrative Support Office and Office of Audit Services, and no actions were taken against the LEA for this noncompliance.

(Continued)

Cause

The cause of condition resulted from the Department's untimely communication of the Maintenance of Effort calculation by the Office of State Aid to the P-12 Administrative Support Office. Additionally, vacancies at multiple supervisory levels in the Office of State Aid may have contributed to the breakdown communications.

Possible Asserted Effect

Failure to adequately communicate the results of the Department's MOE calculation to the respective P-12 Administrative Support Office and Office of Audit Services may result in a delay in appropriate actions being taken against an LEA should it not maintain sufficient Federal expenditures. Should the maintenance of effort results not be communicated timely, the Department may not reduce the amount of funding and in the exact proportion by which the LEA fails to maintain effort by falling below 90% of both the combined fiscal effort per student and aggregate expenditures using the measure more favorable to the LEA.

Statistical Sampling

The samples were not intended to be, and were not, a statistically valid sample.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Department's Office of State Aid update their internal controls procedures to ensure timely communication of annual MOE calculation and results to the respective program office to ensure that LEAs not meeting such requirements have the amount of their allocation appropriately reduced.

Views of Responsible Officials

Recommendations accepted. Policy and procedures will be updated.

(Continued)

Federal Agency: U.S. Department of Education

Federal Program: Student Financial Assistance Cluster

Federal Award Numbers: P268K185114, P268K180304

Federal Award Years: 2017

State Agency: The State University of New York

Reference: 2018-022

Criteria

Title 34 U.S. Code Part 685 (34 USC 685), *Administrative and fiscal control and fund accounting requirements for schools participating in the Direct Loan Program*, section 685(b) states that unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that a loan under title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended.

Additionally, Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements,* section 200.303, states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The State University of New York (SUNY) management review control did not operate at a level of precision necessary to ensure student status changes were properly transmitted to the NSLDS within the 60 day reporting time period.

For 18 out of 400 student samples selected from ten SUNY campuses, management did not report the student status changes to the NSLDS within the required 60-day time frame. Out of those 18 students, 6 attended Empire State College, 5 attended Brockport College, and 7 attended Stony Brook University.

Cause

The cause of the condition found is due to a lack of management review over the transmission files sent for Enrollment Reporting. SUNY will send scheduled transmission files to the National Student Clearinghouse (NSC), a third-party organization. The NSC will then transmit to the NSLDS. It is the school's responsibility to ensure that the transmission files are submitted to the NSLDS within the 60-day time frame to report student status changes. Because of this lack of review, students with status changes are not being properly reported to the NSLDS within the 60-day time period, resulting in a delay of reporting a student's change in enrollment status.

(Continued)

Possible Asserted Effect

Enrollment Reporting in a timely and accurate manner is critical for effective management of the federal programs. A student's enrollment status determines eligibility for in-school status, deferment, and grace periods. Failure to report timely may result in federal funds being awarded to participants that are not eligible (unallowable costs) as defined by the laws, regulations, and terms and conditions of the grant agreement of Student Financial Assistance Federal program.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend that SUNY enhance its management review controls over enrollment reporting and status changes to ensure that status changes are being reported to the NSLDS within the 60-day required period. These status changes should include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves of absence.

Views of Responsible Officials

Recommendation accepted. SUNY will enhance management controls and enact remedies at the three cited campuses to ensure full compliance.

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Block Grants for Prevention and Treatment of Substance Abuse (93.959)
Federal Award Numbers:	16B1NYSAPT and 17B1NYSAPT
Federal Award Years:	2016 and 2017
State Agency:	Office of Alcoholism and Substance Abuse Services
Reference:	2018-023

Criteria

Title 45 U.S. Code of Federal Regulations Part 96 (45 CFR 96), *Block Grants*, section 96.136(a) states the State shall for the fiscal year for which the grant is provided, provide for independent peer review to assess the quality, appropriateness, and efficacy of treatment services provided in the State to individuals under the program involved, and ensure that at least 5% of the entities providing services in the State under such program are reviewed. The programs reviewed shall be representative of the total population of such entities.

Condition

During the fiscal year ended March 31, 2018, the Independent Peer Review results produced by the Office of Alcoholism and Substance Abuse Services (OASAS), for Federal fiscal year 2016–2017, stated that only one review was performed. The minimum number of Peer Reviews required to be completed is 5% of total providers. As there are 44 providers, the required number of peer reviews as calculated by OASAS was two providers.

Cause

The condition found was due to OASAS management selecting two providers who originally agreed to participate in a peer review. In accordance with 45 CFR 96, two would meet OASAS' 5% compliance requirement. However, one of the selected providers withdrew from the peer review participation. Given the late timing of the provider's withdrawal from participation, OASAS was unable to identify another provider in reasonable proximity to participate. As a result, OASAS was unable to comply with the requirements.

Possible Asserted Effect

Failure to oversee that the Independent Peer Reviews are completed resulted in the failure to meet the minimum required number of reviews and OASAS' noncompliance with the laws, regulations, and the terms and conditions of the award.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend OASAS to review its existing internal controls and policies and procedures over Independent Peer Reviews, including the number of reviews that are planned for each fiscal period and the monitoring of providers to ensure at least the minimum number of peer reviews are completed.

Views of Responsible Officials

Recommendation accepted. OASAS will elicit participation from more than the required minimum number of providers to ensure compliance.

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Block Grants for Prevention and Treatment of Substance Abuse (93.959)
Federal Award Numbers:	16B1NYSAPT and 17B1NYSAPT
Federal Award Years:	2016 and 2017
State Agency:	Office of Alcoholism and Substance Abuse Services
Reference:	2018-024

Criteria

Title 45 U.S. Code of Federal Regulations Part 96 (45 CFR 96), *Block Grants,* sections 96.128(b) and (f) requires that Designated States shall maintain expenditures of nonfederal amounts for human immunodeficiency virus (HIV) services at a level that is not less than the average level of such expenditures maintained by the State for the two-year period preceding the first fiscal year for which the State receives such a grant. A Designated State is any State whose rate of cases of HIV is 10 or more such cases per 100,000 individuals, as indicated by the number of such cases reported to and confirmed by the Director of the Centers for Disease Control and Prevention for the most recent calendar year for which the data are available (the State of New York is considered a Designated State).

Condition

During fiscal year ended March 31, 2018, the Office of Alcoholism and Substance Abuse Services (OASAS) was not in compliance with the HIV disease earmarking requirements. The State's program expenditures for the 2015 Substance Abuse Prevention and Treatment Block Grant (SABG) award were $3,196,818, which did not meet the requirement of $5,555,534.

Cause

The Office self-reported the noncompliance to the Substance Abuse and Mental Health Services Administration (SAMHSA) on April 18, 2018 to request a waiver or an acknowledgement from SAMHSA that OASAS had demonstrated an intent to comply with the HIV earmarking requirements.

Possible Asserted Effect

Failure to use the funds in accordance with the award conditions resulting in noncompliance with the program laws, regulations, and terms and conditions of the Federal Award could result in decrease of federal funding.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

A similar finding was included in the prior year Single Audit Report as finding number 2015-028 on page 85.

(Continued)

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Office continue to work with SAMHSA to obtain a waiver for this requirement.

Views of Responsible Officials

Recommendation accepted. OASAS will continue discussions with SAMHSA to accomplish a resolution.

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Block Grants for Prevention and Treatment of Substance Abuse (93.959)
Federal Award Numbers:	16B1NYSAPT and 17B1NYSAPT
Federal Award Years:	2016 and 2017
State Agency:	Office of Alcoholism and Substance Abuse Services
Reference:	2018-025

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), U*niform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.352(b) states all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

(1) The subrecipient's prior experience with the same or similar subawards;

(2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with subpart F, and the extent to which the same or similar subaward has been audited as a major program;

(3) Whether the subrecipient has new personnel or new or substantially changed systems; and

(4) The extent and results of HHS awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a HHS awarding agency).

Condition

During the fiscal year ended March 31, 2018, the Office of Alcoholism and Substance Abuse Services (OASAS) passed through $108,802,000 of federal funding to local districts.

OASAS has policies and procedures in place to evaluate each subrecipient's risk of noncompliance with Federal statues, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring activities. During the fiscal year ended March 31, 2018, we identified 3 providers out of a total of 185 that received federal funding from OASAS that were not included within the Office's risk assessment evaluation. As such, OASAS did not evaluate the risk of noncompliance for each subrecipient to determine the appropriate subrecipient monitoring activities necessary.

Cause

The condition found was due to OASAS' internal working document used for oversight, monitoring, and auditee selection not being updated on a timely basis to ensure all subrecipients were included in the analysis. As the information was not timely updated by the State's information technology, certain providers were excluded from the risk assessment procedures and subsequent monitoring activities not determined to be performed over those subrecipients.

(Continued)

Possible Asserted Effect

Failure to perform and document risk assessment procedures over each provider may result in the use of federal funding provided under the federal award not being used in compliance with Federal statues, regulations, and the terms and conditions of the subawards.

Statistical Sampling

The sample was not intended to be and was not a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend that OASAS review its existing internal controls and policies and procedures over subrecipient monitoring to ensure each provider is considered in the risk assessment for fiscal reviews.

Views of Responsible Officials

Recommendation accepted. OASAS has developed internal controls, policies and procedures to ensure fiscal reviews are considered in the risk assessment process.

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Block Grants for Prevention and Treatment of Substance Abuse (93.959)
Federal Award Numbers:	16B1NYSAPT and 17B1NYSAPT
Federal Award Years:	2016 and 2017
State Agency:	Office of Alcoholism and Substance Abuse Services
Reference:	2018-026

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.352(a) states all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification

- (i) Subrecipient's name (which must match the name associated with its unique entity identifier);
- (ii) Subrecipient's unique entity identifier;
- (iii) Federal Award Identification Number (FAIN);
- (iv) Federal Award Date (see 45 CFR 75.2 Federal award date) of award to the recipient by the Federal agency;
- (v) Subaward Period of Performance Start and End Date;
- (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
- (vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
- (viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
- (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- (x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
- (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
- (xii) Identification of whether the award is R&D; and
- (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per 45 CFR 75.414 Indirect (F&A) costs).

Condition

The Office of Alcoholism and Substance Abuse Services (OASAS) policies and procedures and internal controls are not designed effectively to ensure all requirements within the award notification are communicated to subrecipients at the time of the subaward or when any of these data elements change. OASAS notifies subrecipients of federal funding through State Aid Funding Authorizations (SAFA), which outlines the budget for the fiscal year as well as the rules and requirements for the grant. For 18 of the 18 subawards selected for testing, the SAFA did not include the subrecipient's unique entity identifier, Federal Award Identification Number (FAIN), Federal Award Date, Name of Federal awarding agency and identification of whether the award is considered R&D.

Cause

The condition is due to OASAS' written policies and procedures and internal controls not requiring all subaward identification information per 45 CFR 75.352(a) or changes to that information be communicated to subrecipients for each federal award.

Possible Asserted Effect

Failure to adequately communicate the award identification information or changes therein could result in the subrecipient not being able to adequately track and report subawards received resulting in errors being reported on the subrecipient's schedule of expenditures of federal awards and subrecipient's violations of the terms and conditions of the federal awards provided.

Statistical Sampling

The sample was not intended to be and was not a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend that OASAS update its existing internal controls and its current policies and procedures to ensure all required award identification information (or changes therein) is communicated to subrecipients in accordance with 45 CFR 75.352(a).

Views of Responsible Officials

Recommendation accepted. OASAS will review its current policy regarding notification to subrecipients, the information that is required and what is currently communicated and will develop a process that will allow all required information to be provided to each subrecipient including any changes.

(Continued)

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Block Grants for Prevention and Treatment of Substance Abuse (93.959)
Federal Award Numbers:	16B1NYSAPT and 17B1NYSAPT
Federal Award Years:	2016 and 2017
State Agency:	Office of Alcoholism and Substance Abuse Services
Reference:	2018-027

Criteria

Title 45 U.S. Code of Federal Regulations Section 96, *Grant Payment,* section 12 states the Secretary will make payments at such times and in such amounts to each State from its awards in advance or by way of reimbursement in accordance with section 203 of the Intergovernmental Cooperation Act (42 U.S.C. 4213) and Treasury Circular No. 1075 (31 CFR part 205). When matching funds are involved, the Secretary shall take into account the ratio that such payment bears to such State's total expenditures under its awards.

Title 45 U.S. Code of Federal Regulations Section 96, *Grant Payment,* section 30(a) states Fiscal control and accounting procedures. Except where otherwise required by Federal law or regulation, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.

Title 31 U.S. Code of Federal Regulations section 205, *Rules and Procedures for Efficient Federal-State Funds Transfer*, section 33(a) states a State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees in accordance with OMB Circular A-102 (For availability, see 5 CFR 1310.3)

Further, 45 CFR 96.30(a) states, except where otherwise required by Federal law or regulation, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.

(Continued)

New York State Governmental Accountability, Audit, and Internal Control Act of 1987 highlighted the need for agency management to promote good internal controls and accountability in government. Article 45, *Internal Control Responsibilities of State Agencies,* Section 951 *Executive Internal control responsibilities* states 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.

Condition

The Office of Alcoholism and Substance Abuse Services (OASAS) did not drawdown federal funds for reimbursement ensuring minimum time elapsed in accordance with 31 CFR 205, as required through 45 CFR 96.12.

During our testwork, for 18 of 65 vouchers sampled, we noted OASAS was reimbursed from the Department of Health and Human Services more than 3 days in advance of the State's disbursement of funds to the subrecipients. For 21 of the 65 vouchers sampled, we noted OASAS did not follow the State's Guide to Fiscal Operations Section IX.5, *Federal Billing & Invoicing* policy.

Cause

The condition found is due to OASAS not following the State's federal billing policies and procedures. The State's Guide to Fiscal Operations Section IX.5, *Federal Billing & Invoicing*, identifies the State's policy that the Office must follow in order to minimize time elapse between the drawdown of the Federal funds and the disbursement. Specifically, the guide states the following "Since billing is initiated once an expenditure occurs, it is critical that agencies do not enter AP voucher payment dates more than two days in advance of the current date. Any date beyond this two-day limit may result in federal funds being drawn down before the voucher payments are actually incurred". It was identified that for 21 of the 65 sampled voucher disbursements, OASAS management entered AP voucher payment dates more than two days in advance of the current date.

Possible Asserted Effect

Failure to follow the State's Fiscal Operations Guide may result in OASAS not minimizing the time elapse of drawdowns and the disbursement for Federal program purposes and not being in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Statistical Sampling

The sample was not intended to be and was not a statistically valid sample.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that OASAS review the State's Guide to Fiscal Operations and ensure that vouchers are coded in accordance with the State's policies to ensure that federal drawdowns of funds are occurring in accordance with 31 CFR 205, as required through 45 CFR 96.12.

Views of Responsible Officials

Recommendation accepted. Corrective action has already been implemented and the issue is resolved.

(Continued)

Federal Agency: U.S. Department of Health and Human Services

Federal Program: Basic Health Program (Affordable Care Act) (93.640)

Federal Award Numbers: BHPFFY2016-17

Federal Award Years: 2016 and 2017

State Agency: Department of Health

Reference: 2018-028

Criteria

Section 1331 of the Patient Protection and Affordable Care Act, (Pub. L. 111-148), and the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111.152, enacted March 30, 2010), which are collectively referred to as the Affordable Care Act, gives states the option of creating a Basic Health Program (BHP), a health benefits coverage program for low-income residents who would otherwise be eligible to purchase coverage through the Health Insurance Marketplace. The program is for specified individuals who do not qualify for Medicaid but whose income does not exceed 200% of the federal poverty level (FPL).

Further, Title 42 U.S. Code of Federal Regulations Part 600 (42 CFR 600*), Administration, Eligibility, Essential Health Benefits, Performance Standards, Service Delivery Requirements, Premium and Cost Sharing Allotments, and Reconciliation*, section 600.305(a) states the State must determine individuals to be eligible to enroll in a standard health plan if they:

(1) Are residents of the State.

(2) Have household income which exceeds 133% but does not exceed 200% of the FPL for the applicable family size, or, in the case of an individual who is a lawfully present noncitizen, ineligible for Medicaid or CHIP due to such immigration status, whose household income is between zero and 200% of the FPL for the applicable family size.

(3) Are not eligible to enroll in minimum essential coverage (other than a standard health plan). If an individual meets all other eligibility standards, and

  (i) Is eligible for, or enrolled in, coverage that does not meet the definition of minimum essential coverage, including Medicaid that is not minimum essential coverage, the individual is eligible to enroll in a standard health plan without regard to eligibility or enrollment in Medicaid; or

  (ii) Is eligible for Employer Sponsored Insurance (ESI) that is unaffordable (as determined under Section 36B(c)(2)(C) of the Internal Revenue Code), the individual is eligible to enroll in a standard health plan.

(4) Are 64 years of age or younger.

(5) Are either a citizen or lawfully present noncitizen.

(6) Are not incarcerated, other than during a period pending disposition of charges.

Lastly, Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.303 also states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure eligibility and allowability determinations are performed and documented in accordance with program regulations.

Condition

The Department of Health (the Department) did not have effective internal controls to ensure Basic Health Plan funds were utilized for eligible individuals.

For 4 out of 80 individuals selected for testwork, it was determined the individuals were ineligible for the Basic Health Program (Affordable Care Act) based on the criteria specific in 42 CFR 600.305(a).

Cause

The Department attributed the discrepancies between the actual eligibility determinations for these 4 individuals (all correctly determined Medicaid eligible) and the utilization of Basic Health Program (Affordable Care Act) (BHP) funds for these individuals, to improper codes and criteria being used in the system to identify certain lawfully present noncitizen individuals. Of the ineligible individuals, it was noted that all were ineligible as they were determined to be Deferred Action for Childhood Arrivals (DACA) individuals. The Department utilizes the Medicaid Management Information System (MMIS) to capture all charges for the BHP. The MMIS has flags programmed to determine eligible participates for BHP, and as their charges are submitted for reimbursement by the insurance providers, they are recorded as direct costs to the BHP trust fund. For more complex eligibility determined individuals, MMIS first defaults these individuals as 100% state Medicaid eligible claims. Department management runs a MMIS query daily of specific flagged criteria to capture and extracted BHP eligible individuals; however, the MMIS flag criteria utilized are not at a level specific enough to ensure all individuals selected are BHP eligible. As a result, certain individuals may have BHP trust funds released that are considered ineligible and unallowable. During the fiscal year, management has proposed an eMedNY Evaluation project to correct all claims in error in eMedNY, however, this correction was not implemented. Management has noted, once this correction is made, the Department’s weekly BHP number (fundable amount) for the cycle charge would be reduced by the correction amount in the applicable cycle.

Possible Asserted Effect

Failure to ensure only eligible individuals’ costs are charged to the Federal program could result in costs inconsistent with the laws, regulations, and terms and conditions of federal awards being claimed to Federal programs.

Statistical Sampling

The sample was not intended to be and was not a statistically valid sample.

Repeat Finding

A similar finding for the Department was included in the prior year Single Audit Report as finding number 2017-029 at page 77.

Questioned Costs

$1,700 (total of claims selected for the 4 ineligible beneficiaries)

Recommendation

We recommend that the Department implement their proposed prior year corrective action plan to ensure only eligible criteria is utilized to extract BHP eligible beneficiary claims. The Department should collaborate with the MMIS department to ensure more specific criteria are utilized so that only BHP eligible claims are expended against the BHP trust fund. Lastly, the Department should implement a monitoring control to ensure MMIS flags and related eligibility reports are complete and accurate based on the Federal program compliance guidelines.

Views of Responsible Officials

Recommendation accepted. Please see corrective action plan for further details.

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Basic Health Program (Affordable Care Act) (93.640)
Federal Award Numbers:	BHPFFY2016-17
Federal Award Years:	2016 and 2017
State Agency:	Department of Health
Reference:	2018-029

Criteria

Title 42 U.S. Code of Federal Regulations Part 600 (42 CFR 600), *Administration, Eligibility, Essential Health Benefits, Performance Standards, Service Delivery Requirements, Premium and Cost Sharing Allotments, and Reconciliation*, section 600.710(a) requires the Basic Health Plan (BHP) administering agency to maintain an accounting system and supporting fiscal records to assure that the BHP trust funds are maintained and expended in accord with applicable Federal Requirements.

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and* Audit *Requirements for HHS Awards,* section 75.303 also states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

Prior to October 2017, the Department of Health (the Department) did not have a process, including appropriate internal controls in place to track cash returned from providers related to the Basic Health Program (Affordable Care Act) (BHP). Cash returned from providers was deposited into an escrow account, and the Department did not apply the escrow funds against subsequent BHP trust fund expenditures. Further, the Department did not identify interest earned on BHP funds maintained in the Department's escrow account, which should have been applied against BHP expenditures. As of October 2017, the Department implemented an oversight procedure to track and calculate the interest earned on the cash returned for BHP.

Cause

The Department attributed the cause of the condition found was due to a lack of a process, including monitoring controls in place to identify the track recouped funds returned from providers initially funded through the BHP's trust funds. As of October 2017, the Department implemented a weekly oversight procedure to identify recoveries and calculate associated interested.

Possible Asserted Effect

Failure to adequately monitor and track BHP's trust funds recouped could result BHP's trust funds being utilized for unallowable costs inconsistent with the laws, regulations, and terms and conditions of grant agreements being claimed to Federal programs.

(Continued)

Statistical Sampling

The sample was not intended to be and was not a statistically valid sample.

Repeat Finding

A similar finding for the Department was included in the prior year Single Audit Report as finding number 2017-030 at page 80.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Department continue to monitor this process to ensure all recouped BHP funds are tracked, and any related interest earned is properly calculated and applied against subsequent BHP expenditures.

Views of Responsible Officials

Recommendation accepted. The Department will continue to monitor its existing process to ensure that all recouped funds and earned interest is properly applied against BHP expenditures. Please see corrective action plan for further details.

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Medicaid Assistance Program (93.778)
Federal Award Numbers:	1805NY5MAP, 1705NY5MAP, 51505NY5MAP, 51605NY5MAP, 1805NYINCT, 1705NYINCT, 51305NYINCT, and 51505NYINCT
Federal Award Years:	2015, 2016, 2017, and 2018
State Agency:	Department of Health
Reference:	2018-030

Criteria

Title 42 U.S. Code section 1396r-8 (42 USC 1396r-8), *Payment for covered outpatient drugs*, 42 USC 1396r-8(a)(2)(A), Each State agency under this title shall report to each manufacturer not later than 60 days after the end of each rebate period and in a form consistent with a standard reporting format established by the Secretary, information on the total number of units of each dosage form and strength and package size of each covered outpatient drug dispensed after December 31, 1990, for which payment was made under the plan during the period, including such information reported by each Medicaid managed care organization, and shall promptly transmit a copy of such report to the Secretary.

Additionally, Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.303 also states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Department of Health (the Department) did not have effective monitoring and communication controls to ensure the Department's process over drug utilization reports submitted to drug manufacturers included a complete population of covered outpatient drugs utilized during the rebate period.

We reviewed all the "Final Drug Rebate Quarterly Report" for State fiscal year 2018 provided by the Department which summarized the Department's quarterly drug rebate invoices sent to drug manufacturers. The report included various columns for the current year invoicing activity as well as rebated paid by drug manufactures for the period. The Department had indicated in the "Final Drug Rebate Quarterly Report" for the period October 1, 2017 through December 31, 2017, new invoicing activity sent to drug manufactures for $103,421,796 unbilled at the end of the rebate period over 365 days prior, for $48,665,983 unbilled at the end of the rebate period over 240 days prior, and for $52,001,225 unbilled at the rebate period over 120 days prior. The cumulative amount of $204,089,005 was billed outside of the required 60-day subsequent to the quarter end of the actual incurred period timeframe.

(Continued)

Cause

The Department attributed the delay in processing of the drug manufacturer rebates due to a programmatic issue causing certain drug-related Medicaid claims submitted by allowable enrollees being inadvertently excluded from the drug utilization data queried for invoicing drug manufacturers from the Department's Medicaid Management Information System (MMIS). As of April 1, 2017, the Department implemented their corrective actions by identifying allowable drug utilization data within MMIS. The Department subsequently invoiced $204,089,005 outside of the standard 60 days for prior-period claims identified.

Possible Asserted Effect

Failure to ensure a complete population of covered outpatient drug utilized for Medicaid beneficiaries during the rebate period may result in the added disputes between drug manufacturers and the Department and the need to expend additional resources for all parties that use state drug utilization data. Further, State drug utilization data is also used to calculate the Medicaid portion of the Internal Revenue Service's (IRS) Branded Prescription Drug (BPD) fee, and therefore, any unedited/inaccurate drug utilization data reported to CMS can cause significant disparities in labeler BPD fees, thereby skewing the amount the labeler owes.

Repeat Finding

A similar finding was included in the prior year Single Audit Report as finding 2017-027 at page 73.

Questioned Costs

None.

Recommendation

We recommend that the Department implement monitoring controls to continually assess the completeness and accuracy of drug utilization data by reviewing the MMIS criteria utilized in the query and actively monitoring changes to drug rebate laws and regulations. We also recommend that the Department ensure that all service changes under the Medicaid program are properly communicated throughout the Department to ensure all necessary updates to system queries are properly and timely made.

Views of Responsible Officials

The Department accepts the finding and has already taken action to resolve the issue. Reference the corrective action plan for further details.

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Medicaid Assistance Program (93.778)
Federal Award Numbers:	1705NY5MAP, 1705NYINCT, 51505NY5MAP, 51605NY5MA, and 51605NYINCT
Federal Award Years:	2015, 2016, 2017, and 2018
State Agency:	Department of Health
Reference:	2018-031

Criteria

Title 42 U.S. Code of Federal Regulations Part 431 (42 CFR 431), *State Organization and General Administration*, section 431.107(b), *Agreements*, a State plan must provide for an agreement between the Medicaid agency and each provider or organization furnishing services under the plan in which the provider or organization agrees to:

(1) Keep any records necessary to disclose the extent of services the provider furnishes to beneficiaries;

(2) On request, furnish to the Medicaid agency, the Secretary, or the State Medicaid fraud control unit (if such a unit has been approved by the Secretary under § 455.300 of this chapter), any information maintained under paragraph (b)(1) of this section and any information regarding payments claimed by the provider for furnishing services under the plan;

(3) Comply with the disclosure requirements specified in part 455, subpart B of this chapter; and

(4) Comply with the advance directives requirements for hospitals, nursing facilities, providers of home health care and personal care services, hospices, and HMOs specified in part 489, subpart I, and § 417.436(d) of this chapter.

(5) Furnish to the State agency its National Provider Identifier (NPI) (if eligible for an NPI); and

(6) Include its NPI on all claims submitted under the Medicaid program.

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards,* section 75.303 also states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Department of Health (the Department) did not have a process in place to recoup payments made to a provider when a provider was inactive during recertification or terminated due to expired license, provider closure, change in ownership, or being a duplicate provider.

(Continued)

For 8 out of 52 weekly cycles, beneficiary claims paid through State's Medicaid Management Information System (MMIS) were made to a total of 105,165. For 7 of the 105,165 paid during the period 8 weekly cycles selected, the providers were not listed on the listing of eligible providers as they were deemed terminated or inactive. These 7 providers claimed $37,799 during the 8 selected cycles.

Cause

The Department attributed the continuation of payments to the inactive or terminated providers to a delay in timing of processing the provider termination paperwork. The Department does not have a process in place to review claims paid under the Federal Medicaid program with a service date subsequent to a provider's termination or inactive date.

Possible Asserted Effect

Failure to appropriately identify providers' payments made subsequent to the termination of provider agreements resulted in ineligible providers receiving federal funds.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

A similar finding was included in the prior year Single Audit Report as finding number 2017-026 on pages 71 and 72.

Questioned Costs

$37,799 (total payments made to the 7 terminated or inactive providers during the 8 cycles reviewed)

Recommendation

We recommend that the Department revise its process and internal controls to ensure that the claims paid to providers that are inactive or terminated are reviewed to ensure any payment made subsequent to their termination or inactive date are recouped by the Department.

Views of Responsible Officials

The Department agrees with the recommendation. Please see corrective action plan for further details.

Federal Agency: U.S. Department of Health and Human Services

Federal Program: Medicaid Assistance Program Cluster (93.775, 93.777, and 93.778)

Federal Award Numbers: 1805NY5MAP, 1705NY5MAP, 51505NY5MAP, 51605NY5MAP, 1805NYINCT, 1705NYINCT, 51305NYINCT, and 51505NYINCT

Federal Award Years: 2015, 2016, 2017, and 2018

State Agency: Department of Health

Reference: 2018-032

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards,* section 75.303 states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Department of Health (the Department) did not have controls in place to ensure continued contract terms with Managed Long Term Care (MLTC) plans.

For 53 of 65 MLTC plan contracts selected for testwork for State fiscal year 2018, the contracts had expired prior to April 1, 2017 and new contracts have not yet been executed. The MTLC plans continued to provide services to the enrollees under the previous contract terms and conditions.

Cause

The condition is due to the Department not timely having newly executed contracts in place before the expiration of current MTLC plan contracts.

Possible Asserted Effect

Failure to ensure contracts with MLTC plans are current may result in the Department not being in compliance with Federal statutes, regulations, and the terms and conditions of federal awards.

Questioned Costs

None.

(Continued)

Recommendation

We recommend that the Department implement monitoring and communication controls to continually assess the contract periods for MLTC providers to ensure a contract is executed timely.

Views of Responsible Officials

Recommendation accepted. The Department is developing strategies that will mitigate against future contract expirations. See corrective action plan for full response.

Federal Agency: U.S. Department of Health and Human Services

Federal Program: Immunization Cooperative Agreements (93.268)

Federal Award Numbers: 900758IP15

Federal Award Years: 2013, 2014, 2015, 2016, and 2017

State Agency: Department of Health

Reference: 2018-033

Criteria

Title 42 U.S. Code section 1396s (42 USC 1396s), *Program for distribution of pediatric vaccines*, states the effective control and accountability must be maintained for all vaccine under the Vaccines for Children (VFC) program. Vaccine must be adequately safeguarded and used solely for authorized purposes. This includes administration only to VFC program – eligible children, as defined in 42 USC 1396s (b)(2)(A)(i) through (A)(iv), regardless of the child's parent's ability to pay (42 USC 1396s (c)(2)(C)(iii)).

A record of vaccine administered shall be made in each person's permanent medical record (or in a permanent office log or file to which a legal representative shall have access upon request) (42 USC 300aa-25), which includes:

a. Date of administration of the vaccine;

b. Vaccine manufacturer and lot number of the vaccine; and

c. Name and address and, if appropriate, the title of the health care provider administering the vaccine.

Additionally, Title 45 U.S. Code of Federal Regulation Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HS Awards*, section 75.303(a), Internal Controls, states the non-Federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-Federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition

The Department of Health (the Department) Immunization program has approximately 1,800 Vaccine for Children (VFC) providers who administer vaccines to eligible individuals within the State of New York.

In accordance with the State's Plan, all VFC providers receive an initial visit within 30 days of the Department's approval to participate in the vaccine program. After the initial visit, all VFC providers are visited every other year, on a rolling basis. The Department's Bureau of Immunization is responsible for tracking the site visits to ensure that the Department is in compliance with the State's policy of performing site visits once every two years to all VFC providers.

(Continued)

The Department's VFC provider site visit tracking spreadsheet indicated that 11 providers (approximately 0.6% of the total providers) did not have site visits performed by the Department within the State Plan's two year requirement (April 1, 2016 to March 31,2018).

Cause

The condition found was due to a variety of factors, including the Department staffing shortages resulting from hiring freezes, turnover and medical leave. Additionally, the Department has struggled with scheduling their visits based on VFC provider availability and/or VFC provider short notice cancellations.

The Department's manual internal control was not designed sufficiently to ensure site-visits are performed over 100% of VFC providers within two years.

Possible Asserted Effect

Failure to perform the site visits in accordance with the State Plan may result in VFC providers having inadequately safeguarded vaccine inventories and vaccines being used for unauthorized purposes for as defined by the laws, regulations, and terms and conditions of the federal award.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

A similar finding was included in the prior year Single Audit Report as finding number 2015-027 on page 83.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Department update manual controls to ensure site visits are performed at all VFC providers every two years to ensure that the providers have effective controls over the maintenance of vaccines and that records of vaccinations administered by the program are available.

Views of Responsible Officials

The Department accepts the finding and has already implemented significant process enhancements in this area. Reference the corrective action plan for further details.

(Continued)

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Children's Health Insurance Program (93.767)
Federal Award Numbers:	1605NY5021, 1705NY0301, 1705NY5021, and 1805NY5021
Federal Award Years:	2016 and 2017
State Agency:	Department of Health
Reference:	2018-034

Criteria

Title 42 U.S. Code 1397ee, (42 USC 1397ee), *Payments to States*, Section 1397ee(c)(7)(A), Limitation on payment for abortions, states payment shall not be made to a State under this section for any amount expended under the State plan to pay for any abortion or to assist in the purchase, in whole or in part, of health benefit coverage that includes coverage of abortion.

Additionally, Title 45 U.S. Code of Federal Regulation Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HS Awards*, section 75.303(a), states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Department of Health (the Department) has historically utilized a methodology to estimate the cost of abortions, which are unallowable based on the requirements of the grant, to ensure that the costs for abortions were not charged to Children's Health Insurance Plan (CHIP) program. The Department used the methodology to calculate abortion costs of $534,781 for April to February State fiscal year 2017 – 2018. Expenditure adjustments for the amounts noted above are reflected in the CMS 21 report.

Cause

The condition is due to management not maintaining the actual costs of unallowable abortions or not implementing a retroactive methodology to estimate such costs.

Possible Asserted Effect

Failure to adequately maintain the use of the funds could result in cost that are not in compliance with the program laws, regulations, and terms and conditions of the Federal Award.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

A similar finding was included in the prior year Single Audit Report as finding number 2015-022 on page 72.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Department continue to utilize its newly implemented methodology requested by CMS that removes abortion costs from the per member per month (pmpm) before payments are made to a Child Health Plus health plan to ensure the Department is in compliance with 42 USC 1397ee(c)(7)(A).

Views of Responsible Officials

Implemented. Reference the corrective action plan for further details.

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Children's Health Insurance Program (93.767)
Federal Award Numbers:	1605NY5021, 1705NY0301, 1705NY5021, and 1805NY5021
Federal Award Years:	2016 and 2017
State Agency:	Department of Health
Reference:	2018-035

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements* for HHS Awards, section 351, *Subrecipient and contractor determinations*, states the non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Therefore, a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. The Federal awarding agency may supply and require recipients to comply with additional guidance to support these determinations provided such guidance does not conflict with this section.

(a) *Subrecipients.* A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient. See Section 75.2, *Subaward*. Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

   (1) Determines who is eligible to receive what Federal assistance;

   (2) Has its performance measured in relation to whether objectives of a Federal program were met;

   (3) Has responsibility for programmatic decision making;

   (4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and

   (5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

(b) *Contractors.* A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. See Section 75.2, *Contract*. Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the contractor:

   (1) Provides the goods and services within normal business operations;

(2) Provides similar goods or services to many different purchasers;

(3) Normally operates in a competitive environment;

(4) Provides goods or services that are ancillary to the operation of the Federal program; and

(5) Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

(c) *Use of judgment in making determination*. In determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases, and the pass-through entity must use judgment in classifying each agreement as a subaward or a procurement contract.

Additionally, 45 CFR 75.510(b) states the auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with section 75.502. While not required, the auditee may choose to provide information requested by HHS awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in section 75.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in section 75.414.

Lastly, 45 CFR 75.303(a), states the non-Federal entity must Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During the fiscal year ended March 31, 2018, the Department of Health (the Department) paid $1,668,670,279 of federal funding to healthcare insurance providers.

The Department of Health (the Department) enters into agreements with healthcare insurance providers to provide services under the federal program to eligible individuals of the State. The Department was unable to provide its determination of the status of these providers as either contractors or subrecipients under the award as required by 45 CFR 75.351 in a timely manner. As a result, management did not identify whether the amounts presented in the State of New York Schedule of Expenditures of Federal Awards (SEFA) accurately encompassed all the amounts of pass-through to subrecipients expenditures. Additionally, documentation of the determination of the classification of these healthcare insurance providers was not finalized at the time of the Department's preparation of the SEFA. As such management was unable to conclude and notify these providers of their classifications and the related requirements under the terms and conditions of the federal awards.

Cause

The condition is due to the Department not having policies, procedures, and internal controls to ensure that all provider agreements were reviewed by management in order to make a determination of classification in accordance with 45 CFR 75.351 in a timely manner.

Possible Asserted Effect

Failure to perform a determination of subrecipient or contractor by the Department may result in recipients of federal funding not being aware of their requirement to comply with Federal statutes, regulations, and the terms and conditions of the subaward.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend the Department to (1) identify all healthcare insurance provider agreements and make a determination of classification as subrecipient or contractor and notify the provider of their classification and (2) implement policies and procedures to ensure that the SEFA is accurately presented for amounts expended as pass-through to subrecipients.

Views of Responsible Officials

Recommendation accepted. Reference the corrective action plan for further details.

(Continued)

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Children's Health Insurance Program (93.767)
Federal Award Numbers:	1605NY5021, 1705NY0301, 1705NY5021, and 1805NY5021
Federal Award Years:	2016 and 2017
State Agency:	Department of Health
Reference:	2018-036

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards* section 75.303(a), *Internal Controls,* states the non-Federal entity must Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Department of Health (the Department) did not have a process in place to reconcile the claims reported to the Center for Medicaid Services (CMS) on form CMS 64.21 to the State's requests for reimbursements for the CHIP program on a timely basis.

Cause

The condition is due to the Department not having a control designed to reconcile the Form CMS 64.21 to the expenditure records requested for federal reimbursement within the State's accounting system to a sufficient precision to detect potential noncompliance.

The Department's process is to transfer from Medicaid allowable M-CHIP expansion population (100 – 133% of the Federal Poverty Line) to CHIP prior to claiming the expenditures from CMS. The Department identified during the 2018 State fiscal year approximately $509 million of costs related to the Aliessa-related legal immigrant population whose costs that had been claimed and reported as Children's Health Insurance Program (CHIP) expenditures on Form CMS 64.21 in the prior years. The Department determined the approximately $509 million based on a comparison of historical form CMS 64.21 reports and Journal Entries processed in the State's accounting records for prior transfers, beginning in 2011. As the $509 million had been paid in the first instance through Federal Medicaid and has never been moved to the CHIP grant(s) where the associated costs were claimed, the Department processed a Journal Entry during the 2018 State fiscal year transferring the $509 million from its Federal Medicaid grants, to its CHIP Federal Awards.

Possible Asserted Effect

Failure to request reimbursement of allowable expenditures may result in unallowable costs being reimbursed outside the period of performance and not being allowed for federal reimbursement.

(Continued)

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend the Department to enhance its current policies and procedures to ensure that internal controls are in place to timely reconcile expenditures claimed and reported through its periodic reporting to the Federal awarding agency are timely requested for reimbursement.

Views of Responsible Officials

Recommendation accepted. Effective September 2017, the Department updated its monitoring process. Please see corrective action plan for further details.

Federal Agency:	U.S. Department of Agriculture U.S. Department of Health and Human Services
Federal Program:	Maternal and Child Health Services Block Grant to the States (93.994) Children's Health Insurance Program (93.767) Child and Adult Care Food Program (10.558)
Federal Award Numbers:	16B04MC29355, 17B04MC30630, 18B04MC3150567, 1605NY5021, 1705NY0301, 1705NY5021, and 1805NY5021 2015IN109044, 2015IN202044, 201616N105044, 201616N109044, 201616N202044, 201716N202044, 201717N105044, 201717N109044, 201717N202044, 201818N105044, 201818N202044, and 201818N109944
Federal Award Years:	2016, 2017, and 2018
State Agency:	Department of Health
Reference:	2018-037

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.352(d) and Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, section 200.331(d) states all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that he subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by 45 CFR 75.521 or 2 CFR 200.521.

Additionally, 45 CFR 75.303(a) and 2 CFR 200.303(a), states the non-Federal entity must Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During our testwork over the subrecipient monitoring process in place for the fiscal year ended March 31, 2018, we noted that the Department of Health (the Department) did not have sufficient internal controls in place to ensure that all required single audits of the program's subrecipients were received, reviewed, followed-up, or appropriate action was taken and is necessary issued a management decision pertaining to the audit finding in accordance with 45 CFR 75 or 2 CFR 200, as applicable.

For 2 of 25 subrecipients selected for testwork receiving Maternal and Child Health Services Block Grant to the States fund from the Department, we noted management did not obtain and review the subrecipients single audit report during the State fiscal year and perform monitoring activities as noted in 45 CFR 75.352(d). The Department had requested the subrecipients provide a single audit report; however, the subrecipients did not provide their report and the Department did not perform any follow-up with the subrecipients to obtain the single audit report. Additionally, for 1 out of 21 subrecipients whose single audit report management obtained and reviewed, we noted management did not complete a management determination letter providing evidence of management's decisions of any audit findings pertaining to the Federal award.

For 32 of the 40 subrecipients selected for testwork receiving Child and Adult Care Food Program funds from the Department, we noted that management did not identify if the subrecipient was required to have a single audit during the State fiscal year and perform monitoring activities as noted in 2 CFR 200.331(d). Additionally, for the Children's Health Insurance Program, we noted management did not obtain and review the subrecipients single audit reports during the State fiscal year and perform monitoring activities as noted in 45 CFR 75.352(d).

Additionally, for the Children's Health Insurance Program, we noted management did not obtain and review the subrecipients single audit reports during the state fiscal year and perform monitoring activities as noted in 45 CFR 75.352(d)

Cause

The condition is due to the Department not having implemented its single audit tracking database system during the State fiscal year. A tracking database helps ensure appropriate monitoring activities are performed over subrecipients to determine that the subaward is administered in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Further, other monitoring controls were not designed at a level of precision to ensure that all subrecipient single audit reports were requested, obtained, and timely reviewed.

Possible Asserted Effect

Failure to properly obtain and review subrecipient single audit reports may result in the use of federal funding not being in compliance with Federal statues, regulations, and the terms and conditions of subawards.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

A similar finding for the Office was included in the 2017 Single Audit Report as finding number 2017-031 at page 82 for the Material and Child Health Services Block Grant and finding number 2015-020 at pages 67–68 for the Children's Health Insurance Program in the 2015 Single Audit Report.

Questioned Costs

Cannot be determined.

Recommendation

We recommend the Department to continue working on the implementation of its monitoring tracking database to (1) identify all subrecipients required to have a Single Audit, (2) ensure that sanctions are imposed in a timely manner for subrecipients that do not submit timely Single Audit reports, and (3) issue management decisions within six months for all Single Audit reports that contain findings relevant to the Department's programs.

In the interim, we recommend that manual internal control procedures be implemented by the Department to ensure that all subrecipients that require a single audit to be completed submit the report on a timely basis and, if applicable, respond to management decision letters be issued by the Department.

Views of Responsible Officials

Recommendation accepted. The Department has already implemented significant process enhancements in this area. Reference the corrective action plan for further details.

Federal Agency:	U.S. Department of Agriculture
Federal Program:	Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)
Federal Award Numbers:	201716W100644, 201717W100644, 201817W100644, and 201818W100644
Federal Award Years:	2016, 2017, and 2018
State Agency:	Department of Health
Reference:	2018-038

Criteria

Title 7 U.S. Code of Federal Regulations Part 246 (7 CFR 246), *Participant Eligibility*, Section 246.7(e), *Nutritional risk*, states to be certified as eligible for the Program, applicants who meet the Program's eligibility standards specified in paragraph (c) of this Section must be determined to be at nutritional risk. A competent professional authority on the staff of the local agency shall determine if a person is at nutritional risk through a medical and/or nutritional assessment. This determination may be based on referral data submitted by a competent professional authority not on the staff of the local agency. Nutritional risk data shall be documented in the participant's file and shall be used to assess an applicant's nutritional status and risk; tailor the food package to address nutritional needs; design appropriate nutrition education, including breastfeeding promotion and support; and make referrals to health and social services for follow-up, as necessary and appropriate.

Except as stated in paragraph (e)(1)(v) of this section, at least one determination of nutritional risk must be documented at the time of certification in order for an income eligible applicant to receive WIC benefits.

Additionally, Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements* Section 200.303(a), *Internal Controls,* states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure eligibility determinations are performed and documented in accordance with program regulations.

Condition

The Department of Health (the Department) did not maintain sufficient appropriate documentation to evidence the performance of a nutritional risk assessment review at the local agency.

For 1 of 40 Quality Assurance (QA) reviews selected for testing, management was not able to provide supporting documentation evidencing the performance of the QA review.

Cause

The condition is primarily due to the Department not having maintained evidence supporting their review. The QA review is performed and retained by the regional WIC office. In one instance, it was noted that the supporting documentation was lost in a flood at the regional office.

(Continued)

Possible Asserted Effect

Failure to maintain evidence of monitoring activities over subawards provided to subrecipients including eligibility determinations may result in the use of federal funding provided under the federal award not being used in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

Cannot be determined.

Recommendation

We recommend the Department to establish policies and procedures for maintaining the supporting documentation retained by the regional office.

Views of Responsible Officials

Recommendation accepted. Reference the corrective action plan for further details.

Federal Agency:	U.S. Department of Agriculture
Federal Program:	Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)
Federal Award Numbers:	2014WICCIVIL, 2015IW100344, 2015IW500344, 2015WICCIVIL, 201616W100344, 201616W500344, 2016WICCIVIL, 201716W100644, 201717W100344, 201717W100644, 201817W100644, 201818W100344, and 201818W100644
Federal Award Years:	2014, 2015, 2016, 2017, and 2018
State Agency:	Department of Health
Reference:	2018-039

Criteria

Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, section 200.519(b) states the auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with section 200.502. While not required, the auditee may choose to provide information requested by HHS awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in section 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in section 200.414.

(Continued)

Additionally, 2 CFR 200.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Department of Health (the Department) did not have adequate annual management review controls in place at a level of precision necessary to ensure proper classification of the amount of expenditures passed through to subrecipients on the State of New York Schedule of Expenditures of Federal Awards (SEFA).

The Department inappropriately classified $8,096,631 of passed-through expenditures, incurred during the fiscal year end March 31, 2018, as non-personnel service expenditures on the State's draft SEFA. As a result, the Department reported passed-through expenditures on the draft SEFA as $102,786,618 as of March 31, 2018, instead of the actual passed through expenditures of $110,883,249.

Additionally, during the period under audit, the Department distributed $370,274,816 of food instruments to beneficiaries that had been provided through the Department's local agencies. The draft schedule of expenditures of the federal awards did not recognize these amounts as being passed-through to subrecipients.

Cause

The condition results from the Department's annual management review controls not being performed at a level of precision necessary to ensure proper classification of the amount of expenditures passed through to subrecipients was complete and accurate. The Department performed the management review control in place and identified program codes to be adjusted; however, the control was not a precision level needed to ensure all adjustments were made correctly.

Additionally, the U.S. Department of Agriculture (USDA) had provided a letter dated August 24, 2001, titled "Subrecipients Single Audit Requirements NESF-044-1" which states that the amount provided under food instruments should be considered local agency expenditures for SEFA reporting purposes. The Department properly notified the local agencies of this requirement; however, the Department did not identify or record the food instrument amounts as passed-through to subrecipients in accordance with USDA requirements.

Possible Asserted Effect

Failure to appropriately ensure the completeness and accuracy of the expenditure amounts or properly instruct subrecipients on the classification of amounts to be reported as federal expenditures on the SEFA may result in inaccurate reporting to USDA and may inhibit its ability to effectively monitor and evaluate the State's performance relative to the Special Supplemental Nutrition Program for Women, Infants, and Children.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

(Continued)

Questioned Costs

None.

Recommendation

We recommend the State to enhance its process including its management review control to ensure the proper classification of subrecipient expenditures for SEFA reporting purposes. Additionally, we recommend the Department review its policies and procedures to ensure consistent presentation in accordance with USDA requirements.

Views of Responsible Officials

Recommendation accepted, and corrective action implemented.

Federal Agency: U.S. Department of Agriculture

Federal Program: Child and Adult Care Food Program (10.558)

Federal Award Numbers: 201818N109944

Federal Award Years: 2018

State Agency: Department of Health

Reference: 2018-040

Criteria

Title 7 U.S. Code of Federal Regulations Part 226 (7 CFR 226), *Child and Adult Care Food Program*, Section 226.7(a) prescribes standards of financial management systems in administering Program funds by the State agency and institutions.

Further, 7 CFR 226.7(b) states each State agency shall maintain an acceptable financial management system, adhere to financial management standards and otherwise carry out financial management policies in accordance with 2 CFR part 200, subpart D and USDA implementing regulations 2 CFR part 400 and part 415, as applicable.

Additionally, Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements* section 200.302 *Financial management* notes:

(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state‘s own funds. In addition, the state‘s and the other non-Federal entity‘s financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. See also section 200.450 *Lobbying*.

(b) The financial management system of each non-Federal entity must provide for the following (see also sections 200.333 *Retention requirements for records*, 200.334 *Requests for transfer of records*, 200.335 *Methods for collection, transmission and storage of information*, 200.336 *Access to records*, and 200.337 *Restrictions on public access to records*):

    (1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in section 200.327 *Financial reporting* and 200.328 *Monitoring and reporting program performance*. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.

(3) Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

(4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See section 200.303 internal controls.

(5) Comparison of expenditures with budget amounts for each Federal award.

(6) Written procedures to implement the requirements of section 200.305 Payment.

(7) Written procedures for determining the allowability of costs in accordance with Subpart E – Cost Principles of this part and the terms and conditions of the Federal award.

Lastly, 2 CFR 200.303(a), *Internal Controls,* states the non-Federal entity must Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include procedures in place to ensure eligibility determinations are performed and documented in accordance with program regulations.

Condition

The State did not have adequate annual management review controls in place at a level of precision necessary to ensure proper classification of the amount of expenditures reported on the State of New York Schedule of Expenditures of Federal Awards (SEFA).

The State inappropriately classified $95,989,199 of expenditures, incurred during the fiscal year-end March 31, 2018, as National School Lunch Program (CFDA #10.555) on the State’s draft SEFA instead of being classified as Child and Adult Care Food Program (CACFP) (CFDA #10.558) program. As a result CACFP reported expenditures on the draft SEFA of $155,748,000, where a total of $251,737,000 were incurred as provided by the Department.

Cause

The condition results from the change in the funding awarded by the USDA and the subsequent coding of the award in the Statewide Financial System (SFS). Per the Fall 2017 issue of the Northeast Region Grants Management Brach Newsletter from the USDA, beginning on October 1, 2017, funds for the three block grants (National School Lunch Program (NSLP), CACFP, and Summer Food Service Program (SFSP)) are given out under one account code, N1099, replacing multiple account codes. The change has no impact on reporting for the programs and supplemental GADs are provided with the estimated breakdown of the amounts by program. When the 2018 grant awards were coded in SFS, the award field was separated into the three awards (201818N109944, 201818N109944-OGS, and 201818N109944-SED). However, all three awards were coded to CFDA #10.555, National School Lunch Program. Therefore, the $95,989,199 of expenditures charged to the 201818N109944 award from October 1, 2017 through March 31, 2018 related to CFDA #10.558, CACFP, but were classified CFDA #10.555, National School Lunch Program on the SEFA as of March 31, 2018. Management's annual SEFA internal control review was not performed at a level of precision that would detect the misclassification of these expenditures.

Possible Asserted Effect

Failure to ensure the completeness and accuracy of the expenditure amounts reported on the SEFA may result in inaccurate reporting to the U.S. Department of Agriculture and may impact its ability to effectively monitor and evaluate the State's performance relative to CACFP.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend the State revise their process, including its management review control to ensure the proper classification of expenditures on the SEFA.

Views of Responsible Officials

Recommendation accepted and corrective action has been implemented. Reference the corrective action plan for further details.

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Maternal and Child Health Services Block Grant to the States (93.994)
Federal Award Numbers:	16B04MC29355; 17B04MC30630; 18B04MC31505
Federal Award Years:	2016, 2017, and 2018
State Agency:	Department of Health
Reference:	2018-041

Criteria

Title 45 U.S. Code of Federal Regulations Part 96 (45 CFR 96), *Block Grants*, section 96.30(a) states except where otherwise required by Federal law or regulation, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.

New York State Governmental Accountability, Audit and Internal Control Act of 1987 act highlighted the need for agency management to promote good internal controls and accountability in government. Article 45, *Internal Control Responsibilities of State Agencies,* Section 951 Executive Internal control responsibilities states 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.

Condition

In accordance with the New York State Internal Control Act, the Department performs a voucher trace control on a sample basis to ensure vouchers submitted for reimbursement are in accordance with the applicable rules and regulations and therefore allowable expenses. Subrecipients are selected for the voucher trace control by the Department through a scored risk assessment and all subrecipients must be selected at least once within a 24-month period. Once a subrecipient is selected for the control, the

Department requests proof of payment for all claimed expenditures, copies of invoices/bill/purchase orders, and the methodology used to allocate the expense to the contract.

The Department of Health (the Department) did not consistently perform their voucher trace internal control over subrecipient expenditures in accordance with their policy. For 5 of 13 claims selected for testwork, supporting invoices for each claim were not obtained and reviewed by the Department in accordance with their policies.

Additionally, for all voucher reviews selected for testwork, the Department was not able to provide evidence that the "Voucher Trace Recoupment of Funds" letter or "Voucher Trace No Findings Letter" was provided to the subrecipient. These letters would include the Department's action items for the subrecipient to complete as deemed necessary.

Cause

The condition is due to the Department not requiring certain subrecipients selected for review to submit the level of documentation required by its internal control policies. The Department provides exceptions to certain subrecipients who express hardship with the process and find it difficult to supply all the required supporting documentation.

Additionally, the condition is due to the Department not being able to provide evidence of their "Voucher Trace Recoupment of Funds" letter or "Voucher Trace No Findings Letter" due to turnover in staff.

Possible Asserted Effect

Failure to perform sufficient internal controls over subrecipient payments may result in the expenditures and use of federal funding not being in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend that the Department enhance its internal control polices to ensure the voucher trace control is performed consistently across all selected subrecipients based on its sampling procedures. Additionally, we recommend that the Department ensure documentation is maintained to support the results of the performance of its review.

Views of Responsible Officials

Recommendation accepted. The Department has already implemented significant process enhancements in this area. Reference the corrective action plan for further details.

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Maternal and Child Health Services Block Grant to the States (93.994)
Federal Award Numbers:	16B04MC29355; 17B04MC30630; 18B04MC31505
Federal Award Years:	2016, 2017, and 2018
State Agency:	Department of Health
Reference:	2018-042

Criteria

Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.352(d) states all pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and performance reports required by the pass-through entity.

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by 45 CFR 75.521.

Further, 45 CFR 75.352(e) states depending upon the pass-through entity's assessment of risk posed by the subrecipient, the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

(1) Providing subrecipients with training and technical assistance on program-related matters; and

(2) Performing on-site reviews of the subrecipient's program operations;

(3) Arranging for agreed-upon procedures engagements as described in 45 CFR 75.425.

Additionally, Title 45 U.S. Code of Federal Regulations Part 96 (45 CFR 96), *Block Grants*, section 96.30(a) states except where otherwise required by Federal law or regulation, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.

(Continued)

New York State Governmental Accountability, Audit and Internal Control Act of 1987 act highlighted the need for agency management to promote good internal controls and accountability in government. Article 45, *Internal Control Responsibilities of State Agencies,* Section 951 Executive Internal control responsibilities states 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.

Condition

The Department of Health (the Department) did not maintain records of subrecipient monitoring activities and internal controls over subrecipient monitoring at a level of precision necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Additionally, the Department did not provide documentation supporting that risk assessment policies and procedures, established within the fiscal year, were in place, performed, and formally documented.

During the fiscal year ended March 31, 2018, the Department passed through approximately $20,146,000 of federal funding to subrecipients through the Maternal and Child Health Services Block Grant to the States federal program (CFDA number 93.994).

For 12 of the 23 subrecipients selected for testwork, management's subrecipient monitoring was not at an appropriate level of detail. Additionally, evidence could not be provided to support management performance of the subrecipient monitoring policies, procedures and internal controls.

Additionally, while the Department has policies and procedures regarding the risk assessment process to develop monitoring activities to be performed based on the level of assess risk, documentation evidencing the completion of the risk assessment and required monitoring activities performed were not provided.

Cause

The cause of the condition found was primarily due to the Department not maintaining records of its subrecipient monitoring activities inclusive of risk assessment procedures performed during the current fiscal year.

Possible Asserted Effect

Failure to maintain evidence to support sufficient risk assessment and monitoring activities over subawards provided to subrecipients of the Department, may result in the use of federal funding not being in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

A similar finding for the Department was included in the prior year Single Audit Report as finding number 2017-031 at pages 82 and 83.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Department update its subrecipient monitoring policy, procedures, and monitoring internal controls to ensure the Department is monitoring subrecipients in accordance with 45 CFR 75.352 (d) and 45 CFR 75.352(e). Additionally, we recommend that the Department establish policies and procedures for maintaining the supporting documentation to evidence the subrecipient monitoring procedures performed.

Views of Responsible Officials

Recommendation accepted. The Department has already taken steps to implement this recommendation. Reference the corrective action plan for further details.

(Continued)

Federal Agency:	U.S. Department of Agriculture U.S. Department of Health and Human Services
Federal Program:	Special Supplemental Nutrition Program for Women, Infants, and Children (10.557) Children's Health Insurance Program (93.767) Maternal and Child Health Services Block Grant to the States (93.994) Child and Adult Care Food Program (10.558)
Federal Award Numbers:	201716W100644, 201717W100644, 201817W100644, and 201818W1006441605NY5021, 1705NY0301, 1705NY5021, and 1805NY502116B04MC29355, 17B04MC30630, and 18B04MC315052015IN109044, 2015IN202044, 201616N105044, 201616N109044, 201616N202044, 201716N202044, 201717N105044, 201717N109044, 201717N202044, 201818N105044, 201818N202044, and 201818N109944
Federal Award Years:	2015, 2016, 2017, and 2018
State Agency:	Department of Health
Reference:	2018-043

Criteria

Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), U*niform Administrative Requirements, Cost Principles, and Audit Requirements,* section 200.305(a) and Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, section 75.305(a) states for states, payments are governed by Treasury-State CMIA agreements and default procedures codified at 31 CFR Part 205 "Rules and Procedures for Efficient Federal-State Funds Transfers" and TFM 4A-2000 Overall Disbursing Rules for All Federal Agencies.

Title 45 U.S. Code of Federal Regulations Part 96 (45 CFR 96), *Block Grants*, section 96.12 states the Secretary will make payments at such times and in such amounts to each State from its awards in advance or by way of reimbursement in accordance with Section 203 of the Intergovernmental Cooperation Act (42 U.S.C. 4213) and Treasury Circular No. 1075 (31 CFR part 205). When matching funds are involved, the Secretary shall take into account the ratio that such payment bears to such State's total expenditures under its awards.

Title 31 U.S. Code of Federal Regulations Part 205 (31 CFR 205), *Rules and Procedures for Efficient Federal-State Funds Transfers*, section 205.33(a) requires a State to minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees in accordance with OMB Circular A-102.

(Continued)

Additionally, 45 CFR 96.30(a) states except where otherwise required by Federal law or regulation, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.

New York State Governmental Accountability, Audit and Internal Control Act of 1987 act highlighted the need for agency management to promote good internal controls and accountability in government. Article 45, *Internal Control Responsibilities of State Agencies,* Section 951 Executive Internal control responsibilities states 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.

Finally, 2 CFR 200.303(a) and 45 CFR 75.303(a), states the non-Federal entity must Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Department of Health's (the Department) policies and procedures and internal controls are not designed effectively to ensure federal drawdowns occurred in accordance with the Treasury-State Agreement for Children's Health Insurance Program and Special Supplemental Nutrition Program for Women, Infants, and Children or 31 CFR 205 Subpart B ensuring a minimized time elapsed between the payment of expenditures and the draw from the Federal Government for the Maternal and Child Health Services Block Grant to the States.

Under the Children's Health Insurance Program, the New York Treasury State Agreement requires a post settlement funding technique to be utilized for reimbursement of program expenditures. For 15 out of 65 expenditures selected for testwork, request and Federal reimbursements were made and received from federal funds prior to the State's issuance of payment from State funds.

Under the Special Supplemental Nutrition Program for Women, Infants, and Children, New York Treasury State Agreement requires a post settlement funding technique to be utilized for reimbursement of program expenditures. For 24 out of 40 subrecipient expenditures selected for testwork, request and Federal reimbursements were made and received from federal funds prior to the issuance of payments from State funds.

Under the Maternal and Child Health Services Block Grant to the States, Subpart B requires that the time elapsed between the payment of expenditures and the draw from the Federal Government be minimized. For 13 of the 65 subrecipient expenditures selected for testwork, the Department's payment to the subrecipients occurred between 7 and 66 days subsequent to the Department's request for and receipt of Federal funds. For 4 of the 40 Other Than Personal Service (OTPS) expenditures selected for testwork, payment to the vendor occurred between 8 and 136 days subsequent to the Department's request and receipt of Federal funds.

Under the Child and Adult Care Food Program, the New York Treasury State Agreement requires a post settlement funding technique to be utilized for reimbursement of program expenditures. For 10 out of 40 subrecipient expenditures selected for testwork, request for Federal reimbursements were made and received from federal funds prior to the issuance of payments from State funds.

Cause

The condition is due to the Department coding vouchers into the Statewide Financial System (SFS) as federally reimbursable expenditures several days in advance of the anticipated payment to the subrecipient. Under the State's Guide to Fiscal Operations Section IX.5, *Federal Billing & Invoicing*, identifies the State's policy that the Department must follow in order to ensure compliance with the State's Treasury-State Agreement or, where applicable, minimize time elapse between the drawdown of the Federal funds and the disbursement in accordance with 31 CFR 205 Subpart B. Specifically, the guide states the following "Since billing is initiated once an expenditure occurs, it is critical that agencies do not enter AP voucher payment dates more than two days in advance of the current date. Any date beyond this two day limit may result in federal funds being drawn down before the voucher payments are actually incurred". In all instances identified, the Department entered accounts payable voucher payment dates more than two days in advance of the current date.

Possible Asserted Effect

Failure to follow the State's Guide to Fiscal Operation policy may result in the Department not complying with the funding techniques of the Treasury State agreement or Subpart B.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

A similar finding was included in the prior year Single Audit Report as finding number 2017-032 on pages 84 and 85 related to the Maternal and Child Health Services Block Grant to the States.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Department review the State's Guide to Fiscal Operations and ensure that vouchers are coded in accordance with the State's policies to ensure that federal drawdowns of funds are occurring in accordance with 31 CFR 205 inclusive of the Treasury State agreement.

Views of Responsible Officials

Implemented. Reference the corrective action plan for further details.

Federal Agency:	U.S. Department of Health and Human Services U.S. Department of Agriculture
Federal Program:	Maternal and Child Health Services Block Grant to the States (93.994) Child and Adult Care Food Program (10.558) Children's Health Insurance Program (93.767)
Federal Award Numbers:	201717N109044; 201818N109944; 16B04MC29355; 17B04MC30630; 18B04MC31505; 1605NY5021; 1705NY0301; 1705NY5021; 1805NY5021
Federal Award Years:	2016, 2017, and 2018
State Agency:	Department of Health
Reference:	2018-044

Criteria

Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, Section 200.331(a) and Title 45 U.S. Code of Federal Regulations Part 75 (45 CFR 75), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*, Section 75.352(a), states all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification

- (i) Subrecipient name (which must match the name associated with its unique entity identifier);
- (ii) Subrecipient's unique entity identifier;
- (iii) Federal Award Identification Number (FAIN);
- (iv) Federal Award Date (see 45 CFR 75.2 and 2 CFR 200.39 Federal award date) of award to the recipient by the Federal agency;
- (v) Subaward Period of Performance Start and End Date;
- (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
- (vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
- (viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
- (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- (x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
- (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
- (xii) Identification of whether the award is R&D; and
- (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per 45 CFR 75.414 and 2 CFR 200.414 Indirect (F&A) costs).

Additionally, 2 CFR 200.303(a) and 45 CFR 75.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award..

Condition

The Department of Health's (the Department) policies and procedures and internal controls are not designed effectively to ensure all requirements within the award notification (or changes to those requirements) are communicated to subrecipients at the time of the subaward or subsequent subaward modification.

For 23 of 23 subawards selected for testwork in the Maternal and Child Health Services Block Grant to the States program, the Federal Award Identification Number, federal award date, total amount of the federal award, name of federal awarding agency, pass-through entity, contact information for awarding official, CDFA name, identification of whether the award is R&D, and indirect cost rate were not communicated as part of the subrecipient contract.

For the Child and Adult Care Food Program (CACFP), of the 40 of 40 subawards selected for testwork, all requirements are communicated to the subrecipient at the time of the original subaward contract with the subrecipient. However, for multiyear subrecipient contracts, the subrecipient was not notified of new federal awards including any changes subsequent to the subaward modification. Subaward modifications include changes to the amount of federal funds obligated by this action by the pass-through entity to the subrecipient.

For the Children's Health Insurance Program, management was unable to provide evidence that the requirements had been communicated to the local district social services offices as required in accordance with 45 CFR 75.352(a).

Cause

The cause of the condition was due to the Department's lack of procedures including internal controls to ensure the Department's policy were being adhered to during the year. Additionally, the Department's policy was not specific or clear as to how often the award notifications should be sent to the subrecipients. This lack of policy and monitoring internal control does not ensure all requirements within the award notification are communicated to subrecipient.

Possible Asserted Effect

Failure to provide sufficient award notification to subrecipients of the Department may result in federal funds provided under the federal award being used for unauthorized purposes contrary to Federal statutes, regulations, and the terms and conditions of the subaward.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend that the Department update its existing subrecipient monitoring policy, procedures and monitoring internal controls to ensure the Department award notifications to subrecipients are in accordance with 2 CFR 200.331(a) and 45 CFR 75.352(a), as applicable.

Views of Responsible Officials

The Department accepts this recommendation. The Department is enhancing its processes in this area. Reference the corrective action plan for further details.

Federal Agency: U.S. Department of Health and Human Services

Federal Program: Maternal and Child Health Services Block Grant to the States (93.994)

Federal Award Numbers: 16B04MC29355; 17B04MC30630; 18B04MC31505

Federal Award Years: 2016, 2017, and 2018

State Agency: Department of Health

Reference: 2018-045

Criteria

Title 45 U.S. Code of Federal Regulations Part 96 (45 CFR 96), *Block Grants*, Section 96.17(a) states a state must make public and submit to the Department of Health and Human Services each annual report required by statute:

(1) Within six months of the end of the period covered by the report; or

(2) At the time the state submits its application for funding for the federal or state fiscal year, as appropriate, which begins subsequent to the expiration of that six-month period.

Additionally, 45 CFR 96.17(b) states these reports are required annually for maternal and child health services by Title 42 U.S. Code of Federal Regulations Part 706 (42 USC 706), *Administrative and fiscal accountability* Section 706(a)(1).

42 USC 706(a)(1) states each State shall prepare and submit to the Secretary annual reports on its activities under this subchapter. Each such report shall be prepared by, or in consultation with, the State maternal and child health agency. In order properly to evaluate and to compare the performance of different States assisted under this subchapter and to assure the proper expenditure of funds under this subchapter, such reports shall be in such standardized form and contain such information (including information described in paragraph (2)) as the Secretary determines (after consultation with the States) to be necessary (A) to secure an accurate description of those activities, (B) to secure a complete record of the purposes for which funds were spent, of the recipients of such funds,,[1] (C) to describe the extent to which the State has met the goals and objectives it set forth under Section 705(a)(2)(B)(i) of this title and the national health objectives referred to in Section 701(a) of this title, and (D) to determine the extent to which funds were expended consistent with the State's application transmitted under Section 705(a) of this title. Copies of the report shall be provided, upon request, to any interested public agency, and each such agency may provide its views on these reports to the Congress.

Further, 45 CFR 96.30(a) states except where otherwise required by Federal law or regulation, a State shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.

New York State Governmental Accountability, Audit and Internal Control Act of 1987 act highlighted the need for agency management to promote good internal controls and accountability in government. Article 45, *Internal Control Responsibilities of State Agencies,* Section 951 Executive Internal control responsibilities states 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.

Condition

Annually, the Department of Health (the Department) submits as part of the Department's Maternal and Child health Service Block Grant Application/ Annual Report (OMB No. 0915-0172) the following forms:

Form 3b	*Budget and Expenditure Details by Types of Services*
Form 4	*Number and Percentage of Newborns and Others Screened Cases Confirmed and Treated*
Form 5a	*Unduplicated Count of Individuals Served under Title V*
Form 5b	*Total Recipient Count of Individuals Served by Title V*
Form 6	*Deliveries and Infants Served by Title V and Entitled to Benefits Under Title XIX*

For Form 3b, no underlying supporting documentation was provided to evidence the completeness and accuracy of Line 4, the funds expended for each type of reported service.

For Form 4, the underlying supporting documentation was not maintained by the Department. The Department was able to recreate the report that agreed with the amounts reported as part of the annual submission.

For 2 of the 4 programs selected, the Department did not provide supporting documentation utilized to develop the estimate of total individuals served for Reporting Year 2016. For 4 of the 4 programs selected, the Department did not provide supporting documentation utilized to develop the estimate of individuals served by type of individual due to the data collection process. The numbers of population served and service type within each program are an estimation as the Department does not routinely collect data in the same population or service categories as requested by the Health Resources and Services Administration

(HRSA). The Department provides a field note within the application noting the estimates, making HRSA aware of this process.

For Form 6, the Department was able to demonstrate how the information was obtained to complete the form as part of the annual submission. However, testing of the underling detail could not be performed.

Cause

The cause of the condition is due to a lack of policies and procedures and internal controls regarding the retention of documentation evidencing the Department's preparation of the annual application.

Possible Asserted Effect

Failure to maintain documentation supporting amounts submitted annually as part of the Department's Maternal and Child Health Services Block Grant to the States Application/Annual Report (OMB No. 0915-0172) may result in inaccurate reporting to the Department of Health and Human Services and may impact its ability to effectively monitor and evaluate the State's performance relative to Maternal and Child Health Services Block Grant to the States.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Department update its existing policies and procedures to ensure documentation is maintained from the Department's completion of the annual report at an appropriate level of precision for amounts submitted as part of its Maternal and Child Health Services Block Grant to the States Application/Annual Report (OMB No. 0915-0172).

Views of Responsible Officials

Recommendation accepted. The Department is enhancing its processes in this area. Reference the corrective action plan for further details.

Federal Agency:	U.S. Department of Labor
Federal Program:	WIA/WIOA Adult Program (17.258) WIA/WIOA Youth Activities (17.259) WIA/WIOA Dislocated Worker Formula Grants (17.278)
Federal Award Numbers:	AA-25371-14-55-A-36, AA-26797-15-55-A-36, AA-28334-16-55-A-36, AA-30767-17-55-A-36
Federal Award Years:	2014, 2015, 2016 and 2017
State Agency:	Department of Labor
Reference:	2018-046

Criteria

Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, section 200.331(b) states all pass-through entities must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

(1) The subrecipient's prior experience with the same or similar subawards;

(2) The results of previous audits including whether or not the subrecipients receives a Single Audit in accordance with Subpart F – Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;

(3) Whether the subrecipient has new personnel or new or substantially changed systems; and

(4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Additionally, Title U.S. Code of Federal Regulations Part 683 (20 CFR 683), *Administrative Provisions Under Title I of the Workforce Innovation and Opportunity Act*, section 683.410(b)(2) states the State monitoring system must:

(i) Provide for annual on-site monitoring reviews of local areas' compliance with 2 CFR part 200, as required by sec. 184(a)(3) of WIOA;

(ii) Ensure that established policies to achieve program performance and outcomes meet the objectives of WIOA and the WIOA regulations;

(iii) Enable the Governor to determine if subrecipients and contractors have demonstrated substantial compliance with WIOA and Wagner-Peyser Act requirements;

(iv) Enable the Governor to determine whether a local plan will be disapproved for failure to make acceptable progress in addressing deficiencies, as required in sec. 108(e) of WIOA; and

(v) Enable the Governor to ensure compliance with the nondiscrimination, disability, and equal opportunity requirements of sec. 188 of WIOA, including the Assistive Technology Act of 1998 (29 U.S.C. 3003).

Further, 20 CFR Sections 683.410 (b) (4) through (6) state the State must require that prompt corrective action be taken if any substantial violations are identified as result of annual on-site monitoring and must impose the sanctions provided in Sections 184(b) and (c) of WIOA if a subrecipient fails to take required corrective action. The State may issue additional requirements and instructions to subrecipients on monitoring activities.

Lastly, 2 CFR 200.303, also states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During the fiscal year ended March 31, 2018, the New York State Department of Labor (the Department) passed through $136,587,690 of federal funding to 33 Local Workforce Development Areas (LWDAs).

As per the Department's policy, the Financial Oversight and Technical Assistance (FOTA) Unit was established to provide technical assistance to help identify potential fiscal system vulnerabilities at the LWDAS. The purpose of oversight activities is to ensure compliance with applicable Federal requirements and ensure that resources are efficiently used for authorized purposes. This process, which includes a series of on-site and desk reviews over LWDAs' activities, also includes internal controls and accounting procedures to protect against waste, fraud, and abuse.

Under the Department's internal control policies, a procurement review is to be performed biennially for all LWDAs to ensure that their procurement practices are consistent with State policies for conducting WIOA program activities. For 1 of the 21 LWDAs selected for testwork, the Department did not perform a procurement review within the Department's established two-year period.

Under the Department's internal control policies, program desk reviews are to be performed quarterly for each LWDA to evaluate the subrecipient's programmatic and financial activity against program goals and compliance requirements. For 1 of the 9 LWDAs selected for testwork, the Department did not perform the program desk review within the Department's established quarterly period.

Under the Department's internal control policies, annual program reviews are to be performed separately over Adult and Dislocated Worker services and Youth services for each LWDA in order to assess compliance with rules and regulations surrounding provision of services; participant eligibility; and Local Workforce Development Board monitoring activities. For 3 of the 9 LWDAs selected for testwork, the Department did not perform a program review within its established annual timeframe over the LWDAs' adult and dislocated workers services in fiscal year 2018. Additionally, for 1 of the 9 LWDAs selected for testwork, the Department did not perform a program review within its established annual timeframe over the LWDA's youth services during fiscal year 2018.

Cause

The Department's internal controls over subrecipient monitoring were not operating in a manner to ensure that all on-site and desk reviews required by Department policy were performed timely.

Possible Asserted Effect

Failure to perform program monitoring activities over subrecipients in a timely manner may result in undetected noncompliance and subrecipients not properly administering the Federal program in accordance with laws, regulations, and the terms and conditions of the award.

Statistical Sampling

The samples were not intended to be, and were not, statistically valid samples.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Department ensure its existing internal controls and policies and procedures over subrecipient monitoring are performed in accordance with the Department's established timeframes.

Views of Responsible Officials

Recommendation accepted. The implementation of new procedures and automated tracking tools are in progress. See corrective action plan for more details.

Federal Agency:	U.S. Department of Housing and Urban Development
Federal Program:	Community Development Block Grant State's Program and Non-Entitlement Grants in Hawaii (14.228)
Federal Award Numbers:	B07 DC 36 001, B 08 DC 36 0001, B-09-DC-36001, B-10-DC-36001, B-11-DC-36001, B 12 DC 36 0001, B-13-DC-36001, B 14 DC 36 001, B-15-DC-36001, B-16-DC-36001, B-17-DC-36001
Federal Award Years:	2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017
State Agency:	Housing Trust Fund Corporation
Reference:	2018-047

Criteria

Title 24 U.S. Code of Federal Regulations Part 570 (2 CFR 570), *Community Development Block Grants*, section 570.500(a) defines Program income as gross income received by the recipient or a subrecipient directly generated from the use of Community Development Block Grant (CDBG) funds, except as provided in paragraph (a)(4) of this section. Program income includes, but is not limited to, the following:

(i) Proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG funds;

(ii) Proceeds from the disposition of equipment purchased with CDBG funds;

(iii) Gross income from the use or rental of real or personal property acquired by the recipient or by a subrecipient with CDBG funds, less costs incidental to generation of the income;

(iv) Gross income from the use or rental of real property, owned by the recipient or by a subrecipient, that was constructed or improved with CDBG funds, less costs incidental to generation of the income;

(v) Payments of principal and interest on loans made using CDBG funds, except as provided in paragraph (a)(3) of this section;

(vi) Proceeds from the sale of loans made with CDBG funds;

(vii) Proceeds from sale of obligations secured by loans made with CDBG funds;

(viii) [Reserved]

(ix) Interest earned on program income pending its disposition; and

(x) Funds collected through special assessments made against properties owned and occupied by households not of low and moderate income, where the assessments are used to recover all or part of the CDBG portion of a public improvement.

(Continued)

24 CFR 570.504(b)(1) states program income received before grant closeout may be retained by the recipient if the income is treated as additional CDBG funds subject to all applicable requirements governing the use of CDBG funds.

24 CFR 570.504(c) also states the written agreement between the recipient and the subrecipient, as required by 24 CFR 570.503, shall specify whether program income received is to be returned to the recipient or retained by the subrecipient. Where program income is to be retained by the subrecipient, the agreement shall specify the activities that will be undertaken with the program income and that all provisions of the written agreement shall apply to the specified activities. When the subrecipient retains program income, transfers of grant funds by the recipient to the subrecipient shall be adjusted according to the principles described in paragraphs (b)(2) (i) and (ii) of this section. Any program income on hand when the agreement expires, or received after the agreement's expiration, shall be paid to the recipient as required by 24 CFR 570.503(b)(8).

24 CFR 570.506(h) states financial records, in accordance with the applicable requirements listed in 24 CFR 570.502, including source documentation for entities not subject to Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*. Grantees shall maintain evidence to support how the CDBG funds provided to such entities are expended. Such documentation must include, to the extent applicable, invoices, schedules containing comparisons of budgeted amounts and actual expenditures, construction progress schedules signed by appropriate parties (e.g., general contractor and/or a project architect), and/or other documentation appropriate to the nature of the activity. Grantee records pertaining to obligations, expenditures, and drawdowns must be able to relate financial transactions to either a specific origin year grant or to program income received during a specific program year.

Lastly Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, section 200.303 states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Housing Trust Fund Corporation (the Corporation) did not have policies or procedures in place to quantify the program income received by its subrecipients for the fiscal year under audit. Subrecipients reported program income to the Corporation through the Annual Performance Report, which is submitted annually for all open subrecipient agreements. However, the Corporation did not aggregate the amounts reported and did not monitor the subrecipient's usage of program income for the fiscal year under audit. Therefore, the Performance and Evaluation Report (PER) submitted by the Corporation for the program year inaccurately reported $0 of program income for each grant.

Cause

The condition found is due to a lack of implemented policies and procedures to track program income generated from Federal funds passed through to subrecipients for the period under audit. Further, the Corporation does not have a monitoring control in place to ensure the Corporation's policies and procedures capture all Federal program compliance requirements.

(Continued)

Possible Asserted Effect

Failure to report program income prevents the United States Department of Housing and Urban Development from effectively monitoring the Corporation's administration of Federal funds. Additionally, a lack of a process to quantify and track program income may result in costs inconsistent with the program objectives being claimed to Federal programs.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Repeat Finding

A similar finding was included in the prior year Single Audit Report as finding number 2017-023 on page 63.

Questioned Costs

Cannot be determined.

Recommendation

We recommend that the Corporation implement policies and procedures to ensure financial records detailing the receipt and expenditure of program income received by subrecipients are maintained and treated as additional CDBG funds and are used for eligible activities before additional cash withdrawals are made from the U.S. Treasury.

Views of Responsible Officials

Recommendation accepted. New policies and procedures have been implemented. Refer to corrective action plan for more details.

Federal Agency:	U.S. Department of Housing and Urban Development
Federal Program:	Home Investment Partnerships Program (14.239)
Federal Award Numbers:	M17-SG360100
Federal Award Years:	2017
State Agency:	Housing Trust Fund Corporation
Reference:	2018-048

Criteria

Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*, section 200.510(b) states the auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with section 200.502. While not required, the auditee may choose to provide information requested by HHS awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in section 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in section 200.414.

Additionally section 200.303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The Housing Trust Fund Corporation (the Corporation) did not have adequate annual management review controls in place, at a level of precision necessary to ensure proper classification of the amount of expenditures passed through to subrecipients on the State of New York Schedule of Expenditures of Federal Awards (SEFA).

The Corporation reported a total of $17,027,504 in amounts passed through to subrecipients. This included $8,445,205 in capital loans made directly with developers for the Multi-Family Capital Projects program and $8,582,299 paid to Local Program Administrators (LPAs). The amounts provided under the Multi-Family Capital Projects programs were not made to subrecipients as the recipients of the funds were the ultimate beneficiaries. As a result, the Corporation inappropriately identified the $8,445,205 as pass-through expenditures that should have been reported as direct expenditures in the SEFA.

Cause

The condition results from the Corporation's annual management review controls not being performed at a level of precision, to ensure proper classification of the amount of expenditures passed through to subrecipients were accurate.

Possible Asserted Effect

Failure to appropriately ensure the accuracy of the expenditure amounts reported on the SEFA may result in inaccurate reporting to the U.S. Department of Housing and Urban Development and may inhibit its ability to effectively monitor and evaluate the State's performance relative to the HOME Investment Partnerships Program.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None.

Recommendation

We recommend that the Corporation enhance their process including their management review control to ensure the properly classification of expenditures are presented on the SEFA.

Views of Responsible Officials

Recommendation accepted. Corrective action has been implemented and the issue is resolved.

STATE OF NEW YORK

STATE AGENCY CORRECTIVE ACTION PLANS

FOR THE YEAR ENDED MARCH 31, 2018

Andrew M. Cuomo, Governor

Robert F. Mujica Jr., Budget Director

State Agency Responses to State Fiscal Year 2017-2018 Single Audit Findings For the State Fiscal Year Ended March 31, 2018

Compiled in November 2018 by the New York State Division of the Budget

Pursuant to Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

ANDREW M. CUOMO
Governor

SAMUEL D. ROBERTS
Commissioner

BARBARA C. GUINN
Executive Deputy Commissioner

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Office of Temporary and Disability Assistance
Single Audit Contact:	Kathleen Murphy
Title:	External Audit Coordinator
Telephone:	518-473-7159
E-mail Address:	kathleen.murphy@otda.ny.gov
Federal Program(s) (CFDA # [s]):	Child Support Enforcement (93.563)
Audit Report Reference:	2018-001

Corrective Action Planned:

The Office will work with the State to ensure compliance with the federal requirement. The State is in the process of developing enterprise wide policies and procedures to ensure appropriate monitoring controls are in place over subrecipients.

Anticipated Completion Date:

March 2019

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Office of Temporary and Disability Assistance
Single Audit Contact:	Kathleen Murphy
Title:	External Audit Coordinator
Telephone:	518-473-7159
E-mail Address:	kathleen.murphy@otda.ny.gov
Federal Program(s) (CFDA # [s]):	Child Support Enforcement (93.563)
Audit Report Reference:	2018-002

Corrective Action Planned:

The Division of Child Support Services (DCSS) has developed a comprehensive and documented risk assessment process that will be incorporated into the existing local district procedures used to monitor subrecipient performance and technical assistance needs. The risk assessment process will augment DCSS' existing monitoring process. The Division of Budget, Finance, & Data Management (DBFDM) continues to monitor claiming expenditures and conducts first level documentation fiscal reviews of local district claims.

Anticipated Completion Date:

The risk assessment tool is expected to be fully implemented and utilized by the end of CY 2018. DCSS is currently inputting FFY 2018 data into the risk assessment tool.

NYS Corrective Action Plan

Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2018

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Kathleen Murphy

Title: External Audit Coordinator

Telephone: 518-473-7159

E-mail Address: kathleen.murphy@otda.ny.gov

Federal Program(s) (CFDA # [s]): Child Support Enforcement (93.563)

Finding Number: 2018-003

Corrective Action Planned:
The Office revised procedures and supporting documentation for calculating Child Support Source 9 draws to ensure compliance.

Anticipated Completion Date:
Completed as of June 12, 2018.

NEW YORK STATE | Office of Temporary and Disability Assistance

ANDREW M. CUOMO
Governor

SAMUEL D. ROBERTS
Commissioner

BARBARA C. GUINN
Executive Deputy Commissioner

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Office of Temporary and Disability Assistance
Single Audit Contact:	Kathleen Murphy
Title:	External Audit Coordinator
Telephone:	518-473-7159
E-mail Address:	kathleen.murphy@otda.ny.gov
Federal Program(s) (CFDA # [s]):	Child Support Enforcement (93.563)
Audit Report Reference:	2018-004

Corrective Action Planned:

New policies and procedures will be developed to ensure all required information is provided to each subrecipient including any changes.

Anticipated Completion Date:

March 2019

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Office of Children and Family Services
Single Audit Contact:	Bonnie Hahn
Title:	External Audit Liaison
Telephone:	518-486-1034
E-mail Address:	Bonnie.Hahn@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Adoption Assistance (93.659), Foster Care – Title IV-E (93.658)
Audit Report Reference:	2018-005

Corrective Action Planned:

As part of the subrecipient monitoring process, OCFS developed and implemented a formal risk assessment process at the end of the 2017-18 State fiscal year to assist program office in identifying subrecipient monitoring activities that can be performed to provide reasonable assurance that the subawards were spent in compliance with Federal statutes, regulations, and the terms and conditions of the subaward. The risk assessment has questions addressing each factor described in the Uniform Guidance section 2 CFR 200.331(b) as well as other factors OCFS determined to be relevant for assessing risk. Upon completion of the risk assessment, a score is calculated for each section of the risk assessment as well as an overall risk score. During the fiscal year under review, OCFS completed the risk assessment for its major subawards and is in the process of completing a risk assessment for other subawards.

For SFY 2018-19 OCFS is working on improvements to the risk assessment tool and process to improve the efficiency of its completion and increase its effectiveness in determining monitoring activities for different OCFS offices. OCFS offices are currently developing processes and procedures regarding the use of the risk assessment scores to determine the extent of monitoring procedures to be performed on subrecipients.

For example, OCFS AQC is currently planning county claims audits and is using the results of the risk assessment to determine which LDSS's will be selected for the audit. All processes and procedures will be documented and retained.

Anticipated Completion Date:

December 2018

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Office of Children and Family Services
Single Audit Contact:	Bonnie Hahn
Title:	External Audit Liaison
Telephone:	518-486-1034
E-mail Address:	Bonnie.Hahn@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Foster Care – Title IV-E(93.658)
Audit Report Reference:	2018-006

Corrective Action Planned:

OCFS AQC is in the process of completing an analysis of current subrecipient monitoring activities occurring by budget, finance, and program units. The criteria with which they are compared to include the compliance areas identified in the Compliance Supplement and the required monitoring activities identified in 45 CFR 75.352(d) and 45 CFR 75.352(e). Gaps in subrecipient monitoring that are identified will be conveyed to the appropriate office and appropriate resources will be identified to remedy the deficiency.

AQC is developing a report that can be used for each grant that will identify the compliance requirements, current monitoring activities and any gaps for which monitoring activities need to be improved.

The appropriate OCFS offices are currently working to create and/or improve ongoing monitoring procedures to address the gaps in the compliance areas referenced in this finding. These compliance areas consist of: the appropriateness of foster care maintenance rates, the allowability of costs incurred, the eligibility of participants and foster care providers, and the appropriateness of the source of matching funds utilized by the local districts.

In addition, AQC is currently planning to perform county claims audits as an additional fiscal monitoring activity All monitoring activities will be documented and evidence of their performance will be retained.

Anticipated Completion Date:

March 2019

Office of Children and Family Services

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Office of Children and Family Services
Single Audit Contact:	Bonnie Hahn
Title:	External Audit Liaison
Telephone:	518-486-1034
E-mail Address:	Bonnie.Hahn@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Adoption Assistance(93.659)
Audit Report Reference:	2018-007

Corrective Action Planned:

OCFS AQC is in the process of completing an analysis of current subrecipient monitoring activities occurring by budget, finance, and program units. The criteria with which they are compared to include the compliance areas identified in the Compliance Supplement and the required monitoring activities identified in 45 CFR 75.352(d) and 45 CFR 75.352(e). Gaps in subrecipient monitoring that are identified will be conveyed to the appropriate OCFS office and appropriate resources will be identified to remedy the deficiency.

AQC is developing a report that can be used for each grant that will identify the compliance requirements, current monitoring activities and any gaps for which monitoring activities need to be improved.

The appropriate OCFS offices are currently working to create and/or improve ongoing monitoring procedures to address the gaps in monitoring of the compliance areas referenced in this finding. These compliance areas consist of: the allowability of costs incurred, the eligibility of participants and providers, and the appropriateness of the source of matching funds utilized by the local districts.

In addition, AQC is planning to perform county claims audits as an additional fiscal monitoring activity. All monitoring activities will be documented and evidence of their performance will be retained.

Anticipated Completion Date:

March 2019

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Office of Children and Family Services
Single Audit Contact:	Bonnie Hahn
Title:	External Audit Liaison
Telephone:	518-486-1034
E-mail Address:	Bonnie.Hahn@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Child Care and Development Fund Cluster (93.575, 93.596) Social Services Block Grant(93.667)
Audit Report Reference:	2018-008

Corrective Action Planned:

As part of the subrecipient monitoring process, OCFS developed and implemented a formal risk assessment process at the end of the 2017-18 State fiscal year to assist program offices in identifying subrecipient monitoring activities that can be performed to provide reasonable assurance that the subawards were spent in compliance with Federal statutes, regulations, and the terms and conditions of the subaward. The risk assessment has questions addressing each factor described in the Uniform Guidance section 2 CFR 200.331(b) as well as other factors OCFS determined to be relevant for assessing risk. Upon completion of the risk assessment, a score is calculated for each section of the risk assessment as well as an overall risk score. During the fiscal year under review, OCFS completed the risk assessment for its major subawards and is in the process of completing a risk assessment for other subawards.

For SFY 2018-19 OCFS is working on improvements to the risk assessment tool and process to improve the efficiency of its completion and increase its effectiveness in determining monitoring activities for different OCFS offices. OCFS offices are currently developing processes and procedures regarding the use of the risk assessment scores to determine the extent of monitoring procedures to be performed on subrecipients.

For example, OCFS AQC is currently planning county claims audits and is using the results of the risk assessment to determine which LDSS's will be selected for the audit. All processes and procedures will be documented and retained.

Anticipated Completion Date:

December 2018

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Office of Children and Family Services
Single Audit Contact:	Bonnie Hahn
Title:	External Audit Liaison
Telephone:	518-486-1034
E-mail Address:	Bonnie.Hahn@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Child Care and Development Fund Cluster (93.575, 93.596)
Audit Report Reference:	2018-009

Corrective Action Planned:

OCFS AQC is in the process of completing an analysis of current subrecipient monitoring activities occurring by budget, finance, and program units. The criteria with which they are compared to include the compliance areas identified in the Compliance Supplement and the required monitoring activities identified in 45 CFR 75.352(d) and 45 CFR 75.352(e). Gaps in subrecipient monitoring that are identified will be conveyed to the appropriate OCFS office and appropriate resources will be identified to remedy the deficiency.

AQC is developing a report that can be used for each grant that will identify the compliance requirements, current monitoring activities and any gaps for which monitoring activities need to be improved.

The appropriate OCFS offices are currently working to create and/or improve ongoing monitoring procedures to address the gaps in monitoring of the compliance areas referenced in this finding. These compliance areas consist of: the allowability of costs incurred, the eligibility of participants, that participants are placed with approved child care providers, and that appropriate policies and procedures for fraud detection are in place at the local districts.

In addition, AQC is planning to perform county claims audits as an additional fiscal monitoring activity. All monitoring activities will be documented and evidence of their performance will be retained.

Anticipated Completion Date:

March 2019

NEW YORK STATE | Office of Children and Family Services

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Office of Children and Family Services
Single Audit Contact:	Bonnie Hahn
Title:	External Audit Liaison
Telephone:	518-486-1034
E-mail Address:	Bonnie.Hahn@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Child Care and Development Fund Cluster (93.575, 93.596)
Audit Report Reference:	2018-010

Corrective Action Planned:

After this condition was brought to the Bureau of Finance's attention, they submitted a corrected report to the federal government and have implemented additional review steps to ensure that back-up documentation is cross-referred to the appropriate ACF-696 form and that the documentation is retained.

Anticipated Completion Date:

Corrective action already implemented.

Office of Children and Family Services

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Office of Children and Family Services
Single Audit Contact:	Bonnie Hahn
Title:	External Audit Liaison
Telephone:	518-486-1034
E-mail Address:	Bonnie.Hahn@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Child Care Development Fund
Audit Report Reference:	2018-011

Corrective Action Planned:

The Office of Children and Family Services will review the guidance provided in 2 CFR 200.330 and the AICPA audit guide regarding the subrecipient-vendor determination process to develop a decision matrix that will be used as part of the procurement development process. The matrix will accompany the procurement planning checklist and be completed by program staff. The procurement planning checklist and the decision matrix will be reviewed during the procurement kick-off meeting which includes representatives from: Program, Legal, Finance, Budget and Contracts for a final determination. The matrix will also be used as part of the contract renewal process for non-competitive procurements.

Anticipated Completion Date:
December 2018

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Office of Children and Family Services
Single Audit Contact:	Bonnie Hahn
Title:	External Audit Liaison
Telephone:	518-486-1034
E-mail Address:	Bonnie.Hahn@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Social Services Block Grant (93.667)
Audit Report Reference:	2018-012

Corrective Action Planned:

OCFS AQC is in the process of completing an analysis of current subrecipient monitoring activities occurring by budget, finance, and program units. The criteria with which they are compared to include the compliance areas identified in the Compliance Supplement and the required monitoring activities identified in 45 CFR 75.352(d) and 45 CFR 75.352(e). Gaps in subrecipient monitoring that are identified will be conveyed to the appropriate OCFS office and appropriate resources will be identified to remedy the deficiency.

AQC is developing a report that can be used for each grant that will identify the compliance requirements, current monitoring activities and any gaps for which monitoring activities need to be improved.

The appropriate OCFS offices are currently working to create and/or improve ongoing monitoring procedures to address the gaps in monitoring of the compliance areas referenced in this finding. These compliance areas consist of: the allowability of costs incurred, and that the local district office's use of funds transferred into the SSBG program from the TANF program are used to provide services only to individuals that meet the applicable federal poverty standards.

In addition, AQC is planning to perform county claims audits as an additional fiscal monitoring activity. All monitoring activities will be documented and evidence of their performance will be retained.

Anticipated Completion Date:

March 2019

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Office of Children and Family Services
Single Audit Contact:	Bonnie Hahn
Title:	External Audit Liaison
Telephone:	518-486-1034
E-mail Address:	Bonnie.Hahn@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Adoption Assistance (93.659) Foster Care – Title IV-E (93.658) Child Care and Development Fund Cluster (93.575, 93.596) Social Services Block Grant (93.667)
Audit Report Reference:	2018-013

Corrective Action Planned:

New policies and procedures will be developed to ensure all required information is provided to each subrecipient including any changes.

Anticipated Completion Date:

March 2019

ANDREW M. CUOMO
Governor

SHEILA J. POOLE
Acting Commissioner

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Office of Children and Family Services
Single Audit Contact:	Bonnie Hahn
Title:	External Audit Liaison
Telephone:	518-486-1034
E-mail Address:	Bonnie.Hahn@ocfs.ny.gov
Federal Program(s) (CFDA # [s]):	Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126)
Audit Report Reference:	2018-014

Corrective Action Planned:

As a result of last year's finding, the New York State Commission for the Blind (NYSCB) developed a procedure for reconciling CIS into SFS and has validated that this method of reconciliation works by successfully identifying miscoded vouchers. This procedure is scheduled to take place in October/November of each year for the prior federal fiscal year.

For the two identified vouchers this procedure has already been completed. In addition, the findings from last year were corrected.

Anticipated Completion Date:

A process is in place to identify any miscoded vouchers and corrective action has already been implemented.

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency: New York State Education Department

Single Audit Contact: Karla Ravida

Title: Principal Internal Auditor

Telephone: 518-486-5212

E-mail Address: Karla.Ravida@nysed.gov

Federal Program(s) (CFDA # [s]): Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)

Audit Report Reference: 2018-015

Corrective Action Planned:

The Department agrees with the findings.

- Audit findings will be shared with District Office Managers, Directors of Counseling and Senior Vocational Rehabilitation Counselors.
- District Office Managers will review audit findings with their management team and staff at monthly meetings.
- Supervisors are required to monitor and review eligibility determinations to ensure eligibilities are completed timely (within 60 days), Trial Work Experience or Status 07 are used appropriately and completed Eligibilities are signed.
- Train staff- A training strategy will be created to ensure that staff receive pertinent training on policy, procedure, regulation, CaMS case management tools and best practices.
- Quality Assurance and Monitoring Unit will monitor for measurable, statewide improvement and provide updates to Central Office leadership quarterly.

Anticipated Completion Date:

Corrective action plan is in progress with full implementation expected by December 2019.

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency: New York State Education Department

Single Audit Contact: Karla Ravida

Title: Principal Internal Auditor

Telephone: 518-486-5212

E-mail Address: Karla.Ravida@nysed.gov

Federal Program(s) (CFDA # [s]): Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)

Audit Report Reference: 2018-016

Corrective Action Planned:

The Department agrees with the findings.

- Audit findings will be shared with District Office Managers, Directors of Counseling and Senior Vocational Rehabilitation Counselors.
- District Office Managers will review audit findings with their management team and staff at monthly meetings.
- Supervisors are required to monitor and review Individualized Plans for Employment (IPE) to ensure IPEs are completed timely (within 90 days), the IPE Pending tab (Chronological Note) is used appropriately and completed IPEs are signed by both VRC and individual.
- Develop a strategy to effectively implement the WIOA IPE requirements in our electronic case management system until a replacement system is available.
- Train staff- A training strategy will be created to ensure that staff receive pertinent training on policy, procedure, regulation, CaMS case management tools and best practices.
- Quality Assurance and Monitoring Unit will monitor for measurable, statewide improvement and provide updates to Central Office leadership quarterly.

Anticipated Completion Date: December 2019

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	New York State Education Department
Single Audit Contact:	Karla Ravida
Title:	Principal Internal Auditor
Telephone:	518-486-5212
E-mail Address:	Karla.Ravida@nysed.gov
Federal Program(s) (CFDA # [s]):	Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
Audit Report Reference:	2018-017

Corrective Action Planned:

The Department agrees with the findings.

- Audit findings will be shared with District Office Managers, Directors of Counseling and Senior Vocational Rehabilitation Counselors.
- District Office Managers will review audit findings with their management team and staff at monthly meetings.
- Supervisors are required to monitor and review Individualized Plans for Employment (IPE) to ensure IPEs are completed timely (within 90 days), that IPEs are signed by both VRC and individual and purchased services are authorized according to policy, procedure, federal regs. and State finance rules.
- Train staff- A training strategy will be created to ensure that staff receive pertinent training on policy, procedure, and regulations.
- Quality Assurance and Monitoring Unit will monitor IPEs for supervisory review and approval consistent with policy, procedure and regulation and report findings quarterly to Central Office leadership.

Anticipated Completion Date:

December 2019

THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency: New York State Education Department

Single Audit Contact: Karla Ravida

Title: Principal Internal Auditor

Telephone: 518-486-5212

E-mail Address: Karla.Ravida@nysed.gov

Federal Program(s) (CFDA # [s]): School Improvement Grants (84.377)

Audit Report Reference: 2018-018

Corrective Action Planned:

For the 2018-2019 school year, the Office of Innovation and School Reform (OISR), will update its risk assessment to include multiple risk factors related to the individual buildings, and develop a risk assessment policy and procedure manual.

Anticipated Completion Date:

The corrective action plan will be fully implemented by March of 2019.

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E-mail Address: Karla.Ravida@nysed.gov

Federal Program(s) (CFDA # [s]): School Improvement Grants (84.377)

Audit Report Reference: 2018-019

Corrective Action Planned:

For the 2018-2019 school year, all SIG recipients will be monitored programatically and fiscally. Monitoring documentation will include the submission of required reports and fiscal audit documents to ensure the evidence of their monitoring procedures performed over subrecipients be maintained. (For example, completed SIG Review Monitoring forms, monitoring checklists and an OISR SIG Monitoring Tracker). In addition, the updated fiscal monitoring activities will be included in the fiscal monitoring policy and procedures manual.

Anticipated Completion Date:

The Corrective Action Plan will be fully implemented by March of 2019.

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Federal Program(s) (CFDA # [s]): School Improvement Grants (84.377)

Audit Report Reference: 2018-020

Corrective Action Planned:

Since the 1003(g) SIG is a subgrant under the auspices of NYSED Title 1, the NYSED OISR is currently working with the NYSED Title I Office to learn from their plan about ensuring funds supplement and do not supplant local funding.

The NYSED OISR will have access to and will utilize the NYSED Title 1 Office's plan to implement the fiscal monitoring through a combination of subaward application review and subrecipient monitoring.

Anticipated Completion Date:

The Corrective Action Plan will be deployed in stages and fully implemented by August of 2019.

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Telephone:	518-486-5212
E-mail Address:	Karla.Ravida@nysed.gov
Federal Program(s) (CFDA # [s]):	English Language Acquisition State Grants (84.365)
Audit Report Reference:	2018-021

Corrective Action Planned:

The State Aid unit policy and procedures will be updated to reflect the communication of annual MOE calculation results to the respective program offices. The process will include actions to take when staff vacancies exist to ensure the results are communicated to the program offices.

The policies and procedures will also address any additional steps to ensure there is communication in the event a LEA does not meet the MOE requirements and a reduction of the allocation is required.

Anticipated Completion Date:

Policies and Procedures – March 2019

The process will be implemented beginning May-June 2019 due to the ST-3 process and the dependence on this information for the MOE calculation.

SUNY The State University of New York

Office of the University Auditor

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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	State University of New York
Single Audit Contact:	Amy Montalbano
Title:	Interim University Auditor
Telephone:	518.320.1533
E-mail Address:	amy.montalbano@suny.edu
Federal Program(s) (CFDA # [s]):	Student Financial Aid Cluster
Audit Report Reference:	2018-022

Corrective Action Planned:

Stony Brook - Five of the seven cases cited at Stony Brook occurred because the graduation status that the campus reported to NSC was not applied to the student's record through NSC's Degree Verify process. The status of the five has since been updated to "Graduated". Stony Brook's procedures now include review of Degree Verify error reports NSC has recently made available to identify students for whom reported graduation was not applied and whose records therefore require manual update. Stony Brook is researching the other two cases, and will address, as appropriate.

Empire- Issue relates specifically to graduation reporting. Campus plans to implement an NSC add on service which will assist in timely identification of status changes through enhanced quality assurance review. This includes the “Graduated” and “Degree Verify” service. As a final step, the campus identified three formal options to be implemented to update statuses, as applicable

Brockport- Issue relates to graduation reporting and subsequent student statuses. The Campus is presently reviewing all transmission files to NSC/NSLDS while working with NSC to create an effective automation for a long term solution. The plan is that the remedy will address certain particulars related to the reporting from NSC to NSLDS.

Anticipated Completion Date(s):

Stony Brook	Implemented November 2018
Empire	ETA December 2018
Brockport	Manual remedy implemented; automated remedy under review.

NEW YORK STATE CORRECTIVE ACTION PLAN

**Single Audit of Federal Programs for
State Fiscal Year Ended March 31, 2018**

State Agency:	NYS Office of Alcoholism and Substance Abuse Services
Single Audit Contact:	Steven Shrager
Title:	Director of Audit Services
Telephone:	518-485-2255
E-mail Address:	Steven.Shrager@oasas.ny.gov
Federal Program(s) (CFDA # [s]):	Block Grant For Protection and Treatment of Substance Abuse (93.959)
Audit Report Reference:	2018-023

Corrective Action Planned:

NYS OASAS will ensure the completion of the Independent Peer Reviews in accordance with the 5% federal requirement by increasing the number of providers who would volunteer to participate. Also, OASAS will include at least 1 provider funded in the 2016-2017 FFY.

Anticipated Completion Date:

Implemented. The next required peer review will be completed in accordance with the federal requirement.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

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Single Audit Contact:	Steven Shrager
Title:	Director of Audit Services
Telephone:	518-485-2255
E-mail Address:	Steven.Shrager@oasas.ny.gov
Federal Program(s) (CFDA # [s]):	Block Grant For Protection and Treatment of Substance Abuse (93.959)
Audit Report Reference:	2018-024

Corrective Action Planned:

OASAS received a letter from SAMHSA dated January 24, 2017 in response to OASAS' request for a waiver of the EIS/HIV set-aside requirement from noted shortfalls in FY 2011, FY 2012 and FY 2013. In their response they stated that while they are unable to grant a waiver, they determined that the circumstances presented by the state demonstrate an intent to comply with the requirement. They further stated their decision that enforcement action was not necessary at this time. As noted in this finding, OASAS sent a letter to SAMHSA, dated 4/18/18, and self-reported that the set aside had not been met, outlined a corrective action plan and requested a waiver. OASAS followed up with SAMHSA on 10/26/18 and on 10/27/18 SAMHSA advised their response to the waiver request is still under review. We will continue to work with SAMHSA to receive a waiver.

Anticipated Completion Date:

Waiting on approval from SAMHSA.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency: NYS Office of Alcoholism and Substance Abuse Services

Single Audit Contact: Steven Shrager

Title: Director of Audit Services

Telephone: 518-485-2255

E-mail Address: Steven.Shrager@oasas.ny.gov

Federal Program(s) (CFDA # [s]): Block Grant For Protection and Treatment of Substance Abuse (93.959)

Audit Report Reference: 2018-025

Corrective Action Planned:

OASAS has taken additional steps to ensure the risk assessment is up to date and each provider is considered in the risk assessment for fiscal reviews.

Anticipated Completion Date:

Implemented.

Office of Alcoholism and Substance Abuse Services

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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	NYS Office of Alcoholism and Substance Abuse Services
Single Audit Contact:	Steven Shrager
Title:	Director of Audit Services
Telephone:	518-485-2255
E-mail Address:	Steven.Shrager@oasas.ny.gov
Federal Program(s) (CFDA # [s]):	Block Grant For Protection and Treatment of Substance Abuse (93.959)
Audit Report Reference:	2018-026

Corrective Action Planned:

OASAS will review and update its current policy regarding notification to subrecipients, the information that is required and what is currently communicated, and will develop a process that will allow all required information to be provided to each subrecipient including any changes.

Anticipated Completion Date:

December 31, 2018

Office of Alcoholism and Substance Abuse Services

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NEW YORK STATE CORRECTIVE ACTION PLAN

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Single Audit Contact:	Steven Shrager
Title:	Director of Audit Services
Telephone:	518-485-2255
E-mail Address:	Steven.Shrager@oasas.ny.gov
Federal Program(s) (CFDA # [s]):	Block Grant For Protection and Treatment of Substance Abuse (93.959)
Audit Report Reference:	2018-027

Corrective Action Planned:

The State made modifications to the Statewide Financial System as of 4/1/2018 which ensures agency payments are made prior to drawing federal funds.

Anticipated Completion Date:

Implemented.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Department of Health
Single Audit Contact:	Lori Conway
Title:	Associate Accountant
Telephone:	518-473-3920
E-mail Address:	Lori.Conway@Health.ny.gov
Federal Program(s) (CFDA # [s]):	Basic Health Program (Affordable Care Act) (93.640)
Audit Report Reference:	2018-028

Corrective Action Planned:

An eMedNY Evolution Project was deployed in July 2018 to apply the correct codes prospectively to prevent this error from occurring in the future. The retroactive claims back to 2016 still need to be corrected. The Office of Health Insurance Programs (OHIP) and the Division of Budget (DOB) are both aware of the retroactive component and are working on the development and timing of this part of the correction.

Anticipated Completion Date:

Prospective correction has been implemented. Retroactive correction is anticipated to be implemented over a two-year period beginning in April 2019. Completion date tentatively estimated at 3/31/21.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Department of Health
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Title:	Associate Accountant
Telephone:	518-473-3920
E-mail Address:	Lori.Conway@Health.ny.gov
Federal Program(s) (CFDA # [s]):	Basic Health Program (Affordable Care Act) (93.640)
Audit Report Reference:	2018-029

Corrective Action Planned:

The Department will continue to monitor its existing process to ensure that all recouped funds and earned interest is properly applied against BHP expenditures. This issue has also been addressed prospectively on newly proposed eMedNY reports for BHP, which are anticipated to be implemented within the next year.

Anticipated Completion Date:

Monitoring policy currently implemented. New reports anticipated for implementation by 10/31/19.

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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Department of Health
Single Audit Contact:	Lori Conway
Title:	Associate Accountant
Telephone:	518-473-3920
E-mail Address:	Lori.Conway@Health.ny.gov
Federal Program(s) (CFDA # [s]):	Medicaid Assistance Program (93.778)
Audit Report Reference:	2018-030

Corrective Action Planned:

A subset of HARP-related claims was missed and had to be invoiced at a later point in time. To ensure that this does not re-occur the Division of Finance and Rate Setting, responsible for rebate invoicing, will now be notified by the Division of Health Plan Contracting & Oversight when any new program/plan type is scheduled to be implemented in order to inform decisions relative to rebate concerns. The State's contractor has also been made aware of the issue and will work with the Department to ensure required system updates are implemented in a timely manner.

Anticipated Completion Date:

The Department sent retroactive invoices to manufacturers on January 12th, 2018 for the uncollected HARP drug rebates in the amount of $204 M for the retroactive period of October 1, 2015 through March 31, 2017. Of the total amount owed, $177 M has been collected. The State's contractor continues to work to collect the remaining balance owed to the State.

NEW YORK STATE OF OPPORTUNITY. Department of Health

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NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Department of Health
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Title:	Associate Accountant
Telephone:	518-473-3920
E-mail Address:	Lori.Conway@Health.ny.gov
Federal Program(s) (CFDA # [s]):	Medicaid Assistance Program (93.778)
Audit Report Reference:	2018-031

Corrective Action Planned:

The Department of Health will review relevant processes and internal controls and determine an appropriate course of action to prevent payment of claims to inactive or terminated providers.

Anticipated Completion Date:

March 31, 2019.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency: Department of Health

Single Audit Contact: Lori Conway

Title: Associate Accountant

Telephone: 518-473-3920

E-mail Address: Lori.Conway@Health.ny.gov

Federal Program(s) (CFDA # [s]): Medicaid Assistance Program Cluster (93.775, 93.777, 93.778)

Audit Report Reference: 2018-032

Corrective Action Planned:

The Department has developed strategies and controls to address this recommendation and has implemented measures to get all model contracts updated in accordance with current CMS standards. Department staff track all contracting processes and report the status of each line to management biweekly and as new developments warrant. The contract status report is made in the form of a table showing the contract term, current status, scope of any amendments, and next steps in the process for the Partial Capitation MLTC, MAP, PACE, and Medicaid Advantage contracts. A second table is used to track all materials submitted to CMS, and to document their return.

Anticipated Completion Date:

Corrective action has been implemented.

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Title:	Associate Accountant
Telephone:	518-473-3920
E-mail Address:	Lori.Conway@Health.ny.gov
Federal Program(s) (CFDA # [s]):	Immunization Cooperative Agreements (93.268)
Audit Report Reference:	2018-033

Corrective Action Planned:

To improve monitoring of the Vaccines for Children (VFC) site visits to ensure completion with the required time frames, regional supervisors will be required to track and update key VFC visit information in an Excel spreadsheet, including the visit due date, the staff person assigned to conduct the visit, the date the visit is scheduled, the date the visit is completed and the name of the staff person who ultimately conducted the visit. The regional supervisor will review deadlines with their staff monthly and update the tracking sheet on an ongoing basis (as visits get scheduled and completed). In addition, regional staff will be encouraged to schedule visits in such a manner that there is a sufficient cushion between the scheduled visit date and the 24-month deadline date to allow for last-minute reschedules to still occur by the 24-month deadline.

The Vaccine Program Manager will continue to have monthly calls with the regional staff. During the calls, she will discuss the status of site visit scheduling and completion. The Vaccine Program Manager and other staff in the Vaccine Program at the central office will also continue to monitor activity in the CDC's Provider Education Assessment and Reporting (PEAR) system. PEAR is used to record the results of site visits. Regional staff will be given refresher training on how to view the 24-month monitoring flags included in PEAR. In addition, central office staff will generate site visit status reports from PEAR on a quarterly basis and share with the regional staff.

Anticipated Completion Date:

December 1, 2018.

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Telephone:	518-473-3920
E-mail Address:	Lori.Conway@Health.ny.gov
Federal Program(s) (CFDA # [s]):	Children's Health Insurance Program (93.767)
Audit Report Reference:	2018-034

Corrective Action Planned:

The Department will continue to utilize the revised methodology requested by the Center for Medicare and Medicaid Services (CMS). This method, which was implemented in March 2018, continues to ensure that only State dollars are used to pay for abortion services, and the front-end approach improves upon the former methods by making it prospective.

Anticipated Completion Date:

Implemented.

NEW YORK STATE OF OPPORTUNITY. | Department of Health

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E-mail Address:	Lori.Conway@Health.ny.gov
Federal Program(s) (CFDA # [s]):	Children's Health Insurance Program (93.767)
Audit Report Reference:	2018-035

Corrective Action Planned:

The Department has reviewed payments associated with the CHIP population who had their eligibility determinations made through the New York State of Health, and identified all payments associated with this population as being correctly classifiable as 'Contractor' payments as opposed to 'Subrecipient' payments. As CHIP vendors no longer processed eligibility determinations and recertifications effective August 1, 2017, the only CHIP payments still classifiable as 'Subrecipient' payments would be premium payments associated with individuals whose eligibility determination or recertification was processed by their health plan for the period between April 1st and July 31st, 2017. The corrected contractor versus subrecipient expenditure breakout has been provided so that the correct information is now reflected on the State's SFY 2017-18 Single Audit report. Also, the Department is reviewing the criteria in the finding and will notify the CHIP vendors of the proper classification.

Anticipated Completion Date:

Corrective action has been implemented. CHIP Vendors will be notified of the proper classification by January 31, 2019.

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Federal Program(s) (CFDA # [s]):	Children's Health Insurance Program (93.767)
Audit Report Reference:	2018-036

Corrective Action Planned:

Effective September 2017, the Department updated its monitoring process for M-CHIP claims to account for the full value of all M-CHIP claims reported on the CMS 64.21U report on its Journal Entries. Current and future Journal Entry reconciliations account for the full value of such charges.

Anticipated Completion Date:

Implemented.

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Telephone:	518-473-3920
E-mail Address:	Lori.Conway@Health.ny.gov
Federal Program(s) (CFDA # [s]):	Maternal and Child Health Services Block Grant (93.994) Children's Health Insurance Program (93.767) Child and Adult Care Food Program (10.558)
Audit Report Reference:	2018-037

Corrective Action Planned:

The Clearinghouse continues to operate with imperfect manual methods implemented during the construction period of a replacement computerized system. The new system will have the capability to identify all subrecipients, determine their audit reporting responsibilities, coordinate this with the Federal Audit Clearinghouse to determine submittal, and create individual cases for each subrecipient, enabling an environment to monitor a subrecipient's entire reporting cycle.

Anticipated Completion Date:

The new system is scheduled to be released in phases, with Phase 1 occurring 02/28/2019. This will enable subrecipient identification, audit obligation determination, and sending email reminder letters to those subrecipients with a single audit reporting requirement. It is currently planned for the remaining phases to arrive as need occurs for system testing on subrecipients beginning with December 31, 2018 fiscal year ends.

NEW YORK STATE OF OPPORTUNITY. | Department of Health

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Title:	Associate Accountant
Telephone:	518-473-3920
E-mail Address:	Lori.Conway@Health.ny.gov
Federal Program(s) (CFDA # [s]):	Special Supplemental Nutrition Program for Women Infants and Children (10.557)
Audit Report Reference:	2018-038

Corrective Action Planned:

The Department's Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) will review and revise its policies and the procedures on record retention to ensure all records are stored securely and safely.

Anticipated Completion Date:

12/1/2018

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Telephone:	518-473-3920
E-mail Address:	Lori.Conway@Health.ny.gov
Federal Program(s) (CFDA # [s]):	Special Supplemental Nutrition Program for Women Infants and Children (10.557)
Audit Report Reference:	2018-039

Corrective Action Planned:

The 2017-18 SEFA report has been revised to reflect the proper classification of subrecipient expenditures for the WIC program. Through coordination between the Fiscal Management Group and the Division of Nutrition, the department will ensure that the correct classification of these expenses are identified in the future SEFA reports.

Anticipated Completion Date:

Implemented.

NEW YORK STATE OF OPPORTUNITY. Department of Health

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Telephone:	518-473-3920
E-mail Address:	Lori.Conway@Health.ny.gov
Federal Program(s) (CFDA # [s]):	Child and Adult Care Food Program (10.558)
Audit Report Reference:	2018-040

Corrective Action Planned:

DOH will now report all expenditures for this grant under CFDA 10.558. Moreover, the Schedule of Expenditures of Federal Awards (SEFA) document for SFY 2017-18 has been amended to reflect 10.558 as the proper CFDA in 2018-DOH-003 spending. DOH will also review management controls to ensure proper classification of expenditures on the SEFA.

Anticipated Completion Date:

Implemented.

NEW YORK STATE CORRECTIVE ACTION PLAN

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Telephone:	518-473-3920
E-mail Address:	Lori.Conway@Health.ny.gov
Federal Program(s) (CFDA # [s]):	Maternal and Child Health Services Block Grant (93.994)
Audit Report Reference:	2018-041

Corrective Action Planned:

Over the past several months, staff in the Division of Family Health (DFH) involved in the voucher trace process have been reviewing the voucher trace process and making improvements. The voucher trace sample reviewed was for a period prior to when this update began. We are in the process of ensuring that all recent traces received a findings summary. The DFH will continue to review the process and complete respective testing to ensure that internal control measures are working as intended. Immediate steps have been taken to ensure that all supporting documentation, to include request letters, correspondence, and findings notices, are stored on a shared network for ease in retrieval.

Anticipated Completion Date:

Corrective action will be fully implemented no later than March 2019.

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Federal Program(s) (CFDA # [s]):	Maternal and Child Health Services Block Grant (93.994)
Audit Report Reference:	2018-042

Corrective Action Planned:

Since 2017, the Division of Family Health (DFH) has developed a "Risk Assessment for Program Monitoring" protocol that outlines the DFH's process for subrecipient monitoring. To fully implement the protocol, the DFH will formalize Program Monitoring tools for all DFH programs. In accordance with the protocol, these may include on-site reviews or desk audit review tools.

Anticipated Completion Date:

It is anticipated that tools will be developed by January 2019 with implementation by February 2019.

NEW YORK STATE OF OPPORTUNITY. | Department of Health

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Title:	Associate Accountant
Telephone:	518-473-3920
E-mail Address:	Lori.Conway@Health.ny.gov
Federal Program(s) (CFDA # [s]):	Special Supplemental Nutrition Program for Women Infants and Children (10.557) Children's Health Insurance Program (93.767) Maternal and Child Health Services Block Grant (93.994) Child and Adult Care Food Program (10.558)
Audit Report Reference:	2018-043

Corrective Action Planned:

The State made modifications to the Statewide Financial System which ensures agency payments are made prior to drawing federal funds. DOH disseminated this change via a DOH News post on August 1, 2018 and will re-issue this guidance to ensure appropriate payment terms are used for all vouchers.

Anticipated Completion Date:

Implemented.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Department of Health
Single Audit Contact:	Lori Conway
Title:	Associate Accountant
Telephone:	518-473-3920
E-mail Address:	Lori.Conway@Health.ny.gov
Federal Program(s) (CFDA # [s]):	Maternal and Child Health Services Block Grant (93.994) Child and Adult Care Food Program (10.558) Children's Health Insurance Program (93.767)
Audit Report Reference:	2018-044

Corrective Action Planned:

The Department of Health's current process requires subrecipient notification of uniform guidance criteria upon contract award only. We have expanded guidance requiring subrecipient notification upon receipt of a federal notice of grant award and/or corresponding encumbrance of money on new grant year.

Anticipated Completion Date:

Immediately will post new guidance which will ensure compliance in the future.

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency: Department of Health

Single Audit Contact: Lori Conway

Title: Associate Accountant

Telephone: 518-473-3920

E-mail Address: Lori.Conway@Health.ny.gov

Federal Program(s) (CFDA # [s]): Maternal and Child Health Services Block Grant (93.994)

Audit Report Reference: 2018-045

Corrective Action Planned:

The Division of Family Health (DFH) obtains data for Form 4 "Number and Percentage of Newborns and Others Screened Cases Confirmed and Treated" from the New York State Department of Health's Wadsworth Center that oversees New York's Newborn Screening Program. This program screens approximately 230,000 newborns annually for over 45 metabolic disorders. For future applications, Wadsworth will provide DFH with a description of the process used to provide the required data and any supporting documentation that can be easily produced upon audit.

The DFH is unable to report the data as requested by the Health Resources and Services Administration (HRSA) Form 5a "Unduplicated Count of Individuals Served under Title V" and 5b "Total Recipient Count of Individuals Served by Title V". These forms present a challenge to many states, including New York State, that do not have the ability to deduplicate data and report the data by population as requested. The DFH has shared these challenges with HRSA and the DFH includes the following field note in the application related to these forms. "These data reflect only those served through Title V funded programs approximated by individuals served and service category and does not represent an unduplicated count as New York has no mechanism to collect those data. The population served in these categories is far above these data reported supported through State funding and other sources by New York is unable to capture those data in the format requested." To address this audit finding, the DFH will clarify with HRSA expectations for completion of these forms.

Anticipated Completion Date:

These will be addressed by the filing of the FFY 2020 application on July 15, 2019.

Michael Vaccaro
Director – Internal Audit

New York State Department of Labor
Harriman State Office Campus
Building 12, Room 569, Albany, NY 12240
www.labor.ny.gov

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency: Department of Labor

Single Audit Contact: Michael Vaccaro

Title: Audit Director

Telephone: 518-457-9076

E-mail Address: Michael.Vaccaro@labor.ny.gov

Federal Program(s) (CFDA # [s]): WIA/WIOA Adult Program (17.258), WIA/WIOA Youth Activities (17.259), WIA/WIOA Dislocated Worker Formula Grants (17.278)

Audit Report Reference: 2018-046

Corrective Action Planned:

Corrective Actions for the noted findings are:

1) The timeliness of subrecipient monitoring will be emphasized in communications with monitoring staff and aided with the implementation of automated tracking tools.

2) During vacancies the Department will ensure that quarterly reviews are always completed as a priority by enlisting the assistance of other available staff.

3) The Department will get up to date on monitoring for program reviews. To catch up on monitoring for program reviews that are behind schedule, we will do one review spanning multiple years of activity

through to no later than the last federal program year that has ended, which currently is Program Year 2017 (7/1/2017 - 6/30/18).

Anticipated Completion Date:

1. Complete
2. Complete
3. 3/31/19

NEW YORK STATE OF OPPORTUNITY. | Homes and Community Renewal | Housing Trust Fund Corporation

ANDREW M. CUOMO
Governor

RUTHANNE VISNAUSKAS
Commissioner/CEO

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Housing Trust Fund Corporation
Single Audit Contact:	Jason Purvis
Title:	Vice President – Federal Programs
Telephone:	518-474-2057
E-mail Address:	Jason.purvis@nyshcr.org
Federal Program(s) (CFDA # [s]):	Community Development Block Grant State's Program and Non-Entitlement Grants in Hawaii CFDA 14.228
Audit Report Reference:	2018-047

Corrective Action Planned:

Corrective action in progress.

In late March 2018, OCR sent packets of information to each community that had received NYS CDBG assistance since 2000; the first year NYS took over the Program. The mailing was to 278 Towns, 47 Counties, 32 Cities and 157 Villages. Each packet contained OCR's new Program Income Policy, a Program Income Fact sheet, and a certification form to be completed and returned to OCR. Each community was required to list their uncommitted Program Income on-hand and return the completed form by May 31, 2018. Those communities that did not submit the form have had their CDBG funds suspended. Any uncommitted Program Income after March 31, 2019 must be returned to the Corporation.

Anticipated Completion Date:

March 31, 2019

NEW YORK STATE OF OPPORTUNITY. | Homes and Community Renewal | Housing Trust Fund Corporation

ANDREW M. CUOMO
Governor

RUTHANNE VISNAUSKAS
Commissioner/CEO

NEW YORK STATE CORRECTIVE ACTION PLAN

Single Audit of Federal Programs for State Fiscal Year Ended March 31, 2018

State Agency:	Housing Trust Fund Corporation
Single Audit Contact:	Stacey Mickle
Title:	Treasurer
Telephone:	518-486-5510
E-mail Address:	Stacey.Mickle@nyshcr.rog
Federal Program(s) (CFDA # [s]):	HOME Investment Partnerships Program 14.239
Audit Report Reference:	2018-048

Corrective Action Planned:

All payments incorrectly eliminated as being paid to subrecipients were disbursed as loans under the Capital portion of the HOME program. These payments are already tracked separately under a different fund code in our accounting system. Moving forward, payments made under this separate fund code will be eliminated from the list of subrecipients.

Anticipated Completion Date:

Correction has already been implemented and current year activity will be correctly reflected in the 2018-2019 SEFA.

STATE OF NEW YORK

PRIOR YEAR FINDING SUMMARY

FOR THE YEAR ENDED MARCH 31, 2018

Andrew M. Cuomo, Governor

Robert F. Mujica Jr., Budget Director

Status of State Fiscal Year 2017-2018 Single Audit Findings
For the State Fiscal Year Ended March 31, 2018

Compiled in November 2018 by the New York State Division of the Budget

Pursuant to Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

STATE OF NEW YORK
Prior Year Finding Summary
March 31, 2018

Reference	Finding	State Agency	Status	Contact Person
2015-016	Earmarking	OCFS	Partially Corrected (See current year finding 2018-012)	Bonnie Hahn
2015-019	Financial reporting	OCFS	Corrected	Bonnie Hahn
2015-020	Monitoring of subrecipients	DOH	Not Corrected (See current year finding 2018-037)	Lori Conway
2015-022	Allowable costs	DOH	Corrected (As of March 2018. See current year finding at 2018-034)	Lori Conway
2015-027	Special Tests - Control, accountability, and safeguarding of vaccine	DOH	Partially Corrected (See current year finding 2018-033)	Lori Conway
2016-001	FFATA reporting	SED	Corrected	Karla Ravida
2016-005	Monitoring of subrecipients	SED	Corrected	Karla Ravida
2016-010	Allowable costs	OTDA	Corrected	Kathleen Murphy
2016-011	Allowable costs	OCFS	Partially Corrected	Bonnie Hahn
2016-013	Monitoring of subrecipients	OCFS	Partially Corrected	Bonnie Hahn
2016-027	Cash management	HTFC	Corrected	Cassiah Ward
2016-029	Financial reporting	HTFC	Corrected	Cassiah Ward
2017-004	Allowability	OTDA	Corrected (As of June 2018. See current year finding 2018-002)	Kathleen Murphy
2017-005	Subrecipient Monitoring	OTDA	Partially Completed (See current year finding 2018-003)	Kathleen Murphy
2017-006	Cash Management	DOH, OCFS, OTDA, SED	Corrected	Karen Tyler
2017-007	SEFA: Completeness and Accuracy	OTDA	Corrected	Kathleen Murphy

STATE OF NEW YORK
Prior Year Finding Summary
March 31, 2018

Reference	Finding	State Agency	Status	Contact Person
2017-008	Special Tests and Provisions	OTDA	Corrected	Kathleen Murphy
2017-009	Matching	OTDA, OCFS	OTDA- Not Corrected (See current year finding 2018-001 (CSE)) OCFS- Partially Corrected (See current year finding 2018-006 (FC) and 2018-007 (AA))	Kathleen Murphy (OTDA) Bonnie Hahn (OCFS)
2017-010	Subrecipient Monitoring	OCFS	Partially Corrected (See current year finding 2018-005)	Bonnie Hahn
2017-011	Subrecipient Monitoring	OCFS	Partially Corrected (See current year finding 2018-006 (FC) and 2018-007 (AA))	Bonnie Hahn
2017-012	Special Test - Rate Setting	OCFS	Partially Corrected (See current year finding 2018-006)	Bonnie Hahn
2017-013	SEFA: Completeness and Accuracy	OCFS	Corrected (See current year finding 2018-014)	Bonnie Hahn
2017-014	Allowability/ Eligibility	OCFS	Partially Corrected (See current year finding 2018-014)	Bonnie Hahn
2017-015	Period of Performance	OCFS	Corrected	Bonnie Hahn
2017-016	Eligibility	OCFS, SED	OCFS - Corrected SED - Partially Corrected (See current year finding 2018-015)	Bonnie Hahn (OCFS) Karla Ravida (SED)
2017-017	Special Test- Completion of IPEs	OCFS, SED	OCFS - Corrected SED - Partially Corrected (See current year finding 2018-016)	Bonnie Hahn (OCFS) Karla Ravida (SED)
2017-018	Allowability	SED	Corrected	Karla Ravida
2017-019	Subrecipient Monitoring Level of Effort	SED	Partially Corrected (See current year findings 2018-019 and 2018-020)	Karla Ravida
2017-020	Allowability/ Suspension & Debarment	SED	Corrected	Karla Ravida
2017-021	Other	SED	Corrected	Karla Ravida
2017-022	SEFA: Completeness and Accuracy	SED	Corrected	Karla Ravida
2017-023	Program Income	HTFC	Partially Corrected (See current year finding 2018-047)	Jason Purvis

STATE OF NEW YORK
Prior Year Finding Summary
March 31, 2018

Reference	Finding	State Agency	Status	Contact Person
2017-024	Subrecipient Monitoring	HTFC	Corrected	Jason Purvis
2017-025	SEFA: Completeness and Accuracy	OSC	Corrected	Debra J. Hilson
2017-026	Eligibility	DOH	Partially Corrected (See current year finding 2018-031)	Lori Conway
2017-027	Allowability	DOH	Corrected as of January 2018 (See current year finding 2018-030)	Lori Conway
2017-028	Allowability Cash Management	DOH	Corrected	Lori Conway
2017-029	Eligibility	DOH	Partially Corrected (See current year finding 2018-028)	Lori Conway
2017-030	Cash Management	DOH	Corrected (As of October 2018. See current year finding 2018-029)	Lori Conway
2017-031	Subrecipient Monitoring	DOH	Partially Corrected (See current year finding 2018-037)	Lori Conway
2017-032	Cash Management	DOH	Corrected (As of August 2018 See current year finding 2018-043)	Lori Conway
2017-033	SEFA: Completeness and Accuracy	DOH	Partially Corrected	Lori Conway

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Office of Children and Family Services

Single Audit Contact: Bonnie Hahn

Title: Internal Control Coordinator

Telephone: 518-486-1034

E-mail Address: Bonnie.Hahn@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 59

Prior-Year Finding Number: 2015-016

Status Report on Prior-Year Finding:

The controls OCFS has in place to monitor compliance with earmarking statues includes the use of multiple systems including, but not limited to, the Welfare Management Systems (WMS), CONNECTIONS, and the Benefit Issuance and Control Systems (BICS). These systems provide monitoring controls such as edits and matrices that are applied to regulate the appropriate use of funds and utilization of the correct claiming categories. These controls, in addition to the technical support, training and on-site assistance offered by the Office Regional Office staff provide clear confirmation that expenditures are monitored in accordance and compliance with the federal earmarking requirements.

As an additional check, AQC is tracking whether OCFS programs have been identified as a major program in subrecipient single audit reports.

Anticipated Completion Date:

March 2019.

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Office of Children and Family Services

Single Audit Contact: Bonnie Hahn

Title: Internal Control Coordinator

Telephone: 518-486-1034

E-mail Address: Bonnie.Hahn@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 65

Prior-Year Finding Number: 2015-019

Status Report on Prior-Year Finding:

OCFS has made numerous improvements to its data collection mechanisms so that OCFS staff can submit complete and accurate data elements within the required timeframe.

Anticipated Completion Date:

Corrective action taken and implemented.

ANDREW M. CUOMO
Governor

ROBERT F. MUJICA JR.
Director of the Budget

SANDRA L. BEATTIE
Deputy Director

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Department of Health

Single Audit Contact: Lori Conway

Title: Associate Accountant

Telephone: 518-473-3920

E-mail Address: Lori.Conway@health.ny.gov

Prior-Year Audit Report Page Reference: 72

Prior-Year Finding Number: 2015-022

Status Report on Prior-Year Finding:

The Department complied with CMS' request for a prospective methodology. Using actual CHPlus encounter data and costs, the Department calculated a pmpm amount for abortion services. The pmpm amount is used to calculate the dollars to be carved out and shifted to the State prior to it making payments to the CHPlus health plans. This method continues to ensure that only State dollars are used to pay for abortion services, and the front-end approach improves upon the former methods by making it prospective.

Anticipated Completion Date:

Corrective action taken and implemented.

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Department of Health

Single Audit Contact: Lori Conway

Title: Associate Accountant

Telephone: 518-473-3920

E-mail Address: Lori.Conway@health.ny.gov

Prior-Year Audit Report Page Reference: 67

Prior-Year Finding Number: 2015-020

Status Report on Prior-Year Finding:

This finding will be alleviated after a replacement for the Clearinghouse's obsolete system is put into operation. Progress continues with the new system build with design now fundamentally complete. Meanwhile, the previously established stop-gap measures will continue.

Progress Update:

Corrective action in progress.

Anticipated Completion Date:

The new system is scheduled be released in phases, with Phase 1 occurring 02/28/2019. This will enable subrecipient identification, audit obligation determination, and sending email reminder letters to those subrecipients with a single audit reporting requirement. It is currently planned for the remaining phases to arrive as need occurs for system testing on subrecipients beginning with December 31, 2018 fiscal year ends.

NEW YORK STATE OF OPPORTUNITY. | Division of the Budget

ANDREW M. CUOMO
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Director of the Budget

SANDRA L. BEATTIE
Deputy Director

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2015

State Agency: Department of Health

Single Audit Contact: Lori Conway

Title: Associate Accountant

Telephone: 518-473-3920

E-mail Address: Lori.Conway@health.ny.gov

Prior-Year Audit Report Page Reference: 83

Prior-Year Finding Number: 2015-027

Status Report on Prior-Year Finding:

Since 2016 the NYS VFC Program has been utilizing the Provider Education Assessment and Reporting (PEAR) system as the gold standard for tracking compliance with required site visits. The CDC added functionality in 2016 to more easily monitor 'months since last visit' on the 24-month visit cycle. The Program no longer utilizes the Vaccine Tracking System (VtrckS) as a tool for tracking visits, only as a system for keeping provider address and contact information current. While the Bureau of Immunization still distributes a list of VFC providers to the Department regional staff to help schedule site visits, all regional staff have access to PEAR and the 24-month monitoring flags included in PEAR. This system is monitored routinely by all staff, with additional periodic reminders and updates from the Vaccine Program Manager (Kara Connelly) and the Vaccine Program Policy Compliance/Quality Improvement Team Lead (Patricia Deyo).

Progress Update:

Partially Corrected.

Anticipated Completion Date:

December 1, 2018.

NEW YORK STATE OF OPPORTUNITY. | Division of the Budget

ANDREW M. CUOMO
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Director of the Budget

SANDRA L. BEATTIE
Deputy Director

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: State Education Department

Single Audit Contact: Karla Ravida

Title: Principal Internal Auditor

Telephone: 518-486-5212

E-mail Address: Karla.Ravida@nysed.gov

Prior-Year Audit Report Page Reference: 20

Prior-Year Finding Number: 2016-001

Status Report on Prior-Year Finding:

During 2017-2018, there have been continued efforts to improve efficiency and expediency with the FFATA reporting process. Grants Finance has made additional improvements to the enhanced reporting provided by NYSED Information Technology Services and continues to designate staff as needed to perform this task more efficiently and accurately within the required time frame for filing. A reorganization of assignments within the office have also contributed to the timely filing. These efforts to improve FFATA reporting will continue throughout the 2017-2018 year.

Progress Update:

Throughout 2017-2018, Grants Finance worked with NYSED Information Technology Service regarding the FFATA report. The current report contents have been deemed accurate and the reporting process continues to operate in an efficient and effective manner. The corrective actions taken are considered complete and fully implemented.

Anticipated Completion Date:

Corrective action taken and implemented.
Corrective action was fully implemented as of April 2018.

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: State Education Department

Single Audit Contact: Karla Ravida

Title: Principal Internal Auditor

Telephone: 518-486-5212

E-mail Address: Karla.Ravida@nysed.gov

Prior-Year Audit Report Page Reference: 29

Prior-Year Finding Number: 2016-005

SED has divided the LEA's into 3 cohorts in order to insure every district is reviewed within a risk assessment every 3 years. During 2016-17 a risk assessment of LEA's in cohort 1 was completed and the 10 districts with the highest risk had a desk review completed. We have received feedback and closed out all 10 districts.

For the 2017-18 school year, SED will work with the 2nd cohort of districts. Step 1 in this process is that each district in cohort 2 will be asked to complete the LEA Fiscal Self-Assessment Compliance Checklist, which will be sent to the districts at the beginning of December. SED will do a risk assessment at the beginning of January 2018 to determine which districts will be monitored by June 30, 2018.

Progress Update: SED completed the task written above. SED received responses from the districts and determined there were findings for 12 districts. SED sent out e-mails to the districts with their determinations and are waiting on the responses. SED gave the districts 60 days to respond which will expire on August 14, 2018. 11 of the 12 districts submitted their corrective action plans and SED will continue to work with districts to provide guidance during this process. The one district that did not provide a response SED is doing a site visit on 11/14/18. SED recently hired a Senior Auditor for the IDEA Grant program, so it will be able to perform more monitoring functions in the 2018-19 year.

ANDREW M. CUOMO
Governor

ROBERT F. MUJICA JR.
Director of the Budget

SANDRA L. BEATTIE
Deputy Director

Progress Update:

See above.

Anticipated Completion Date:

Corrective action taken and implemented.

NEW YORK STATE OF OPPORTUNITY | Division of the Budget

ANDREW M. CUOMO
Governor

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Director of the Budget

SANDRA L. BEATTIE
Deputy Director

2017-2018 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Kathleen Murphy

Title: Management Specialist 3

Telephone: 518-473-7159

E-mail Address: Kathleen.Murphy@otda.ny.gov

Prior-Year Audit Report Page Reference: 45

Prior-Year Finding Number: 2016-010

Status Report on Prior-Year Finding: Corrected

Program's voucher processing unit audits the voucher to make sure that the charges are allowable and they make any and all modifications to the voucher as necessary, voucher processing staff discuss any and all changes with the program contract manager.

To minimize mistakes we have taken the following steps:
- When processing vouchers from multiple programs, vouchers are segregated by program, which minimizes the switching back and forth between programs and coding particulars;
- Specific coding is handled differently and maintained in different locations to avoid errors and inadvertent mix ups; and,
- Program Managers now write coding on each voucher before transmitting to the BCM, this is duplicative but it helps to minimize coding errors.

NEW YORK STATE OF OPPORTUNITY. | Division of the Budget

ANDREW M. CUOMO
Governor

ROBERT F. MUJICA JR.
Director of the Budget

SANDRA L. BEATTIE
Deputy Director

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Office of Children and Family Services

Single Audit Contact: Bonnie Hahn

Title: Internal Control Coordinator

Telephone: 518-486-1034

E-mail Address: Bonnie.Hahn@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 47

Prior-Year Finding Number: 2016-011

Status Report on Prior-Year Finding:

The Office of Audit and Quality Control met with OTDA in February 2017 to review subrecipient monitoring procedures performed by OTDA for claims reported through ACS. We believe the procedures performed provide a reasonable assurance that regular claims paid through the RF2 and RF2A reports are for allowable expenses. Promoting Safe and Stable Families and Stephanie Tubbs Jones Child Welfare programs are applied to RF2 claims, although the reimbursement is made through a bottom line adjustment. OCFS is conducting an assessment and analysis of current subrecipient monitoring processes in place within OCFS and local districts to identify areas in need of improvement to ensure that subawards are used for their authorized purpose, are in compliance with Federal statutes, regulations and terms and conditions of the subaward, and performance goals are achieved. This assessment and analysis will include: • Taking inventory of all monitoring procedures that are currently conducted by various budget, finance, and program units at OCFS. • Comparing these procedures in the aggregate to each specific federal requirement to identify gaps in controls. • Designing specific procedures to address these gaps. • Identifying the appropriate resources to conduct these procedures.

Progress Update:

The identification, assessment and analysis of subrecipient monitoring processes are currently taking place with input from both program and fiscal staff.

ANDREW M. CUOMO
Governor

ROBERT F. MUJICA JR.
Director of the Budget

SANDRA L. BEATTIE
Deputy Director

Anticipated Completion Date:

Corrective action in progress. December 2018

NEW YORK STATE OF OPPORTUNITY. | Division of the Budget

ANDREW M. CUOMO
Governor

ROBERT F. MUJICA JR.
Director of the Budget

SANDRA L. BEATTIE
Deputy Director

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

State Agency: Office of Children and Family Services

Single Audit Contact: Bonnie Hahn

Title: Internal Control Coordinator

Telephone: 518-486-1034

E-mail Address: Bonnie.Hahn@ofcs.ny.gov

Prior-Year Audit Report Page Reference: 56

Prior-Year Finding Number: 2016-013

Status Report on Prior-Year Finding:

OCFS has developed a comprehensive list of federal funds that are passed through to subrecipients for each CFDA number and a risk assessment tool has been developed which enables OCFS to assess each subrecipient's risk of noncompliance. The tool has questions addressing each factor described in the Uniform Guidance section 2 CFR 200.331(b) as well as questions regarding the subrecipient's accounting systems ability to track grant specific receipts and disbursements. The risk assessment will be completed for each CDFA number and all subrecipients. Once completed, a score is calculated for each section and an overall risk score is calculated. Utilizing these scores, a risk profile will be calculated for each subrecipient to assist the program office in determining the extent of monitoring procedures to be performed. If areas of concern are identified during the risk assessment process, the information will be noted and forwarded to the program office. OCFS will develop monitoring procedures where risks are identified.

Anticipated Completion Date:

Partially Corrected. Corrective actions have been taken and are currently in progress. Expected completion December 2018.

NEW YORK STATE OF OPPORTUNITY. | Division of the Budget

ANDREW M. CUOMO
Governor

ROBERT F. MUJICA JR.
Director of the Budget

SANDRA L. BEATTIE
Deputy Director

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016

Agency: Housing Trust Fund Corporation

Single Audit Contact: Cassiah Ward

Title: Senior Counsel/Audit Manager

Telephone: 212-480-6457

E-mail Address: cassiah.ward@stormrecovery.ny.gov

Prior-Year Audit Report Page Reference: 92

Prior-Year Finding Number: 2016-027

Status Report on Prior-Year Finding:

Corrective action to remediate the finding was fully implemented prior to 3/31/2017.

Completion Date: 3/31/2017

Corrective action taken and implemented.

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2016
State Agency: Housing Trust Fund Corporation
Single Audit Contact: Cassiah Ward
Title: Senior Counsel/Audit Manager
Telephone: 212-480-6457
E-mail Address: cassiah.ward@stormrecovery.ny.gov

Prior-Year Audit Report Page Reference: 98
Prior-Year Finding Number: 2016-029

Status Report on Prior-Year Finding:

Corrective Action to remediate the finding was fully implemented prior to 3/31/2017

Anticipated Completion Date:

Corrective action taken and implemented.

NEW YORK STATE OF OPPORTUNITY. | Division of the Budget

ANDREW M. CUOMO
Governor

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Director of the Budget

SANDRA L. BEATTIE
Deputy Director

2017-18 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Kathleen Murphy

Title: External Audit Coordinator

Telephone: 518-473-7159

E-mail Address: kathleen.murphy@otda.ny.gov

Prior-Year Audit Report Page Reference: 18

Prior-Year Finding Number: 2017-004

Status Report on Prior-Year Finding:

Status Update: What has been done

Revised procedures and supporting documentation for calculating Child Support Source 9 draws. Revised procedures for entering Source 9 transactions in SFS.

Anticipated Completion Date:
Corrective Action has been taken and Implemented.

NEW YORK STATE OF OPPORTUNITY. | Division of the Budget

ANDREW M. CUOMO
Governor

ROBERT F. MUJICA JR.
Director of the Budget

SANDRA L. BEATTIE
Deputy Director

2017-18 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Kathleen Murphy

Title: External Audit Coordinator

Telephone: 518-473-7159

E-mail Address: kathleen.murphy@otda.ny.gov

Prior-Year Audit Report Page Reference: 20

Prior-Year Finding Number: 2017-005

Status Report on Prior-Year Finding:

Over the course of SFY 2018, Child Support Services (CSS) increased its subrecipient monitoring activities to include monthly calls with districts to regularly assess risk which may prompt or warrant attention. These calls focused on the review of performance statistics and trends, staffing changes and concerns, trainings and emergent topics impacting the child support program including information security and contractual updates. This oversight process allows CSS to appropriate assess subrecipient risk in terms of meeting required federal thresholds and standards. Building upon the existing and improved monitoring practices and tools CSS will review, establish where appropriate, and enhance written protocols and procedures for sub-recipient monitoring including the formalization and documentation of assessment factors which may provide data, analysis and documentation for prioritization of monitoring actions between the State and a district.

Anticipated Completion Date:
Fiscal Year 2019

NEW YORK STATE OF OPPORTUNITY. | Division of the Budget

ANDREW M. CUOMO
Governor

ROBERT F. MUJICA JR.
Director of the Budget

SANDRA L. BEATTIE
Deputy Director

2017-18 Prior-Year Finding Summary- May 1st Update

Prior-Year Audit Period: State Fiscal Year

State Agency: Statewide Financial System

Single Audit Contact: Karen Tyler

Title: Executive Director

Telephone: 518-485-5367

E-mail Address: Karen.tyler@sfs.ny.gov

Prior-Year Audit Report Page Reference: 22

Prior-Year Finding Number: 2017-006

Status Report on Prior-Year Finding:

This Single Audit finding results from a finding in the State's Yellow Book Report regarding deficiencies in the general information technology control environment of the Statewide Financial System (SFS). The Single Audit finding recommended that SFS take steps to address the eight observations regarding general information technology controls.

Of the eight observations made in the Yellow Book Report, four were remediated as of March 31, 2017. At this time, SFS has taken action to address the four remaining Yellow Book observations.

Progress Update:

Since December 31, 2017, SFS has implemented all of the Yellow Book recommendations relating to this Single Audit finding.

Yellow Book Observations:

Observation 1: For seven new users who gained access to the SFS application, formal request and approval documentation was not provided.

Recommendation: SFS management should take the necessary steps (including re-education of user provisioning procedures to system administrators) to ensure that for any instance of new or modification of access, a formalized access security request form is approved, documented, and retained. This process should be followed for all agencies and accounts, including internal and external employees, vendors/contractors, and system/generic IDs.

Action Taken: ***Recommendation Implemented.*** SFS management continues to re-educate SFS system administrators on SFS user provisioning protocols to ensure that for any instance of new or modification of access, a formalized access security request form is approved, documented, and retained. This process is followed for all agencies and accounts, including internal and external employees, vendors/contractors, and system/generic IDs. To facilitate that agencies have a consistent security process, SFS provided a sample provisioning process to agencies in August 2017. Agency responsibilities for SFS security were discussed with agency staff in August and October 2017, and remain a regular topic of communication with the agencies.

Observation 2: For 8 of 25 terminated employees sampled, access to the SFS application was not removed timely (generally, greater than one week after termination).

Recommendation: SFS management should reeducate and emphasize to respective agency security administrators (ASAs) the procedures to be followed upon termination of employment. Additionally, SFS management should implement a control to periodically review a list of employees with a termination status out of PayServ to determine whether access to SFS has been revoked. For any noted terminated employee with active access, SFS management should follow-up with respective agencies for resolution.

Action Taken: ***Recommendation Implemented.*** SFS continues to communicate with agency SFS administrators that accounts should be locked on the day of termination or retirement, but no later than one week. In addition, SFS is working with the Office of the State Comptroller (OSC) to receive more timely and complete PayServ data that will facilitate SFS taking action if agencies have not locked terminated or retired user accounts. Since April 2017, based upon the PayServ data, SFS has been locking the accounts of terminated or retired user accounts, notifying agencies of such and reminding them of their responsibilities in this area.

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Deputy Director

Observation 3: For 1 of 15 agency user access reviews, appropriate approval by a designated authorized reviewer was not performed. Specifically, for the Department of Health, the individual who signed off as the ICO was also designated as the ASA.

Recommendation: SFS management should work with each respective agency's management representatives to ensure that the procedure of periodically reviewing and recertifying active user access to the SFS application is followed.

Action Taken: ***Recommendation Implemented.*** SFS requires agencies to certify that a review of SFS access is conducted at least once a year. In March 2018, SFS implemented an enhanced agency user/role validation process that is electronic and easier to use. This electronic process also enforces the requirement that the appropriate, separate individuals are completing and approving the access reviews.

Observation 4: There is no formal review of accounts with access to the Unix servers supporting the SFS application for the current period.

Recommendation: SFS Management should work with OSC IT to proactively perform a complete review/certification of all users with privileged access to the production servers supporting the SFS application. These reviews should be performed and formally documented at least on an annual basis.

Action Taken: ***Recommendation Implemented.*** SFS completes a review and approval of SFS staff with access to the SFS production UNIX servers semi-annually. SFS expanded this review to include OSC staff with access to the SFS production UNIX servers, with the initial review completed on September 8, 2017.

Anticipated Completion Date:

Corrective action taken and implemented.

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Deputy Director

2017-18 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Kathleen Murphy

Title: External Audit Coordinator

Telephone: 518-473-7159

E-mail Address: kathleen.murphy@otda.ny.gov

Prior-Year Audit Report Page Reference: 25

Prior-Year Finding Number: 2017-007

Status Report on Prior-Year Finding:

The Office obtained the necessary reports and transaction information, including voucher number from the New York State Office of the State Comptroller (OSC) to report sub-recipient payments more accurately and completely. The office is only reporting the voucher transactions that begin with “B”, which represents payments made to Social Service Local Districts.

Anticipated Completion Date:

Corrective action taken and implemented.

2017-18 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Kathleen Murphy

Title: External Audit Coordinator

Telephone: 518-473-7159

E-mail Address: kathleen.murphy@otda.ny.gov

Prior-Year Audit Report Page Reference: 27

Prior-Year Finding Number: 2017-008

Status Report on Prior-Year Finding:

DDD Medical Relations Offices (MROs) were provided with a credentialing form that provides links to the federal System for Award Management (SAM) and several additional NYS websites for license verification, along with dated reviews and reviewed by tracking. The form also includes a section for the MRO to verify the website used to confirm license review. All Consultative Examination (CE) providers are credentialed on a yearly basis and a copy of each form is kept in a shared location for statewide review. No CE provider will be used to perform a CE if they are not fully credentialed per the tracking sheet.

As anticipated by the CAP, each DDD MRO completed annual credentialing, reported on the new form, by December 30, 2017. CE providers who did not respond to requests for credentialing documentation were inactivated from DDD's CE provider panel. This is an ongoing action plan that is performed at least annually and includes quarterly samples for review. MROs continue the practice of sending a rolling quarterly sampling of providers to the SSA NY Regional Office for review.

Anticipated Completion Date:

Corrective action taken and implemented

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2017-18 PRIOR-YEAR FINDING SUMMARY

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Office of Temporary and Disability Assistance

Single Audit Contact: Kathleen Murphy

Title: External Audit Coordinator

Telephone: 518-473-7159

E-mail Address: kathleen.murphy@otda.ny.gov

Prior-Year Audit Report Page Reference: 29

Prior-Year Finding Number: 2017-009

Status Report on Prior-Year Finding:

OTDA and DOB are currently reviewing the policies and procedures to ensure monitoring controls over the local districts are in accordance with federal requirements.

Anticipated Completion Date:

March 31, 2019

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Office of Children and Family Services

Single Audit Contact: Bonnie Hahn

Title: Internal Control Coordinator

Telephone: 518-486-1034

E-mail Address: Bonnie.Hahn@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 29

Prior-Year Finding Number: 2017-009

Status Report on Prior-Year Finding:

A risk assessment questionnaire in accordance with 2 CFR 200.331 requirements for pass-through entities has been developed for districts receiving funding through OCFS. The information for each district has been recorded and combined with the program-specific information to create a risk profile, by grant, by district. During the 2018-2019 State Fiscal Year, OCFS will, based on risk, be performing reviews of matching funds claimed by districts, by requiring the districts to submit the information and documentation required to assess the appropriateness of the matching funds.
In addition, during the 3rd and 4th quarter of the year the Office of Audit and Quality Control has allocated resources to conduct a sample of district audits and will incorporate the results of the risk assessment profile and the performance reviews when selecting districts for an on-site review.

Progress Update:

OCFS is in the process of completing the risk assessment for each CDFA number and all subrecipients. Once completed the information will be used to identify high risk districts to perform reviews of matching funds through a desk audits and on-site reviews.

Anticipated Completion Date:

Corrective action in progress. Performance reviews will begin in the 2nd quarter of the year and on-site district reviews will be conducted in the 3rd and 4th quarters.

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2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Office of Children and Family Services

Single Audit Contact: Bonnie Hahn

Title: Internal Audit Coordinator

Telephone: 518-486-1034

E-mail Address: Bonnie.Hahn@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 31

Prior-Year Finding Number: 2017-010

Status Report on Prior-Year Finding:

OCFS has developed a comprehensive list by CDFA number for all federal funds passed through OCFS to subrecipients. The list includes additional information such as the grant award numbers, the grant periods, the program title and the division and individual within OCFS responsible for the grant. This information will be updated on an annual basis.

Using the comprehensive list of CDFA numbers for all federal funds, AQC has developed an excel spreadsheet, which identifies the amount of federal funds that were awarded to each subrecipient, whether the program was audited as a major program in the subrecipients' single audit report and if there were any findings regarding the program. If a program has been identified and audited as a major program in the subrecipients' single audit and no findings are reported, a greater reliance can be placed on the processes and procedures in place at the subrecipient level.

The information pertaining to all subrecipients receiving funds from the Title IV-E Foster Care grant and the Adoption Assistance grant has been completed and is in process for all other funds passed through OCFS. The spreadsheet will be updated annually upon the receipt of subrecipients' new single audit report and the information will be shared with the division within OCFS responsible for the grant.

AQC has documented the monitoring activities currently in place for the Title IV-E Foster Care grant and the Adoption Assistance grant and is in the process of documenting the monitoring activities in place for all other federal funds passed through OCFS.

A risk assessment tool has been developed which enables OCFS to assess each subrecipient's risk of noncompliance. The tool has questions addressing each factor described in the Uniform Guidance section 2 CFR 200.331(b) as well as questions regarding the subrecipient's accounting systems ability to track grant specific receipts and disbursements. Upon completion of the risk assessment, a score will be calculated for each section of the risk assessment as well as an overall risk score. Utilizing these scores, a risk profile will be calculated for each subrecipient to assist the program office in determining the extent of monitoring procedures to be performed. If areas of concern are identified during the risk assessment process, the information will be noted and forwarded to the program office.

Progress Update:

OCFS is in the process of comparing the monitoring procedures currently in place for the Title IV-E Foster Care grant and the Adoption Assistance grant with those required in the federal compliance supplements to identify any variations. If variations are identified the monitoring procedures will be updated as required. The process will be completed for all federal funds that pass through OCFS.

Anticipated Completion Date:

Corrective action in progress. September 30, 2018.

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Office of Children and Family Services

Single Audit Contact: Bonnie Hahn

Title: Internal Control Coordinator

Telephone: 518-486-1034

E-mail Address: Bonnie.Hahn@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 33

Prior-Year Finding Number: 2017-011

Status Report on Prior-Year Finding:

OCFS has completed an inventory of monitoring procedures currently in place for Title IV-E Foster Care and Adoption Assistance programs.

Progress Update:

OCFS will compare the current monitoring procedures with the federal requirements (2 CFR 200.331 (d)-(e)) to identify gaps in controls and work with program offices to design specific procedures to address these gaps.

Anticipated Completion Date:

In progress with anticipated completion March 2019.

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Office of Children and Family Services

Single Audit Contact: Bonnie Hahn

Title: Internal Control Coordinator

Telephone: 518-486-1034

E-mail Address: Bonnie.Hahn@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 36

Prior-Year Finding Number: 2017-012

Status Report on Prior-Year Finding:

OCFS has reviewed the rates used by local districts according to the periodic schedule of July 1, 2015 – July 1, 2017. A report is under development on the number of local districts that pay at or above the Maximum State Aid Rate (MSAR) for a cohort of youth stratified by age (0-5; 6-12; 13+). The report will be reviewed by OCFS Management for content and date and the periodic schedule will be approved.

Progress Update:

OCFS will review the: Local district foster parent payment vs. the MSAR report noting differences in the payments less than the State rate(s), review the local district report and periodic schedule for local district rate-gathering, codify the established periodic schedule and write procedure for rate collection and implement into the annual task list.

In addition, OCFS will develop an annual process to collect local district rates for review during the annual MSAR calculation process.

Anticipated Completion Date:

Corrective action in progress. January-March 2019

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2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Office of Children and Family Services

Single Audit Contact: Bonnie Hahn

Title: Internal Audit Coordinator

Telephone: 518-486-1034

E-mail Address: Bonnie.Hahn@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 38

Prior-Year Finding Number: 2017-013

Status Report on Prior-Year Finding:

The grants managers in consultation with the program staff have verified the sub-recipients for each federal program and they are reviewing the disbursement reports to verify which payments are made to the subrecipients. The manager will review the final disbursement amounts prior to submission on the SEFA.

Progress Update:

This process will be repeated for each subsequent state fiscal year.

Anticipated Completion Date:

Corrective action taken and implemented.

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2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Office of Children and Family Services

Single Audit Contact: Bonnie Hahn

Title: Internal Control Coordinator

Telephone: 518-486-1034

E-mail Address: Bonnie.Hahn@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 40

Prior-Year Finding Number: 2017-014

Status Report on Prior-Year Finding:

NYSCB has reviewed all CIS fee for service authorizations in October 2017 and corrected all miscoded vouchers for FFY 16-17.

Progress Update:

NYSCB will in future years continue to reconcile all fee for service authorizations at the close of each FFY. This was partially corrected in FY 2018 and will be fully correct for FY 2019.

Anticipated Completion Date:

Corrective action taken and implemented.

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Office of Children and Family Services

Single Audit Contact: Bonnie Hahn

Title: Internal Audit Coordinator

Telephone: 518-486-1034

E-mail Address: Bonnie.Hahn@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 42

Prior-Year Finding Number: 2017-015

Status Report on Prior-Year Finding:

NYSCB has emphasized to the vendors the importance of submitting invoices/vouchers in a timely manner. In addition, NYSCB has contacted the Federal Rehabilitation Services Administration (RSA) to determine how to properly process payments outside of the period of performance where such costs are necessary for efficient and timely performance of NYSCB and whether prior approval for these payments could be obtained.

Progress Update:

RSA was onsite at OCFS for a monitoring and technical assistance review in early April 2018 as part of the meeting NYSCB requested technical assistance regarding this question. RSA determined that the voucher in question should not be paid from federal funds and a journal entry has been made to pay the expense using state funds.

Anticipated Completion Date:

Corrective action taken and implemented.

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2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Office of Children and Family Services

Single Audit Contact: Bonnie Hahn

Title: Internal Control Coordinator

Telephone: 518-486-1034

E-mail Address: Bonnie.Hahn@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 44

Prior-Year Finding Number: 2017-016

Status Report on Prior-Year Finding:

In response to the audit, the NYSCB disagreed with the finding that their policies are insufficient. As a result, they determined that no corrective action was necessary.

Progress Update:

N/A

Anticipated Completion Date:

N/A

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: SED

Single Audit Contact: Karla Ravida

Title: Principal Internal Auditor

Telephone: 518-486-5212

E-mail Address: Karla.Ravida@nysed.gov

Prior-Year Audit Report Page Reference: 44

Prior-Year Finding Number: 2017-016

Status Report on Prior-Year Finding:

Corrective Action Planned:

The Department agrees with the findings.

- Audit findings will be shared with District Office Managers on 11/15-16/2017 and update on implementation of the Corrective Action Plan in the district office to be provided by DOMs on 5/16-17/2018. **Corrective action completed.**
- District Office Managers will review audit findings with their management team and staff at monthly meetings; to be completed by the end of calendar year 2017. **Corrective action completed.**
- Directors of Counseling have overseen implementation of the Department's Corrective Action Plan in the district office by reviewing with management staff and monitoring sample cases for compliance on:
    - Completing the Eligibility Certificate within 60 days, and appropriate utilization of Status 06 and 07. **Progress as of October 10, 2018**: Directors of Counseling have integrated ongoing monitoring of sample cases for compliance. **Corrective action implemented completed.**
- Train staff- staff will receive pertinent training at the following planned training activities during 2018:
    - Supervisory Institute; May 15-17, 2018.
      Corrective action completed.

Anticipated Completion Date:

Corrective action taken and implemented.

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Office of Children and Family Services

Single Audit Contact: Bonnie Hahn

Title: Internal Control Coordinator

Telephone: 518-486-1034

E-mail Address: Bonnie.Hahn@ocfs.ny.gov

Prior-Year Audit Report Page Reference: 47

Prior-Year Finding Number: 2017-017

Status Report on Prior-Year Finding:

In response to the audit, the NYSCB reviewed this finding and disagreed that there is a lack of monitoring controls in place. All findings predate the October 2008 implementation of NYSCB's electronic Consumer Information System (CIS). As a result, they determined that no corrective action was necessary.

Progress Update:

N/A

Anticipated Completion Date:

N/A

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: State Education Department

Single Audit Contact: Karla Ravida

Title: Principal Internal Auditor

Telephone: 518-486-5212

E-mail Address: Karla.Ravida@nysed.gov

Prior-Year Audit Report Page Reference: 47

Prior-Year Finding Number: 2017-017

Status Report on Prior-Year Finding:

The Department agrees with the findings.

- Audit findings will be shared with District Office Managers on 11/15-16/2017 and update on implementation of the Corrective Action Plan in the district office to be provided by DOMs on 5/16-17/2018. **Corrective action completed.**
- District Office Managers will review audit findings with their management team and staff at monthly meetings; to be completed by the end of calendar year 2017.
  As of April 30, 2018: **Corrective action completed.**
- Directors of Counseling will oversee implementation of the Department's Corrective Action Plan in the district office by reviewing with management staff and monitoring sample cases for compliance on:
  - Completing the Individualized Plan for Employment (IPE) within 90 days;
  - securing signatures on the IPE prior to providing services and
  - utilizing the IPE Pending note appropriately;
    Progress **as of October 10, 2018:** Directors of Counseling provide ongoing monitoring of sampling of cases for compliance. **Corrective action implemented completed.**
- Train staff- staff will receive pertinent training at the following planned training activities during 2018:
  - Supervisory Institute; May 15-17, 2018.
    Corrective action completed.

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Progress Update:

See above.

Anticipated Completion Date: Partially corrected with full implementation expected by December 2019.

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: State Education Department

Single Audit Contact: Karla Ravida

Title: Principal Internal Auditor

Telephone: 518-486-5212

E-mail Address: Karla.Ravida@nysed.gov

Prior-Year Audit Report Page Reference: 49

Prior-Year Finding Number: 2017-018

Status Report on Prior-Year Finding:

The Department agrees with the findings.

- ACCES-VR improved internal controls by implementing the Service Delivery model that emphasizes collaboration between VRC and VRCA where the VRCA will have responsibility to review cases for compliance regarding signatures on the IPE and verification of delivery of services authorized and follow-up as needed. Progress as of **October 10, 2018**: **Corrective action implemented and pending completion 12/2018.**
- Audit findings will be shared with District Office Managers on 11/15-16/2017 and update on implementation of the Corrective Action Plan in the district office to be provided by DOMs on 5/16-17/2018. **Corrective action completed.**
- District Office Managers will review audit findings with their management team and staff at monthly meetings; to be completed by the end of calendar year 2017. **Corrective action completed.**
- Directors of Counseling will oversee implementation of the Department's Corrective Action Plan in the district office by reviewing with management staff and monitoring sample cases for compliance on:
  - securing signatures on Individualized Plan for Employment (IPE) prior to providing services and
  - verifying delivery of services; ie. signed bus pass log;

Progress as of **October 10, 2018**: Directors of Counseling provide ongoing monitoring of sampling of cases for compliance. **Corrective action implemented completed.**

- Train staff- staff will receive pertinent training at the following planned training activities during 2018:
    - Supervisory Institute; May 15-17, 2018
      Corrective action completed.

<u>Anticipated Completion Date:</u>

Corrective action taken and implemented.

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2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: State Education Department

Single Audit Contact: Karla Ravida

Title: Principal Internal Auditor

Telephone: 518-486-5212

E-mail Address: Karla.Ravida@nysed.gov

Prior-Year Audit Report Page Reference: 51

Prior-Year Finding Number: 2017-019

Status Report on Prior-Year Finding:

Corrective Action Planned:

Step 1: The Office of Innovation and School Reform (OISR) developed both a written Risk Analysis Process (that had already been formally underway but not written) and a written Fiscal Review Process that was put in place in the spring of 2017. Both processes have been uniformly put in place for the 2017-18 school year as part of School Improvement Grant 1003(g) monitoring.

Step 2: The fiscal review process will be updated to include “compliance with program specific requirements” and “steps to ensure that all monitoring activities are consistently applied to all active subrecipient grants and all evidence of monitoring procedures are properly documented and maintained by the Department.”

Step 3: The OISR will immediately consult with NYSED’s Title I Office to determine how to improve risk-based decision-making and application of U.S. Code of Federal Regulations Part 200 (2 CFR 200) Uniform Administrative Requirements, Cost Principles, and Audit Requirements, section 200.331 (b). The OISR will include factors such as the ones recommended above: “the subrecipient's prior experience with the same or similar sub-awards, the results of previous audits including whether or not the subrecipient receives a Single Audit, whether the subrecipient has new personnel or new or substantially changed systems; and the extent and results of Federal awarding agency monitoring."

Step 4: The OISR will adopt the NYSED Title I Office's indicator, included in their Targeted Monitoring Protocol, to evaluate an LEA's implementation of Single Audit Corrective Action Plans (where applicable).

Progress Update:

UPDATE OCTOBER 2018:

The OISR is continuing to work on updating fiscal review and risk assessment policies and procedures. In addition, we are continuing to expand our risk assessment process to include multiple risk factors.

Step 4 was completed during the 2017-18 school year and will continue.

Anticipated Completion Date:

Corrective action in progress.

Additional corrective actions as listed in the will be completed by March 2019.

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2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: State Education Department

Single Audit Contact: Karla Ravida

Title: Principal Internal Auditor

Telephone: 518-486-5212

E-mail Address: Karla.Ravida@nysed.gov

Prior-Year Audit Report Page Reference: 54

Prior-Year Finding Number: 2017-020

Status Report on Prior-Year Finding:

Corrective Action Planned:

Each sub-award was reviewed by two Department staff members and evidence of that review has been kept on file and will be available for review.

Additionally, all suspension and debarment certifications are now on file and are available for review.

Progress Update:

The processes and procedures outlined in the corrective action above have been maintained and will continue.

Anticipated Completion Date:

Corrective action taken and implemented.

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: State Education Department

Single Audit Contact: Karla Ravida

Title: Principal Internal Auditor

Telephone: 518-486-5212

E-mail Address: Karla.Ravida@nysed.gov

Prior-Year Audit Report Page Reference: 56

Prior-Year Finding Number: 2017-021

Corrective Action Planned:

As of August 2017, a Mantis ticket is created monthly listing all the tickets that were closed out in the previous month. This ticket is assigned to a manger to review and verify they were correctly implemented. NYSED ISO policies will be modified to specify that a review of Active Directory user accounts be conducted at least on an annual basis. A corresponding procedure will be developed to specify the process to be used for that review. At minimum, this review will consist of exporting all users from Active Directory by program area. These user lists and associated group memberships will be provided to the Director of Operations for each program area, who will note any users that need to be deactivated or permissions that require adjusting due to internal changes of responsibility.

Status Report on Prior-Year Finding:

Corrective actions taken and implemented:

A monthly Mantis ticket is created listing all the tickets that were closed out the previous month. This ticket is assigned to a manger to review and verify they were correctly implemented. This process has been completed each month since August 2017.

In response to finding 2017-021 in the U.S. Department of Education audit (audit control number ACN 02-17-88763) the New York State Education Department (NYSED) conducted a “review of access at the organization-wide network layer.” This review involved an agency-wide

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inspection of NYSED's Active Directory user accounts, which are required to log on to NYSED computers. The review was completed on Thursday, March 29, 2018, and all necessary corrections have been made. The NYSED Active Directory User Audit Procedure, developed in response to this audit finding, will be performed annually as a detective control.

Anticipated Completion Date:

Corrective action taken and implemented.

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2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: State Education Department

Single Audit Contact: Karla Ravida

Title: Principal Internal Auditor

Telephone: 518-486-5212

E-mail Address: Karla.Ravida@nysed.gov

Prior-Year Audit Report Page Reference: 59

Prior-Year Finding Number: 2017-022

Status Report on Prior-Year Finding:

Corrective Action Planned:

SED will modify its annual reporting process to only include subrecipients in the annual SEFA report and the process will include multiple reviews to ensure accuracy.

Progress Update:

SED has a procedure to identify sub-recipient payments as a sub-set of total Local Assistance spending in order to properly complete SEFA reporting.

Anticipated Completion Date:

Corrective action taken and implemented.

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2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Housing Trust Fund Corporation

Single Audit Contact: Jason Purvis

Title: Vice President – Federal Programs

Telephone: 518-474-2057

E-mail Address: Jason.purvis@nyshcr.org

Prior-Year Audit Report Page Reference: 62

Prior-Year Finding Number: 2017-023

Status Report on Prior-Year Finding:

In March 2018, OCR updated its policies to address the receipt and expenditure of program income. First, OCR will not award new CDBG funding to any community that has uncommitted Program Income. Second, a packet (including the policy change), was sent to all past and current CDBG awardees requesting the amount of uncommitted Program Income on-hand. OCR gave each community until May 31, 2018 to complete a certification of uncommitted Program Income. Between now and March 31, 2019, OCR will work with communities to properly commit PI and track the expenditures. Any uncommitted PI on hand or earned after March 31, 2019 will be required to be returned to OCR immediately. OCR will follow HUD regulations on the proper disbursement of PI funds returned from units of local government.

Progress Update:

In late March 2018, OCR sent packets of information to each community that had received NYS CDBG assistance since 2000; the first year NYS took over the Program. The mailing was to 278 Towns, 47 Counties, 32 Cities and 157 Villages. Each packet contained OCR's new Program Income Policy, a Program Income Fact sheet, and a certification form to be completed and returned to OCR. Each community was required to list their uncommitted Program Income on-hand and return the completed form by May 31, 2018. Those communities that did not submit the form have had their CDBG funds suspended. Any uncommitted Program Income after March 31, 2019 must be returned to the Corporation. The latest aggregate uncommitted Program Income amount was over $8.53 million.

Anticipated Completion Date: 3/31/2019

Corrective action in progress.

NEW YORK STATE OF OPPORTUNITY. | Division of the Budget

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Director of the Budget

SANDRA L. BEATTIE
Deputy Director

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Housing Trust Fund Corporation

Single Audit Contact: Jason Purvis

Title: Vice President – Federal Programs

Telephone: 518-474-2057

E-mail Address: Jason.purvis @nyshcr,org

Prior-Year Audit Report Page Reference: 65

Prior-Year Finding Number: 2017-024

Status Report on Prior-Year Finding:

Corrective action on the finding was completed November 7, 2017

Anticipated Completion Date: November 7, 2017
Corrective action taken and implemented.

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2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Office of the State Comptroller

Single Audit Contact: Deborah J. Hilson

Title: Director

Telephone: 518-486-1234

E-mail Address: dhilson@osc.ny.gov

Prior-Year Audit Report Page Reference: 68

Prior-Year Finding Number: 2017-025

Status Report on Prior-Year Finding:

Completed.

Anticipated Completion Date:

Corrective action taken and implemented. Implementation date was April 1, 2018.

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2017-18 Prior-Year Finding Summary-

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Health

Single Audit Contact: Lori Conway

Title: Associate Accountant

Telephone: 518-473-3920

E-mail Address: Lori.Conway@health.ny.gov

Prior-Year Audit Report Page Reference: 71

Prior-Year Finding Number: 2017-026

Status Report on Prior-Year Finding:

The Department's Bureau of Provider Enrollment implemented a process and internal controls in January 2018 to ensure that the claims paid to providers that seek to have their enrollment terminated (voluntary termination from Medicaid request) are reviewed in the following manner:

Procedure:

All voluntary termination backdate requests will be backdated on the date the enrollment specialists actually processes the request.

For example:

When a voluntary termination request comes into eMedNY it is entered into the system. The provider August request an earlier termination date, for example April 15, 2018, or a later date, for example August 15, 2018. When the enrollment specialist processes the termination request she will use the date of processing as the voluntary enrollment date. If the date requested is further out than the processing date, the specialist will use the actual date requested.

Anticipated Completion Date:

Partially corrected. The Department has taken corrective actions and expects this to be fully corrected for for SFY 18-19.

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2017-18 Prior-Year Finding Summary-

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Department of Health

Single Audit Contact: Lori Conway

Title: Associate Accountant

Telephone: 518-473-3920

E-mail Address: Lori.Conway@health.ny.gov

Prior-Year Audit Report Page Reference: 73

Prior-Year Finding Number: 2017-027

Status Report on Prior-Year Finding:

A subset of HARP-related claims was missed and had to be invoiced at a later point in time. To ensure that this does not re-occur the Division of Finance and Rate Setting, responsible for rebate invoicing, will now be notified by the Division of Health Plan Contracting & Oversight when any new program/plan type is scheduled to be implemented in order to inform decisions relative to rebate concerns. The State's contractor has also been made aware of the issue and will work with the Department to make sure required system updates are implemented in a timely manner.

Progress Update:

The Department sent retroactive invoices to manufacturers on January 12th, 2018 for the uncollected HARP drug rebates in the amount of $204 M for the retroactive period of October 1, 2015 through March 31, 2017. As of June 15th, $177 M has been collected. The State's contractor continues to work to collect the remaining balance owed to the State.

Anticipated Completion Date:

Corrective action taken and implemented.

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Deputy Director

2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Department of Health

Single Audit Contact: Lori Conway

Title: Associate Accountant

Telephone: 518-473-3920

E-mail Address: Lori.Conway@health.ny.gov

Prior-Year Audit Report Page Reference: 75

Prior-Year Finding Number: 2017-028

Status Report on Prior-Year Finding:

DOH’s Fiscal Management Group has developed updated Financial Protocols and Accounting summary documents.

Progress Update:

Financial Protocols completed and submitted for internal review.

Anticipated Completion Date:

Corrective action taken and implemented.

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2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Department of Health

Single Audit Contact: Lori Conway

Title: Associate Accountant

Telephone: 518-473-3920

E-mail Address: Lori.Conway@health.ny.gov

Prior-Year Audit Report Page Reference: 77

Prior-Year Finding Number: 2017-029

Status Report on Prior-Year Finding:

An eMedNY Evolution Project was deployed in July 2018 to apply the correct codes prospectively to prevent this error from occurring in the future. The retroactive claims back to 2016 still need to be corrected. OHIP and DOB are both aware of the retroactive component and we are working with them on the development and timing of this part of the correction.

Anticipated Completion Date:

Partially Corrected. Completion date tentatively estimated at 3/31/21.

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2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Department of Health

Single Audit Contact: Lori Conway

Title: Associate Accountant

Telephone: 518-473-3920

E-mail Address: Lori.Conway@health.ny.gov

Prior-Year Audit Report Page Reference: 80

Prior-Year Finding Number: 2017-030

Status Report on Prior-Year Finding:

Implemented on 10/25/17 in Medicaid cycle# 2094. Mapping issue also addressed in new program expenditure reports tentatively scheduled to begin in mid/late 2018. Only remaining component of finding pertains to value of retroactive correction for pre-10/25/17 period.

Progress Update:

DOH has consulted OSC on the calculation of interest associated with the correction transaction, and will review final calculation by OSC prior to submission. Adjustment to be processed at a timing determined by DOB.

Anticipated Completion Date:

Retroactive Journal Entry correction processed on 10/4/18 after review with OSC and DOB. Plan should be fully implemented by 10/31/19.

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2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Department of Health

Single Audit Contact: Lori Conway

Title: Associate Accountant

Telephone: 518-473-3920

E-mail Address: Lori.Conway@health.ny.gov

Prior-Year Audit Report Page Reference: 82

Prior-Year Finding Number: 2017-031

Status Report on Prior-Year Finding:

Development on computerized system continues, beginning of testing has not yet begun, but will begin in next two months. Program has formalized existing risk assessment process.

Progress Update:

Completion and then implementation of computerized system to manage subrecipient audit process.

Anticipated Completion Date:

Partially Corrected. Corrective action in progress. Anticipated completion is 12/31/19.

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2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Department of Health

Single Audit Contact: Lori Conway

Title: Associate Accountant

Telephone: 518-473-3920

E-mail Address: Lori.Conway@health.ny.gov

Prior-Year Audit Report Page Reference: 84

Prior-Year Finding Number: 2017-032

Status Report on Prior-Year Finding:

Cash management policy for all vouchers payments using federal funds implemented on November 20, 2017, instructing all vouchers supported by federal funds to use the "Due Now" payment term option. On January 31, 2018, the policy was updated to comply with the Office of the State Comptroller's Advisory issued on January 22, 2018 regarding Voucher Payment Terms. This advisory (Accounts Payable Advisory #35) states: "Agencies should not update the payment terms to "Due Now" because it negates discount terms and reduces interest earnings." To ensure all federally funded transactions are processed within two days prior to payment, the **Scheduled Due** field must be changed to reflect the date the voucher is entered into the Statewide Financial System (SFS).

Anticipated Completion Date:

Corrective action taken and implemented.

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2017-18 Prior-Year Finding Summary

Prior-Year Audit Period: State Fiscal Year Ended March 31, 2017

State Agency: Department of Health

Single Audit Contact: Lori Conway

Title: Associate Accountant

Telephone: 518-473-3920

E-mail Address: Lori.Conway@health.ny.gov

Prior-Year Audit Report Page Reference: 86

Prior-Year Finding Number: 2017-033

Status Report on Prior-Year Finding:

Internal controls over the completeness and accuracy of the Sub-Schedule of Expenditures of Federal Awards (SEFA) reporting was enhanced by requiring program staff to continuously monitor and categorize all Aid-to-Localities payments made to vendors. Additionally, program staff are now required to provide confirmation that all Aid-to-Localities expenditures reported on the annual SEFA report are accurately classified as payments to subrecipients.

Progress Update:

Partially Corrected

Anticipated Completion Date:

Partially Corrected. Corrective actions still in progress.