



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 19, 2022

Vincent G. Bradley
Chairman
New York State Liquor Authority
80 South Swan Street, 9th Floor
Albany, NY 12210

Re: Internal Controls Over Selected
Financial Operations
Report 2022-F-12

Dear Mr. Bradley:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the State Liquor Authority and Division of Alcoholic Beverage Control to implement the recommendations contained in our audit report, *Internal Controls Over Selected Financial Operations* (Report [2019-S-69](#)).

Background, Scope, and Objective

In 1934, the New York State Legislature enacted the Alcoholic Beverage Control Law (Law), creating the State Liquor Authority and the Division of Alcoholic Beverage Control (both commonly and hereafter referred to as SLA). SLA promotes the health, welfare, and safety of the people of the State, and – to the extent possible – supports economic growth, job development, and the State's alcoholic beverage production, tourism, and recreation industries. In December 2021, the Office of Cannabis Management was established and became part of SLA.

SLA has locations – or zones – in New York City, Albany, and Buffalo and is governed by a chairperson and two commissioners. SLA issues both on- and off-premises licenses (e.g., for bars and grocery stores, respectively) as well as manufacturing and wholesale licenses, special event and brand label permits, and miscellaneous permits such as those for brewery tastings. The application and fee requirements depend on the type of license or fee and the location. In its Annual Report for calendar year 2020, SLA reported that its Licensing Bureau generated about \$49 million in revenues.

SLA entered into a Service Level Agreement (Agreement) with the Office of General Services' Business Service Center (BSC) that took effect in 2012. BSC is the State's shared services center that provides transactional processing for State agencies, employees, and vendors. Under the terms of the Agreement, BSC performed services for SLA, including those related to finance, human resources, and payroll administration. BSC also provided travel card tracking and reconciliation services and notified SLA employees and their supervisors of outstanding travel card charges to help ensure the submission of travel expense reports.

Travel expense reports provide accountability for employees' use of travel cards and support for reimbursement of out-of-pocket costs. They also provide information necessary to reconcile the travel card bill and identify and challenge incorrect and potentially fraudulent charges. Per the OSC Travel Manual, which SLA uses for its travel procedures, employees should submit travel expense reports within 30 days of the end of the travel event detailing all expenses, including both travel card and out-of-pocket expenses.

The objective of our initial audit, which was issued September 2020 and covered the period April 2016 to June 2020, was to determine whether SLA had adequate controls over selected financial operations to provide reasonable assurance that State assets and information were appropriately managed and safeguarded. We found that the controls were generally adequate to provide this assurance. We also identified six travel card charges for one current and one former employee for which SLA lacked employee travel vouchers (SLA now refers to these as expense reports), and we made two related recommendations.

The objective of our follow-up was to assess the extent of implementation, as of August 9, 2022, of the two recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

SLA has made progress addressing the problems we identified in the initial audit report and has implemented the two recommendations from that report.

Follow-Up Observations

Recommendation 1

Take steps in coordination with BSC to ensure timely and accurate receipt of information about outstanding travel card charges.

Status – Implemented

Agency Action – Effective May 2022, BSC discontinued running Statewide Financial Services (SFS) queries, which identify aged, unreconciled travel card charges, and sending the results to State agencies, including SLA. SLA now runs its own monthly SFS queries to identify outstanding travel card charges, including charges by employee, number of days the charge has been unreconciled, and where the charge is in the approval cycle.

SLA's current stated practice is to send an email notification to each employee with charge(s) outstanding more than 30 days, requiring them to submit a travel expense report with receipts for the charges. SLA also sends an email notification to the supervisor of each employee with overdue charges, requesting follow-up. According to an SLA official, the first email notifications were sent at the end of June 2022.

In addition, SFS sends a system-generated reminder to all employees with outstanding charges, reminding them to submit a travel expense report, and also notifies supervisors when they have outstanding reports in need of their approval. SLA officials told us they plan to develop written procedures for this new process once they have worked through an entire cycle.

Recommendation 2

Take appropriate follow-up action on outstanding charges.

Status – Implemented

Agency Action – Since our initial audit, appropriate expense reports or confirming information were submitted for the outstanding travel card charges we identified in our report.

An SFS query report provided by SLA identified 15 travel card holders with a total of \$2,999 outstanding travel charges as of June 30, 2022. We confirmed that SLA generally followed its new process for handling outstanding travel charges and that it notified 14 of the 15 travelers (or their proxies) that their charges were incurred more than 30 days ago and they should submit a travel expense report as soon as possible, where applicable.

Major contributors to this report were Karen Bogucki, CGFM; Kathleen Garceau; and Joseph Southworth.

We thank the management and staff of SLA for the courtesies and cooperation extended to our auditors during this engagement.

Very truly yours,

Sharon L. Salembier, CPA, CFE
Manager

cc: Michael Matthews, Director of Administration