



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

THOMAS H. MATTOX
COMMISSIONER

July 2, 2014

The Honorable Andrew M. Cuomo
Governor
State of New York
State Capitol
Albany, New York 12224

Dear Governor Cuomo:

Enclosed is the Department's status report on the implementation of recommendations contained in the Office of the State Comptroller's audit report entitled: "Processing of Paper Tax Returns, Report 2013-S-64."

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Mattox', written over a faint grid background.

Thomas H. Mattox
Commissioner

Enclosure

cc: Senator Silver
Senator Skelos
Senator Klein
Senator Stewart-Cousins
Senator DeFrancisco
Senator Krueger
Assemblyman Kolb
Assemblyman Farrell
Robert C. Oaks
Comptroller DiNapoli

DEPARTMENT OF TAXATION AND FINANCE
Status of the Office of the State Comptroller's
Recommendations Contained in the Final Audit Report on
"Processing of Paper Tax Returns"

July 2, 2104

Recommendation 1:

Determine the appropriate reimbursement due the vendor as well as the total damages due the Department; adjust compensation or seek damages and/or other remediation as applicable.

Status:

The Department has reviewed all invoices submitted by the vendor for services rendered in the performance of this contract. Their accuracy and completeness have been verified, with any discrepancies vetted and adjusted for where necessary.

The Department is continuing to identify and compute its damages resulting from vendor deficiencies and failures to perform, consistent with standards stipulated in the contract.

Any and all damages and/or other forms of remediation will be included in on-going settlement negotiations between the Department and the vendor.

Recommendation 2:

Determine if processing of paper returns in-house or by a third-party vendor best meets the long-term practical and fiscal needs of the Department.

Status:

The Department has concluded that in-sourcing of personal income tax return processing is the most prudent and cost effective course going forward. We have taken significant and appropriate steps towards this end.

Leveraging the in-house capacity deployed in 2013 to process paper corporation franchise tax returns, the Department has processed a significant volume (54%) of paper personal income tax returns filed for Tax Year 2013. This processing has been done in an extremely accurate and timely manner. These successes provide a very clear indication of our capabilities and capacity to effectively process personal income tax paper filings.