



**Department of
Taxation and Finance**

NONIE MANION
Executive Deputy Commissioner

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EXECUTIVE CORRESPONDENCE

MAR 20 2018

OFFICE OF THE STATE COMPTROLLER
THOMAS P. DINAPOLI
COMPTROLLER

March 14, 2018

The Honorable Andrew M. Cuomo
Governor of New York State
NYS Capitol Building
Albany, NY 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: "Controls Over Unclaimed Bottle Deposits, Report 2016-S-96 dated December 2017."

Sincerely,

A handwritten signature in purple ink that reads "Nonie Manion".

Nonie Manion

Enclosure

cc: Senator Flanagan
Assemblymember Heastie
Comptroller DiNapoli

Department of Taxation and Finance
Status of the Office of the State Comptroller's
Recommendations Contained in the Final Audit Report on
Controls Over Unclaimed Bottle Deposits

March 14, 2018

Recommendations 1 and 2:

1. Assess penalties on initiators that fail to file quarterly reports.
2. Implement steps to improve monitoring of deposit initiator reporting, including those that are registered but do not file quarterly reports and those that report no deposit collections but report distributing redemptions.

Status:

The Department has completed the technical work necessary to issue delinquency assessments to initiators that fail to file quarterly reports. This process will begin in the second quarter of 2018. Additionally, the Audit division has formulated and implemented procedures for comparative review of return filings and are investigating reporting anomalies originating therefrom through traditional audit processes.

Recommendation 3:

Take corrective action to improve the penalty process, including automating the penalty assessment process and implementing procedures to ensure penalties are assessed for all deposit initiators that file late reports.

Status:

The Department continues to perform second level reviews on all returns that were identified as having an assessable condition to ensure that penalty assessments are timely issued, where appropriate. Since implementation of this second level review, no anomalies in assessment issuance have been identified.

Recommendation 4:

This recommendation was deleted in the OSC audit report.

Recommendation 5:

This recommendation was deleted in the OSC audit report.

Recommendation 6:

Review the red flags that we identified in our report and take appropriate corrective action, such as requesting supporting documentation or conducting investigations.

Status:

The Audit Division has incorporated the red flag logic and data elements into its audit review and selection routines and will address these anomalies during the conduct of its audits on a case by case basis.

Recommendation 7:

Require deposit initiators to submit supporting documentation with their quarterly reports to support their reported amounts.

Status:

The Department's Audit Division will request supporting documentation on an as needed, case-by-case basis. The Department is preparing new Beverage Container Deposit guidance materials that will include guidance for deposit initiators and refund claimants regarding maintaining proper records and supporting documentation.