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## UPDATE 2-NYS improves oversight of \$3 bln liquidation bureau

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(Adds comments, details, paragraphs: 3-4, 6, 8)

NEW YORK, July 10 (Reuters) - New York State has tightened controls on its Liquidation Bureau, which manages \$3 billion of assets, after overseeing the first top-to-bottom audit in its 99-year history, the state insurance superintendent said Thursday.

The bureau handles the liquidation or rehabilitation of more than 60 insolvent or impaired insurance company estates and conservations.

Last year, consultants were hired to delve into the workings of the bureau, which ensures policy-holders are paid when insurance companies run into trouble.

"The bureau's new leadership was conducting an internal investigation that showed past overbilling by outside vendors and consultants, and other considerable operational failures," Insurance Superintendent Eric Dinallo said in statement.

Checking 40 files of law firm bills uncovered \$250,000 of over- or duplicate charges that have now been recovered, Mark Peters, who runs the bureau, told Reuters.

While it would cost too much to go back through 20 years of bills, the bureau is examining 300 more files. By hiring in-house lawyers, it should be able to save "millions of dollars" of legal fees in the next several years, he added.

The audit also found a bankrupt public motor vehicle fund was owed \$20 million held by an insurance company, Peters said. Recovering that cash enabled the bureau to clear up nearly a decade-old backlog of claims.

Thursday's report by consultants Amper, Politziner and Mattia, P.C. found that the personal information of claimants and policy-holders was not secure due to "outdated" systems.

"Confidential information is no longer in jeopardy. Those are the kinds of things we fixed immediately," Peters said.

The first of a three-part analysis can be found on the web site: [www.nylib.org](http://www.nylib.org).

The second report, due shortly, should have the complete reconciliations and reveal the bureau's finances and the "fiscal position" of its estates as of Dec. 31, 2006, Dinallo said.

Other problems the first review uncovered included an over-reliance on outside consultants without sufficient oversight or back-up procedures.

The third analysis, the 2007 financials, will be issued in the fall of 2008. (Reporting by Joan Gralla; Editing by Dan Grebler)

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