

## BUDGET POLICY AND REPORTING MANUAL

<i>date</i> 3/12/12	<i>subject</i> GOVERNMENTAL INTERNAL CONTROL AND INTERNAL AUDIT REQUIREMENTS	<i>item</i> B-350
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### I. Purpose and Scope

This Item outlines efforts required of State agencies to comply with the Governmental Accountability, Audit and Internal Control Act (the Internal Control Act or the Act). This Item is being revised to:

- A. Update the list of State agencies covered by the Internal Control Act (**Attachment A**) to reflect agency changes as a result of mergers, name changes, consolidations or other corrections; and,
- B. Update the list of agencies required to establish and maintain an internal audit function (**Attachment B**) to reflect agency changes as a result of mergers, name changes, consolidations or other corrections.

This Item also provides agencies with guidance on internal control responsibilities, internal audit responsibilities, internal control certification and reporting and professional standards. The primary purpose of these activities is to enhance the integrity of government operations, provide reasonable oversight of State operations, assure compliance with laws, regulations and policies, ensure State funds and resources are used efficiently and effectively, and give reasonable assurance that State assets and resources are appropriately protected and managed.

This Item covers any State agency as defined by the Internal Control Act as “any state department, state university of New York, city university of New York, board, bureau, division, commission, committee, council, office or other governmental entity performing a governmental or proprietary function for the state, or any combination thereof, except any public authority or public benefit corporation, the judiciary or the state legislature.”

To identify all State agencies for the purpose of implementing the provisions of this Item, the Director of the Budget issues and periodically revises a *Schedule of Covered State Agencies Subject to Internal Control Requirements* (see **Attachment A**).

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### II. Internal Control Responsibilities

The Internal Control Act defines internal control as the integration of activities, plans, attitudes, policies, systems, resources and efforts of the people of an organization working together to provide reasonable assurance that the organization will achieve its objectives and mission.

Agency heads are accountable for implementing effective internal controls in their entities, including assuring there are appropriate controls for all programs, regional offices, facilities, boards, commissions, committees and councils. These internal controls should be consistent with State laws, rules, regulations and applicable statewide administrative and financial practices.

The [Standards for Internal Controls in New York State Government](#), issued by the Office of the State Comptroller (OSC), recognizes evaluation, strategic planning and internal audit as activities supporting a good internal control system. As appropriate, management should coordinate and integrate documentation and reporting of these complementary processes to avoid redundancies and duplication of effort.

[The New York State Internal Control Act Implementation Guide: Strengthening Compliance With the Act and Standards](#) provides agencies with guidance for complying with the Act and offers sample forms and templates that can be used to implement the provisions of the Act outlined below.

This Item requires State agencies to perform the following internal control responsibilities consistent with the Act's six requirements:

- A. Establish and maintain guidelines for a system of internal controls for the agency.** Internal control guidelines communicate an organization's management and programmatic objectives to its employees and provide the methods and procedures used to assess the effectiveness of its internal controls in supporting those objectives.

Internal control guidelines should:

1. State the agency head's support of internal controls to provide staff with an understanding of the benefits of effective controls;
2. Identify the agency's primary responsibilities and objectives;

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3. Explain how internal controls are organized and managed;
4. Define responsibilities of agency management, supervisors and staff;
5. Acknowledge that internal controls adhere to accepted standards; and,
6. Describe the organization's process for evaluating internal controls.

**B. Establish and maintain a system of internal controls and a program of internal control review for the agency.** The system of internal control should be developed using the COSO (Committee of Sponsoring Organizations of the Treadway Commission) conceptual framework adopted in the [Standards for Internal Controls in New York State Government](#), and should incorporate COSO's five basic components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring.

The program of internal control review shall be a structured, continuing and well-documented system 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 internal controls.

Organizations can adopt a system of internal control review tailored to their needs, size and degree of centralization. The procedures for evaluating the adequacy of that system also vary, but at a minimum should:

1. Identify and clearly document the primary operating responsibilities (functions) of the agency;
2. Define the objectives of these functions so they are easily understood by staff accountable for carrying out the functions;
3. Identify and document the policies and procedures used to execute functions;
4. Identify the major functions of each of the agency's assessable units;

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5. Include a process and cycle used to assess risk and test controls for the major functions;
6. Assess the risks and consequences associated with controls failing to promote the objectives of major functions;
7. Test internal controls to ensure they are working as intended (see the [Manager's Testing Guide](#)); and,
8. Institute a centrally monitored process to document, monitor and report deficiencies and corrective actions.

- 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, along with detailed policies and procedures the employees are expected to adhere to in completing their work.** The statement should set an appropriate tone at the top, reflecting agency management's expectations. It should be issued periodically and emphasize the importance of effective internal controls to the agency and the responsibility of each officer and employee for effective internal controls.

Managerial policies and procedures for the performance of specific functions are articulated in administrative manuals, employee handbooks, job descriptions, and applicable policy and procedure manuals. While it is not necessary for all employees to possess all manuals, employees should be provided with, or have access to, applicable policies and procedures for their position.

- D. Designate an Internal Control Officer (ICO), who shall report to the head of the agency or to their designee within the executive office, to implement and review the internal control responsibilities established pursuant to this Item. The designation of the ICO should also be communicated to employees.** The ICO works with appropriate personnel within the agency to coordinate the internal control activities and to help ensure that the internal control program meets the responsibilities established by this item. Although the ICO evaluates the adequacy of the internal control reviews, program and line managers are primarily responsible for conducting reviews to assure adherence to controls, and for analyzing and improving control systems. The ICO should be an

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individual with sufficient authority to act on behalf of the agency head in implementing and reviewing the agency's internal control program. This individual should have a broad knowledge of the agency's operations, personnel and policy objectives.

- E. Implement education and training efforts to ensure that officers and employees have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques.** Agencies should identify staff requiring internal control training and the depth and content of that training. Such education and training should be on-going with specific courses directed at line staff, middle managers and executive management. For organizations with established internal audit functions, training and education should be offered on the appropriate role of the internal auditor within the organization's internal control system.
- F. Periodically evaluate the need to establish, maintain or modify an internal audit (IA) function. If an IA function exists, it should operate in accordance with generally accepted professional standards for internal auditing.** The Director of the Budget has established a list of agencies required to establish IA functions (see Section III below).

### III. Internal Audit Responsibilities

The Internal Control Act's sixth and final requirement pertains to covered State agencies' need for an internal audit (IA) function (see Section II, F. above). The Act defines internal audit as an appraisal activity established by management for reviewing agency operations to assure compliance with management policies and the effectiveness of internal controls. The internal audit function evaluates the agency's processes for risk management, internal controls, and governance; identifies control weaknesses; and makes recommendations to correct these weaknesses.

Pursuant to the Act, internal audits are to be conducted in conformance with generally accepted standards for internal auditing (see Sections III D and V below). The standards define this activity as an independent, objective assurance and consulting service designed to add value and improve an organization's operations. The internal audit activities should help accomplish objectives by providing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

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While all agencies are required to have internal controls, all agencies may not warrant an internal audit function. Based on a preliminary evaluation by agencies, the Director of the Budget has determined that about one third of all State agencies are required to have an IA function. However, all agencies are required to consider the need for an internal audit function.

The current *List of Agencies Required to Establish and Maintain an Internal Audit Function* is included as **Attachment B** to this Item. Agencies included on this list are generally those with: varied and complex programs; decentralized organizational structures; large budgets; significant revenue, grant or reimbursement functions; or major regulatory or investigatory responsibilities.

Pursuant to the Act, the internal audit function shall be managed by a Director of Internal Audit (DIA), appointed by the agency head based on candidates' internal audit credentials, education and experience. The Act requires that the DIA position be in the exempt class, and appointments to this position must be approved by the Director of the Budget. The DIA should report functionally to the agency head or audit committee and may report administratively to the designated executive deputy (or equivalent position). If the executive deputy has line or staff duties, the DIA should report directly to the agency head.

### A. Evaluating the Need for Internal Audit

Pursuant to the Act, agencies are required to periodically evaluate the need to establish, maintain or modify an IA function, especially when organizational, operating, fiscal, program, legal or personnel changes occur which affect the agency's exposure to risk or which could otherwise change the results of the initial assessment. The Internal Audit Evaluation Criteria (**Attachment C**) is an IA assessment tool.

1. Agencies with IA functions should review current operations to determine whether those operations should be altered or maintained and should assess whether having an audit committee would be beneficial and appropriate for the agency.
2. Agencies without IA functions that conclude that an IA function is warranted should submit **Attachment C** to DOB's Administrative and Information Technology Services Unit which will coordinate a review and determination with the appropriate examination unit.

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### **B. Creating Director of Internal Audit Positions**

Once an agency has been required to establish an internal audit function, it must define the exact duties of the DIA position consistent with generally accepted internal audit standards and develop specific qualifications within the parameters of the minimum and preferred qualifications (outlined below) that will be required for the position.

Concurrent with this effort, agencies must also obtain formal Civil Service Commission approval to place the DIA position in the exempt class. For more information on obtaining Civil Service Commission approval for placing the DIA position in the exempt class, please contact the Civil Service Commission at (518) 473-6598.

### **C. Appointing Directors of Internal Audit**

1. Effective performance as a DIA requires a broad base of experience and skills. DIAs should have knowledge of governmental operations and be able to identify management, organizational and operating problems and to assess their implications. They should possess effective communication skills to articulate audit objectives, findings and recommendations in a clear, concise and convincing manner. DIAs must be good supervisors, trainers and evaluators of employees. They must possess good interpersonal skills so they can deal effectively with auditees and other staff. Underlying these skills should be a working knowledge of professional auditing standards, and goals and techniques of internal auditing or program evaluation.
2. Pursuant to the Act, the Director of the Budget shall review and approve all appointments to DIA positions as part of the regular review of agencies' requests for Budget Director Approval (BDA). As part of the review, the Division of the Budget (DOB) shall take appropriate steps to ensure that appointments to DIA positions conform – to the extent practicable – to the minimum and preferred qualifications outlined below.
3. As a guideline, when recruiting individuals for appointment to DIA positions, agencies should consider the following:
  - a. Minimum Qualifications**
    - 1) An undergraduate degree (or equivalent combination of education and experience); and,

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- 2) Five years of progressively responsible experience conducting or managing one or more of the following: audits, examinations or program reviews, including two years in a supervisory capacity.

### **b. Preferred Qualifications (beyond minimum qualifications)**

- 1) Professional certification, such as Certified Internal Auditor (CIA), Certified Public Accountant (CPA) or Certified Information Systems Auditor (CISA); and,
- 2) Master's degree in accounting, business, public administration, economics, management or a field closely related to the agency's service sector.

### **c. Desired Knowledge, Skills and Abilities**

- 1) Extensive knowledge of professional audit standards;
  - 2) Demonstrated oral and written communication skills;
  - 3) Experience focusing on the activities of the respective agency's service sector; and,
  - 4) Extensive knowledge of government operations.
4. Once a candidate has been selected, the agency should forward its recommendation and BDA to the Governor's Appointments Office for review. If approved, the Governor's Appointments Office will then forward the request to DOB for review and final recommendation. As a supplement to the BDA, agencies should submit the candidate's resume, an organization and staffing plan for the IA function, and other supporting documentation as requested by DOB.

## **D. Complying with Internal Audit Standards and Guidance**

Pursuant to this Item, agencies identified in **Attachment B** as being required to have – and those entities choosing to have – an internal audit function should comply with The Institute of Internal Auditors' (IIA) [International Standards for the Professional Practice of Internal Auditing](#). Also, State agencies should understand: 1) The OSC [Standards for Internal Controls in New York State Government](#); and 2) that agencies will be evaluated accordingly in any audits performed by OSC. Additionally, IA functions should comply with the internal audit guidance outlined as follows regarding organizational placement, independence and reporting.

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1. A current organizational chart should be available upon request that identifies the placement of the IA function, the individual that has responsibility for overseeing the internal audit activity and any other organizations or activities that may be under the purview of the DIA.
2. The IA function should be independent of the Internal Control Officer (ICO), but should work closely with the ICO. Limitations should be established on internal control activities where those duties overlap. Agencies should identify impairments to the independence of the DIA that may be created where the DIA is performing the ICO function. Furthermore, the IA function should not assume operating responsibilities, perform management functions, make management decisions or assume other monitoring roles (e.g., Information Security Officer).
3. IA staff should complete an annual independence statement identifying actual/potential impairments to independence and notify the DIA whenever a new actual/potential impairment arises.
4. The IA function should develop an annual risk-based audit plan, track the extent to which audit plans are achieved and monitor implementation of audit recommendations.
5. At a minimum, DIAs should hold quarterly meetings with agency executive management and the audit committee, where applicable, to report on audit activities and results. Final reports should be distributed to the agency head, executive deputy, auditee, ICO and audit committee.
6. The DIA should assure that agency audit staff have the skills, knowledge and ability to perform the audit work required, and should take steps to assure that the size of the audit staff is appropriate to the size and complexity of the organization.
7. The IA function should take appropriate steps to assure sufficient audit resources are available given the size and complexity of the organization. This can be accomplished by exploring the following alternatives:
  - a. Insourcing (i.e., using agency staff from a function other than internal audit to work on a project or audit);

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- b. Outsourcing (i.e., contracting with an independent auditor, including both certified public accounting firms and other State agency internal audit functions, for specific audit services); and,
- c. Sharing audit resources and best practices with other agencies.

For more information on accomplishing appropriate audit coverage with limited resources, please refer to the Internal Control Task Force's (ICTF) report entitled, [The New York State Internal Control Act Implementation Guide: Strengthening Compliance With the Act and Standards](#), which contains the Internal Audit Work Group report entitled "Outsourcing, Insourcing and Shared Services."

#### IV. Annual Internal Control Certification and Reporting: Internal Control Summary and Certification Form

On or before April 30 annually (or the next business day when April 30 falls on a non-business day), the head of each covered State agency that has met the responsibilities outlined above, submits an Internal Control Summary and Certification Form (**Attachment D**) to the Director of the Budget to affirm whether or not his or her agency has complied with the six specific requirements of the Internal Control Act as outlined in Sections II and III of this item.

The Internal Control Summary and Certification Form allows agencies to certify to corresponding levels of compliance with each of the Act's requirements. The form is used to provide supporting justification for full or partial levels of compliance. The form can also serve as an agency's compliance plan to identify areas of partial compliance or non-compliance which need to be addressed, including specific timeframes for achieving compliance. The Internal Control Summary and Certification Form requirements are presented to agencies each year in a Budget Bulletin calling for the annual certifications.

The annual Internal Control Summary and Certification Form provides supporting justification for an agency's level of compliance with the requirements of the Internal Control Act and has agencies report on:

- A. The internal control review and testing process, high-risk activities and those areas which were reviewed;
- B. The significant deficiencies revealed by the review process, summarizing the actions taken to eliminate deficiencies and describing the system used to monitor corrective actions;

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- C. Education and training provided to keep staff aware of internal controls and to sustain the effectiveness of the internal control program; and,
- D. Where appropriate, information on the entity's IA function, including details on organizational placement, independence and reporting; the qualifications of the DIA; and the processes used by the unit to organize, manage and operate its internal audit activities and processes (e.g., risk analysis, audit planning, work papers, audit committee, continuing professional education, peer review, etc.).

### V. Adherence to Professional Standards

#### A. Internal Control Standards

State agencies should design and maintain internal control systems in conformance with generally accepted professional standards, including the OSC [Standards for Internal Controls in New York State Government](#).

#### B. Internal Audit Standards

Professional standards for internal auditing address the basic principles of independence, professional qualifications of staff, nature of the audit work, procedures to be followed in conducting audits and management of the IA function. For more information, refer to the Institute of Internal Auditors' (IIA) [International Standards for the Professional Practice of Internal Auditing](#).

State agencies required to establish and maintain internal audit functions pursuant to this Item must operate those units in accordance with these standards or equivalent standards. Agencies not required by this Item to operate IA functions, but which elect to do so, also must conform to these standards or equivalent standards.

### VI. References

- A. Standards for Internal Controls in New York State Government, Office of the State Comptroller ([http://osc.state.ny.us/agencies/icrf/docs/intcontrol\\_stds.pdf](http://osc.state.ny.us/agencies/icrf/docs/intcontrol_stds.pdf))
- B. Internal Control – Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission (<http://www.coso.org/>)

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- C. Standards for the Professional Practice of Internal Auditing, The Institute of Internal Auditors (<http://www.theiia.org/guidance/standards-and-guidance/ippf/standards/>)
- D. Public Authority Accountability Act (Chapter 766 of the Laws of 2005), The Authority Budget Office (<http://www.abo.state.ny.us/>)
- E. New York State Internal Control Association (NYSICA). NYSICA provides internal control and internal audit information, best practices, sample documents and forms, and free training and staff development to member State agencies and public authorities (<http://www.nysica.com/>)
- F. [The New York State Internal Control Act Implementation Guide: Strengthening Compliance With the Act and Standards](#) provides agencies with guidance for complying with the Act and offers sample forms and templates that can be used to implement the provisions of the Act.

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### Attachment A

#### Schedule of Covered State Agencies Subject to Internal Control Requirements

##### I. Purpose and Scope

This attachment includes a revised schedule of State agencies determined by the Director of the Budget to be subject to internal control requirements.

##### II. Coverage of Small Entities

Certain small organizations that, for the most part, receive administrative support from other agencies are not identified in this list as separate State agencies. They should be incorporated into the control systems of the agencies with which they are affiliated. Typical examples of these entities include boards of visitors of various departments, professional licensing boards and advisory councils.

The agency head identifies those entities that function, in practical terms, as part of the State agency and contribute to the achievement of the agency's mission. Any of these entities are subject to the parent agency's internal control program.

##### III. Coverage of Large, Multi-Facility Agencies

The central offices of the largest State agencies (those which operate numerous facilities or campuses) promulgate and maintain agency-wide internal controls. Individual facility directors are responsible for installing any facility-specific internal control systems.

##### IV. Entities Required to Have Independent Internal Control Audits

The Internal Control Act requires certain entities to have an independent internal control audit at least once every three years: Department of Audit and Control, Division of the Budget, Executive Chamber, Department of Law, the Legislature and the Judiciary. These entities do not appear on the Schedule (**Attachment A**) because they are subject to the independent audit requirement. Thus, these entities are not subject to the annual certification and reporting requirements set out in Section III of this Item. These entities must still comply with all applicable provisions of the Internal Control Act.

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### **Schedule of Covered State Agencies Subject to Internal Control Requirements**

Adirondack Park Agency  
 Aging, Office for the  
 Agriculture & Markets, Department of  
 Alcoholic Beverage Control, Division of (State Liquor Authority)  
 Alcoholism & Substance Abuse Services, Office of  
 Arts, Council on the  
 Authority Budget Office

Children & Family Services, Office of  
 City University of New York  
 Civil Service, Department of  
 Correction, Commission of  
 Corrections and Community Supervision, Department of  
 Criminal Justice Services, Division of

Developmental Disabilities Planning Council

Economic Development, Department of  
 Education Department  
 Elections, Board of  
 Employee Relations, Governor's Office of  
 Environmental Conservation, Department of

Financial Control Board  
 Financial Services, Department of

Gaming Commission, New York State  
 General Services, Office of

Health, Department of  
 Higher Education Services Corporation  
 Homeland Security & Emergency Services, Division of  
 Housing & Community Renewal, Division of  
 Hudson River Valley Greenway Communities Council  
 Human Rights, Division of

Indigent Legal Services, Office of  
 Information Technology Services, Office of  
 Inspector General, Office of  
 Insurance Fund, State

Judicial Conduct, Commission on

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Labor, Department of  
Lake George Park Commission

Medicaid Inspector General, Office of  
Mental Health, Office of  
Military & Naval Affairs, Division of  
Motor Vehicles, Department of

Parks, Recreation & Historic Preservation, Office of  
People with Developmental Disabilities, Office for  
Prevention of Domestic Violence, Office for the  
Public Employment Relations Board  
Public Ethics, Joint Commission on  
Public Service, Department of

Quality of Care & Advocacy for Persons with Disabilities, Commission on

State, Department of  
State Police, Division of  
State University of New York  
Statewide Financial System

Tax Appeals, Division of  
Taxation & Finance, Department of  
Temporary & Disability Assistance, Office of  
Transportation, Department of  
Tug Hill, Temporary State Commission on

Veterans' Affairs, Division of  
Victim Services, Office of

Welfare Inspector General, Office of the  
Workers' Compensation Board

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### Attachment B

#### List of Agencies Required to Establish and Maintain an Internal Audit Function

##### I. Purpose and Scope

This attachment identifies the schedule of State agencies that the Director of the Budget has determined must establish and maintain an IA function.

##### II. Evaluation Criteria

This list is based upon the following review criteria to determine an agency's potential operational vulnerability and exposure to risk in such areas as: organizational and program complexity; nature of revenue structure; size of budget; composition of workforce; volume of contract, cash and grant transactions; sensitivity of program areas; the reliability of automated systems; and level of internal control awareness exhibited by staff.

Agencies included on the schedule are generally those with: varied and complex programs; decentralized organizational structures; significant revenue, grant or reimbursement functions; or, major regulatory or investigatory responsibilities.

Agencies can utilize the *Internal Audit Evaluation Criteria* (**Attachment C**) as a tool to assess their organizations' need for an IA function. If the assessment concludes that an IA function is warranted, agencies should submit the completed "IA Evaluation Criteria" to DOB's Administrative Services Unit, which will coordinate a review and final determination with the appropriate examination unit.

##### III. Applicability

Agencies not on this schedule may voluntarily establish such audit units.

##### IV. Conformance to Internal Audit Standards

Agencies should establish and maintain IA units in accordance with the basic principles delineated in The Institute of Internal Auditors' [Standards for the Professional Practice of Internal Auditing](#) which include independence and objectivity, professional proficiency, nature and scope of work, performance of audit work, management of the IA unit, communicating results and monitoring progress.

##### V. Revisions to Schedule

This schedule may be revised at the discretion of the Director of the Budget.

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### List of Agencies Required to Establish and Maintain an Internal Audit Function

Agriculture & Markets, Department of  
 Alcoholic Beverage Control, Division of (State Liquor Authority)  
 Alcoholism & Substance Abuse Services, Office of

Children & Family Services, Office of  
 City University of New York  
 Civil Service, Department of  
 Corrections and Community Supervision, Department of  
 Criminal Justice Services, Division of

Economic Development, Department of  
 Education Department  
 Environmental Conservation, Department of

Financial Services, Department of

Gaming Commission, New York State  
 General Services, Office of

Health, Department of  
 Higher Education Services Corporation  
 Homeland Security and Emergency Services, Division of  
 Housing & Community Renewal, Division of

Information Technology Services, Office of  
 Insurance Fund, State

Labor, Department of

Medicaid Inspector General, Office of  
 Mental Health, Office of  
 Military & Naval Affairs, Division of  
 Motor Vehicles, Department of

Parks, Recreation & Historic Preservation, Office of  
 People with Development Disabilities, Office for  
 Public Service, Department of

State, Department of  
 State Police, Division of  
 State University of New York

Taxation & Finance, Department of  
 Temporary & Disability Assistance, Office of  
 Transportation, Department of

Workers' Compensation Board



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Number of Employees:

	Central Office Positions (FTE)	Regional/Field Office Positions (FTE)
Managerial		
Professional/Technical		
Support/Clerical		
Seasonal/Temporary		
Total		

4. How would you characterize the agency's public purpose? (Percentage of time spent on each function).

Advocate	%
Provider	%
Regulator/Control	%
Support	%
Administrative	%
Other (Specify)	%

**II. Contract and Grant Management**

- Describe the agency's policies and procedures for awarding, managing and monitoring grants and contracts, including labor management committee funds or other non-salary contractual items and legislative member items.
- Specify award/grant recipients by type: (Most Recently Completed Fiscal Year)

	Number of Recipients	Aggregate Dollar Amount
Local Government		
School Districts		
Not-for-Profits		
Labor Management Committees		
Other (Specify)		

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3. Explain how the agency ensures that recipients spend funds in accordance with laws and regulations governing programs.

### III. Agency Control Systems

1. Describe the basic control systems and the documents supporting those systems. Is documentation comprehensive, up-to-date and available for all functions?
2. How is compliance with these control systems monitored?
3. What training is in place for agency personnel on agency policies, procedures and control systems? What is the structure and frequency of this training?
4. How often are the agency's internal control policies and procedures reviewed and revised? What is the structure of the review process and who is responsible for these activities (e.g., supervisor, managers, committees, task forces)?

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5. Does the agency have a formal planning process which includes risk analysis? If so, explain the specifics of the risk analysis process.

6. Describe the agency's monitoring process for correcting identified control weaknesses.

#### IV. Internal Audit

1. Does the agency currently have an internal audit unit? If so, outline its functions and responsibilities.

2. Describe the internal audit unit's organization, staffing and operation.

3. Does the unit have an annual audit plan? If so, how is it developed?

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V. Fiscal

1. Describe the agency's procedures for receiving, recording, depositing and managing cash and checks.

2. Identify the agency's sources of revenue or other assets collected in the most recent fiscal year.

Source	Amount
Contracts	
Grants	
Users Fees	
Fines	
Assessments	
Other (Specify)	

3. Identify the agency's most recent fiscal year's budget expenditures:

	General Fund	Federal	Other	Total
State Operations				
Local Assistance				
Capital				
Total				

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**VI. Risk Exposure Analysis**

1. On an agency wide basis, how vulnerable are operations to such factors as error, misuse of resources, inefficiency, unfavorable public opinion, fraud, waste or abuse given the:

	Risk Level			
	Low		High	
	1	2	3	4
Complexity of Agency Operations				
Frequency and Effectiveness of Internal Audits				
Frequency and Effectiveness of External Audits				
Number of Confidential Public Issues and/or Sensitive Program Areas				
Stability and Training of Personnel				
Scope/Size of Regional/District Office Structure				
Extent of Regulatory Control				
Potential for Disruption of Services				
Anticipated Program Growth				
Volume of Cash Transactions (Revenue or Fee Collections, etc.)				
Reliability of Management Information Systems				
Presence of Documented Operating Procedures				

2. Describe the agency's highest risk, highest vulnerability program areas. (Attach additional pages if necessary)

Program Area

Reason for High Vulnerability

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VII. Summary Evaluation

Based on the preceding information and other management considerations deemed appropriate, provide a conclusion as to whether the agency requires an internal audit function. Fully explain the major factors that lead to this conclusion either to have or not have an internal audit function.

Approved by \_\_\_\_\_ Date \_\_\_\_\_  
(Agency Head)

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**Attachment D**

**INTERNAL CONTROL CERTIFICATION**

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Agency Name

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Agency Head

---

Agency Address

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Telephone Number

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Name of Internal Control Officer

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Telephone Number

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Email Address of Internal Control Officer

I hereby certify the agency is:

- Fully Compliant (Full compliance with all provisions)**
- Partially Compliant (Partial compliance with some or all provisions)**
- Not Compliant (Noncompliance with all provisions)**

With the New York State Governmental Accountability, Audit and Internal Control Act.

This certification is supported with detailed justification of actions taken and/or outlines specific actions needed to address areas of partial compliance or noncompliance as described in the preceding Internal Control Summary.

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Signature/Agency Head

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Date