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GOVERNOR

STATE OF NEW YORK
EXECUTIVE DEPARTMENT
DIVISION OF THE BUDGET
STATE CAPITOL
ALBANY, NEW YORK 12224
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DIRECTOR

BUDGET BULLETIN	B-1166	February 26, 2003
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TO: ALL DEPARTMENT AND AGENCY HEADS
FROM: Carole E. Stone *CES*
SUBJECT: 2002-03 Internal Control Certification and Reporting

The Internal Control Act and Budget Policy and Reporting Manual (BPRM) Item B-350 require the head of each covered State agency and public authority to certify compliance with the Act by March 31 of each year and submit an annual Internal Control Summary of the internal control (IC) activities undertaken during the previous year.

Agency and authority heads should certify such compliance only if their entity's IC program meets the requirements of the Act. Those unable to certify must submit by March 31 an action plan to achieve compliance/certification as soon as practicable.

Submit your report with the certification or compliance plan by March 31, 2003 to:

Ms. Ann Foster
Division of the Budget - Expenditure/Debt Unit
State Capitol
Albany, New York 12224
Attention: Tom Lukacs

1. 2002-03 CERTIFICATION AND REPORT PROCESS

A. Agency Certification

Those certifying compliance should sign the attached certification form, complete the attached Internal Control Summary (see paragraph C, below) and submit them to the Division of the Budget. BPRM Item B-350 provides guidance for satisfying each of the Act's requirements.

In addition to certifying compliance, agencies and authorities must also demonstrate that the following initiatives, as outlined in last year's call for certifications, were completed during 2002-03:

- **Reviewed operations to ensure that effective policies and procedures are in place to ensure government continuity and accountability.** Areas that should have been reviewed include:
 - Disaster Planning and Recovery (including information technology)
 - Mail Processing
 - Procurement of Goods and Services
 - Risk Management (including security)
 - Workforce and Succession Planning
- **Reviewed control systems to ensure that IC activities contributed to the organization's overall effectiveness and added value to agency management activities.** Agencies should have monitored the IC program's effectiveness to ensure that it supported agency management in achieving objectives and added value to the organization.
- **Strengthened corrective action monitoring systems to ensure timely resolution of all problems identified.** Internal control documentation must demonstrate that identified problems are corrected in a timely fashion.
- **Revitalized and promoted IC education and training efforts.** Agencies should revisit IC information, education and training to ensure all employees are aware of agency policies and their responsibilities under the agency's IC program.
- **Organizations that have an internal audit function should have reviewed compliance with the Government Accounting Office's (GAO) new independence requirements included in the *Government Auditing Standards* which can be found on GAO's website at <http://www.gao.gov>.**

B. Agency Compliance Plan

Agencies that cannot certify should submit an action plan to achieve compliance and a timetable for subsequent certification.

C. Internal Control Summary Report

Covered organizations are required to report on the major IC activities undertaken during the past year, describing actions taken to strengthen controls, findings resulting from internal control reviews and corrective actions taken or planned.

2. INTERNAL CONTROL ASSISTANCE

Staff at the Division of the Budget can help your organization improve its internal controls. Questions regarding the Act or the certification requirements outlined in BPRM Item B-350 (www.budget.state.ny.us/bprm/b/b350.html) may be directed to Tom Lukacs at (518) 474-8473. You may also refer to the Office of the State Comptroller Standards for Internal Controls in New York State Government for additional guidance on internal controls (www.osc.state.ny.us/audits/audits/controls/ics.htm).

Attachments

7. Describe measures instituted to sustain the momentum of the internal control program during 2002-03. Include information on reorganizations and other revisions in the program to enhance its effectiveness.

8. For those agencies required by BPRM Item B-350 to have an internal audit (IA) function, demonstrate how that function complies with requirements of the Internal Control Act and professional IA standards. Provide the following:

- The name and title of the IA director.
- The name and title of the person to whom the IA director reports.
- A description of the internal audit director's credentials, education and experience that demonstrate how the director's qualifications meet IA standards.
- The amount of continuing professional education the director and each staff member have received over the past two years.
- The date and results of the last quality assurance review.

INTERNAL CONTROL CERTIFICATION

Agency/Authority Name

Agency Head/Chairperson Governing Board

Agency/Authority Address

Telephone Number

Name of Internal Control Officer

Address

Telephone Number

I hereby certify that the agency or authority has complied with the following provisions for internal controls.

These provisions are as follows:

- A. Establish and maintain for the agency or authority guidelines for a system of internal controls. Internal control guidelines communicate the management and programmatic objectives of an agency or authority to its employees and provide the methods and procedures used to assess the effectiveness of the agency or authority's internal controls in supporting these objectives.
- B. Establish and maintain for the agency or authority a system of internal controls and a program of internal control review. 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 or authority's internal controls.
- C. Make available to each officer and employee of the agency or authority a clear and concise statement of the generally applicable management policies and standards with which the officer or employee of such agency or authority shall be expected to comply. Such statements shall emphasize the importance of effective internal controls to the agency or authority and the responsibility of each officer and employee for effective internal controls.
- D. Designate an internal control officer, who shall report to the head of the agency or authority or their designee within the executive office, to implement and review the internal control responsibilities established pursuant to this statute.
- E. Implement education and training efforts to ensure that officers and employees within such agency or authority have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques.
- F. Periodically evaluate the need for an internal audit function.

Signature/Agency Head or Chairperson Governing Board