



Eliot Spitzer
Governor

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

Paul E. Francis
Director of the Budget and
Senior Advisor to the
Governor

BUDGET BULLETIN	B-1174	February 5, 2007
------------------------	---------------	-------------------------

TO: ALL DEPARTMENT AND AGENCY HEADS

FROM: Paul E. Francis *Paul Francis*

SUBJECT: 2006-07 Internal Control Certification and Reporting

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

The instructions for completing the IC Summary and a sample of the IC Certification are attached. Agency and authority heads should certify only if their entity's IC program meets the requirements of the Act. Those unable to certify must submit an action plan by March 31, 2007 to achieve compliance/certification as soon as practicable.

Submit your report with the certification or compliance plan by March 31, 2007,
to:

Mr. Thomas Lukacs
Division of the Budget
State Capitol
Albany, New York 12224

2006-07 CERTIFICATION AND REPORT PROCESS

1. **Agency Certification** – To certify compliance, sign the attached Internal Control Certification form, complete the attached Internal Control Summary and submit them to the Division of the Budget by March 31, 2007. BPRM Item B-350 provides guidance for satisfying each of the Act's requirements.
2. **Agency Compliance Plan** – Entities unable to certify must submit a compliance plan by March 31, 2007, that includes a timetable for achieving certification.
3. **Internal Control Summary Report** – Entities are required to report on the major IC activities undertaken during the past year.

In September 2006, the State's Internal Control Task Force (ICTF) issued its final report, "*The New York State Internal Control Act Implementation Guide: Strengthening Compliance with the Act and Standards*" to all agency heads, internal auditors and internal control officers. This report – developed by the Division of the Budget, Office of the State Comptroller, and the New York State Internal Control Association – recommends actions they and agencies should take to improve compliance with the State's internal control and internal audit requirements. The Task Force report is available on the ICTF website:
www.osc.state.ny.us/agencies/ictf/docs/implement_guide_20060907.pdf.

As a result of the recommendations included in the report, the Division of the Budget will soon revise BPRM Item B-350, which impacts the internal control certification requirements for 2007-08. These revisions and related guidance will be issued to allow sufficient time for agencies to make necessary adjustments to their internal control programs prior to next year's certification and reporting cycle.

This year's certification requirements remain unchanged and are based on the guidance currently provided in BPRM Item B-350. However, the attached Internal Control Summary includes a new question (#9) that asks agencies to report any actions already taken to implement the ICTF recommendations.

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) 402-4158. For additional guidance on internal controls, please refer to Standards for Internal Control in New York State Government available on the State Comptroller's website: www.osc.state.ny.us/agencies/ictf/docs/intcontrol_stds.pdf.

Attachments

INSTRUCTIONS FOR PREPARING 2006-07 INTERNAL CONTROL SUMMARY

This Internal Control Summary, to be submitted to the Division of the Budget by March 31, 2007, provides background on the internal control certifications made by agencies and authorities for 2006-07. The summary also requests information regarding specific actions already taken by agencies to implement recommendations included in the Internal Control Task Force report, "*The New York State Internal Control Act Implementation Guide: Strengthening Compliance with the Act and Standards.*"

=====

AGENCY	DATE	COMPLETED BY
--------	------	--------------

1. Describe the review process used during 2006-07 to assure that internal controls were evaluated regularly.

2. List all high-risk activities and indicate which were reviewed during 2006-07.

3. Identify the significant deficiencies revealed through the agency's 2006-07 review process. Outline the actions taken, or planned, to eliminate the deficiencies. Highlight the most important internal control improvements made during the year.

4. Describe the monitoring system installed by the agency to verify that corrective actions are, in fact, taken. Discuss the extent to which electronic data processing systems are used to track steps taken to reinforce internal controls.

9. Outline the specific actions taken to implement recommendations included in the Internal Control Task Force report, "*The New York State Internal Control Act Implementation Guide: Strengthening Compliance with the Act and Standards.*"

INTERNAL CONTROL CERTIFICATION

Agency/Authority Name

Agency Head/Chairperson Governing Board

Agency/Authority Address

Telephone Number

Name of Internal Control Officer

Address

Telephone Number

Email Address of Internal Control Officer

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 guidelines for a system of internal controls for the agency or authority. 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 internal controls in supporting these objectives.
- B. Establish and maintain a system of internal controls and a program of internal control review for the agency or authority. 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 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 Item.
- 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

Date