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Governor

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

Laura L. Anglin
Director of the Budget

BUDGET BULLETIN	B-1177	February 13, 2008
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TO: ALL DEPARTMENT AND AGENCY HEADS
FROM: Laura L. Anglin 
SUBJECT: 2007-08 Internal Control Certification and Reporting

Budget Policy and Reporting Manual (BPRM) Item B-350 – updated and re-issued in August 2007 to adopt recommendations included in the Internal Control Task Force’s 2006 report entitled, “The New York State Internal Control Act Implementation Guide: Strengthening Compliance with the Act and Standards” – requires the head of each covered State agency and public authority to certify compliance with the State’s Internal Control Act (the Act) for each fiscal year and submit an annual Internal Control (IC) Summary of the IC activities undertaken during the previous fiscal 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 and the enhanced compliance requirements as outlined in BPRM Item B-350. Those unable to certify are permitted to submit an action plan to achieve compliance/certification as soon as practicable.

In light of the revised compliance standards, and in order to allow agencies sufficient time to compile information, summary reports, certifications or compliance plans must be submitted by April 30, 2008. Please submit information 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 April 30, 2008. 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 April 30, 2008, 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.

By way of background, over the past few years, DOB has been working with the Office of the State Comptroller (OSC) and the New York State Internal Control Association (NYSICA) to address findings in OSC's 2004 review of agency internal audit functions. This collaboration resulted in the creation of the Internal Control Task Force (ICTF) which issued the aforementioned report – *“The Internal Control Act Implementation Guide: Strengthening Compliance with the Act and Standards”* – to all agency heads, Internal Control Officers and Internal Audit Directors in September 2006. The Task Force report is available on the ICTF website: www.osc.state.ny.us/agencies/ictf/docs/implement_guide_20060907.pdf.

The ICTF report recommended actions DOB, OSC, NYSICA and agencies should take to improve compliance with the State's internal control and internal audit requirements. In the past year, DOB updated and revised BPRM Item B-350 (<http://www.budget.state.ny.us/guide/bprm/b/b350.html>), OSC reissued its Internal Control Standards (http://www.osc.state.ny.us/agencies/ictf/docs/intcontrol_stds.pdf), and NYSICA is taking steps to update its website information to reflect the ICTF recommendations (<http://www.nysica.com/index.htm>).

This year's certification requirements are based on the revised and updated guidance currently provided in BPRM Item B-350. Also, the attached Internal Control Summary includes revised questions #8 and #9 requesting agencies to report on measures taken – and those needed to be taken – to bring their agencies into compliance with ICTF recommendations, the revised B-350 and the updated OSC Standards.

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 2007-08 INTERNAL CONTROL SUMMARY

This Internal Control Summary, to be submitted to the Division of the Budget by April 30, 2008, provides background on the internal control certifications made by agencies and authorities for 2007-08. 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.*"

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AGENCY

DATE

COMPLETED BY

1. Describe the review process used during 2007-08 to assure that internal controls were evaluated regularly.

2. List all high-risk activities and indicate which were reviewed during 2007-08.

3. Identify the significant deficiencies revealed through the agency's 2007-08 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. For those agencies required to have an internal audit (IA) function, demonstrate how that function complies with the expanded requirements of BPRM Item B-350's Section III, "Internal Audit Responsibilities," 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 how the internal audit director's credentials, education and experience meet the minimum qualifications established in B-350.
- A description of how continuing professional education requirements are met by the director and each staff member.
- A description of how quality assurance review requirements are being met.
- A description of how the IA function ensures that it does not compromise its independence if it is also responsible for other functions (i.e., internal control, information security or other duties).

In addition to the information outlined above, using the "Compliance Roadmap for Internal Control Officers, Directors of Internal Audit and Other Stakeholders" as a guide, demonstrate how the IA function conducts its operations in accordance with professional IA standards. Provide a point-by-point affirmation of compliance with, or gap analysis of, each of the internal audit recommendations directed to agencies on pages 11, 12, and 13. Please provide an action plan and related timetable for any instances of non-compliance. The Compliance Roadmap can be accessed at:

http://www.osc.state.ny.us/agencies/ictf/docs/roadmap_app_a.pdf

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 and responsibility for effective internal controls.
- D. Designate an internal control officer, who shall report to the head of the agency (or their designee within the executive office) to implement and review the Internal Control Act responsibilities.
- 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. If an internal audit function exists, it shall be maintained in compliance with generally accepted professional auditing standards.

Signature/Agency Head or Chairperson Governing Board

Date