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**Thomas P. DiNapoli  
COMPTROLLER**



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**OFFICE OF THE  
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE  
GOVERNMENT ACCOUNTABILITY**

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**NEW YORK STATE OFFICE  
FOR THE AGING**

**QUALITY OF INTERNAL  
CONTROL CERTIFICATION**

**Report 2008-S-114**

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## AUDIT OBJECTIVE

Our objective was to determine whether the New York State Office for the Aging (SOFA) submitted a quality internal control certification to the Division of Budget by April 30, 2008.

## AUDIT RESULTS - SUMMARY

The Division of the Budget (DOB) requires agencies to certify compliance with the State's Internal Control Act annually by submitting an internal control certification, which includes both an internal control summary report as well as a signed certification to attest that they met required internal control provisions.

We determined SOFA submitted a quality internal control certification to DOB by April 30, 2008. SOFA's certification addressed all the requirements of Budget Policy and Reporting Manual Item B-350 including detailed responses to questions in the internal control summary and task force recommendations. In addition, we found adequate support to confirm the information in the certification was accurate.

This report, dated, September 11, 2008, is available on our website at: <http://www.osc.state.ny.us>

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## BACKGROUND

Internal controls are the integration of the activities, plans, attitudes, policies, and efforts of the people of an organization working together to provide reasonable assurance that

the organization will achieve its objectives and mission. While the overall purpose of internal control is to help an organization achieve its mission, internal control also helps an organization to promote orderly, economical, efficient and effective operations, and produce quality products and services consistent with the organization's mission; safeguard resources against loss due to waste, abuse, mismanagement, errors and fraud; promote adherence to laws, regulations, contracts and management directives; develop and maintain reliable financial and management data, and accurately present that data in timely reports.

The Division of Budget's Budget Policy and Reporting Manual (BPRM) Bulletins B-350 and B-1177 require the head of each covered State agency and public authority to certify compliance with the State's Internal Control Act (the Act) by April 30 of each year by submitting a Certification and Internal Control Summary of the internal control activities undertaken during the previous year. The current requirements in the BPRM B-350 internal control certification has been updated with a list of agencies required to establish and maintain an internal audit function and also requires agencies identify specific actions taken to implement each of the recommendations in the Internal Control Task Force report "*The New York State Internal Control Act Implementation Guide: Strengthening Compliance with the Act and Standards*". These recommendations include specific guidance for agencies, the Internal Control Task Force, NYS Division of Budget and the NYS Comptroller's Office. The recommendations were developed to provide agencies with an improved level of assurance that an appropriate set of controls are in place within the agency and are functioning properly. Recommendations directed toward agencies relate to internal control coordination, implementation, education and

training as well as internal audit organization, staffing, processes, and continuing education.

Established in 1961, the SOFA administers various titles under the Federal Older Americans Act of 1965 as amended, and a variety of State-funded programs that serve the elderly with economic or social needs. Its mission is to help older New Yorkers be as independent as possible for as long as possible through advocacy, development and delivery of person-centered, consumer-oriented, and cost-effective policies, programs and services which support and empower the elderly and their families, in partnership with the network of public and private organizations which serve them.

The SOFA's Internal Control Officer (ICO) is responsible for coordinating the agency's internal control review program. The ICO notifies unit managers when internal control reviews are due, provides instruction and forms for unit managers to conduct and document their reviews and monitors the implementation status of corrective actions identified during internal control reviews. Unit managers are responsible for conducting internal control reviews. The ICO reports to the Executive Deputy Director and Director.

## **AUDIT FINDINGS**

### ***Quality of Internal Control Certification***

The Division of Budget (DOB) requires agencies to certify compliance with the State's Internal Control Act annually by submitting an internal control certification, which includes both an internal control summary report as well as a signed certification to attest that they met required internal control provisions.

In order to determine if SOFA submitted a quality certification, we reviewed the

certification to see if they followed the certification instructions outlined in the Budget Policy and Reporting Manual Item B-350, and followed the internal control requirements outlined in the NYS Internal Control Act Implementation Guide and the Internal Control Task Force Recommendations in the Standards for Internal Control in New York State Government which are the basis for the certification. In addition, we determined a quality certification should show evidence an agency responded to all the questions, provided explanation and detail when required, and answered the questions accurately. We also reviewed supporting documentation of the certification provided by the Board to determine if the information reported was accurate.

SOFA certified as required in 2007-08 by submitting both documents. We determined SOFA submitted a quality internal control certification to DOB by April 30, 2008. SOFA's certification addressed all the requirements of Budget Policy and Reporting Manual Item B-350 including detailed responses to questions in the internal control summary and task force recommendations. SOFA's certification: explained its internal control review process; provided a listing of functions that were reviewed; provided a list of deficiencies found and proposed corrective actions; described how the ICO monitors the implementation status of corrective actions and specific actions taken to comply, or actions that will be taken to comply, with the Task Force's recommendations. In addition, we found adequate support to confirm the information in the certification was accurate.

### **Certification**

The internal control summary report asks agencies to respond to a series of questions regarding the agency's internal control system

and also requests information on the specific actions taken by the agency to implement the recommendations made by the Internal Control Task Force. Most of the questions require the agency to provide detailed responses. Throughout SOFA's certification, officials provided sufficient answers to the questions asked, including specific actions taken to implement the Internal Control Task Force's recommendations. For example, one of the questions related to verifying that corrective actions are taken stated:

- 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.

SOFA responded: The Internal Control Office has entered corrective actions into a computer database. The Internal Control Officer is responsible for maintaining the database and issuing periodic reports to assessable unit managers and agency management showing all uncompleted internal control actions. The database shows all weaknesses and what functions each weakness pertains to. The database also shows all corrective actions, the due date of each corrective action and the status of each corrective action. The database is updated to include comments received from unit managers on the status of their corrective actions.

As another example, SOFA included a chart that outlines the specific actions it has taken to implement the Task Force's recommendations. The chart lists the implementation status and required modification to implement the Task Force's recommendations. For example, one of the recommendations addressing management's

communication of internal controls to agency staff stated:

- Each agency/authority head should provide a communication to all staff in support of its internal control program.

SOFA's response indicated that no modification to its current internal control program was required. In July 2007 SOFA's Director issued a memo to all staff supporting the internal control program and discussing the importance of assessing internal controls.

Furthermore, we found SOFA's internal control program already addressed the Task Force's recommendation, such as performing preliminary risk self-assessments; establishing the frequency of reporting cycles of risk assessments and internal control reviews and establishing an independent review process of the risk assessments and internal control reviews.

### **Supporting Documentation**

In August 2005, SOFA identified 13 assessable units responsible for 59 business functions. SOFA's internal control review process consists of a three year cycle, with all major business functions being reviewed during that time. During fiscal year 2007-08, SOFA completed the last year of its internal control review cycle and reviewed 17 functions. In addition, the ICO maintains internal control review instructions, guidance and internal control review forms on SOFA's internal internet site.

Unit managers complete an 'Internal Control Vulnerability Assessment' form for functions tested during the year. In addition, unit managers use this form to document the functions susceptibility to error as well as unauthorized or inappropriate program results. After completing the vulnerability

assessments, unit managers conduct internal control testing to determine if the controls in place over the functions are operating as intended. Unit managers document their testing on the agency's 'Internal Control Review Testing Record' form, which includes testing methodology, sample size and testing results. In addition, unit managers identify correction actions to address any control weaknesses found during their reviews. Each unit managers' immediate supervisor reviews and approves the vulnerability assessment forms and internal control testing forms. The ICO also reviews and approves all forms related to the internal control review process.

To determine if SOFA could support its certification, we reviewed a sample of 5 of the 17 business functions reviewed in 2007-08. We found the reviews to be well documented and thorough. The testing files included the required function descriptions, vulnerability assessments, identification of key controls, testing methodologies, sample sizes and testing results, including corrective action plans.

We also found that SOFA's internal internet site includes the Director's statement on the importance of internal controls. In addition, we viewed the ICO's computer database identifying the status of corrective actions.

#### **AUDIT SCOPE AND METHODOLOGY**

We conducted our performance audit in accordance with generally accepted government auditing standards. We audited the quality of the SOFA's 2007-08 B-350 Internal Control Certification. To do our audit we interviewed agency officials to learn about their control activities and reviewed all documentation of internal controls provided by SOFA to support their certification.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Division of State Services. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of who have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under Generally Accepted Government Auditing Standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

#### **AUTHORITY**

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

#### **REPORTING REQUIREMENTS**

Draft copies of this report were provided to SOFA officials for their review and comment. Their comments were considered in preparing this report and are included as Appendix A.

#### **CONTRIBUTORS TO THE REPORT**

Major contributors to this report include David R. Hancox, Walter Irving, Melissa Little, Scott Heid, Mark Radley and Andrew Davis.

## APPENDIX A - AUDITEE RESPONSE

David A. Paterson  
*Governor*

Michael J. Burgess  
*Director*



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August 27, 2008

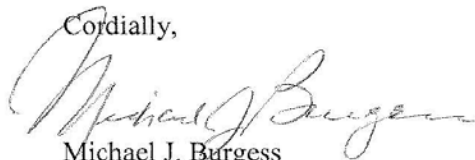
Mr. David R. Hancox, Audit Director  
Office of the State Comptroller  
110 State Street, 11<sup>th</sup> floor  
Albany, NY 12236

Dear Mr. Hancox:

The New York State Office for the Aging (NYSOFA) has received your draft audit report number 2008-S-114 entitled "Quality of Internal Control Certification." Thank you for sharing this draft with us. We were pleased to see that the draft report was positive and contained no audit recommendations. NYSOFA takes internal controls very seriously. We view them as important quality control exercises that help maintain our focus on critical areas and functions to assure appropriate and quality agency operations and program implementation.

Again, thank you for the positive report. If NYSOFA can be of any further assistance, please contact our Internal Controls Officer Niels Hansen at (518) 486-2716, or our Deputy Director for Finance and Administration Jack Lynch at (518) 473-4808.

Cordially,



Michael J. Burgess

cc: Melissa Little  
Laurie Pferr  
Jack Lynch  
Niels Hansen

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