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**New York State Office of the State Comptroller**  
Thomas P. DiNapoli

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Division of State Government Accountability

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# Quality of Internal Control Certification

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## Office of the Medicaid Inspector General

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Report 2012-S-46

September 2012

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## Executive Summary

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### Purpose

To determine whether the Office of the Medicaid Inspector General (OMIG) submitted timely a quality Internal Control Certification to the Division of Budget (DOB) by April 30, 2012.

### Background

In 1987, the Legislature passed the New York State Governmental Accountability, Audit and Internal Control Act requiring State agencies and public authorities to each institute a comprehensive system of internal controls over their operations. By April 30 each year, DOB requires the head of each covered agency to certify compliance with the Internal Control Act by submitting a certification and internal control summary detailing the internal control activities undertaken during the previous year. On April 30, 2012, OMIG submitted its annual Internal Control Certification and reported full compliance with all provisions of the Act, except for one provision that was not applicable.

### Key Finding

- OMIG's Internal Control Certification was submitted timely and exhibited the necessary quality. Answers were complete and responsive, and were supported by records and documentation maintained by the agency.

### Key Recommendations

- No recommendations

### Other Related Audits/Reports of Interest

[Office for the Aging: Quality of Internal Control Certification \(2008-S-114\)](#)

[Division of Veterans Affairs: Quality of Internal Control Certification \(2008-S-115\)](#)

[Department of Transportation: Quality of Internal Control Certification \(2008-S-116\)](#)

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**State of New York  
Office of the State Comptroller**

**Division of State Government Accountability**

September 26, 2012

Mr. James C. Cox  
Medicaid Inspector General  
Office of the Medicaid Inspector General  
800 North Pearl Street  
Albany, New York 12204

Dear Mr. Cox:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit entitled *Quality of Internal Control Certification*. This audit was performed according to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller  
Division of State Government Accountability*

## Table of Contents

Background	4
Internal Controls in New York State	4
Office of the Medicaid Inspector General	5
Audit Findings	6
Agency Certification	6
Supporting Documentation	6
Audit Scope and Methodology	6
Authority	7
Reporting Requirements	7
Contributors to This Report	8

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This report is also available on our website at: [www.osc.state.ny.us](http://www.osc.state.ny.us)

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# Background

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## Internal Controls in New York State

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.

In 1987, the Legislature passed the New York State Governmental Accountability, Audit and Internal Control Act (Act) requiring each State agency to institute a comprehensive system of internal controls over its operations. The Division of the Budget's (DOB's) Budget Policy and Reporting Manual Bulletin B-350 requires the head of each covered agency to certify compliance with the Act by April 30 of each year by submitting a Certification and Internal Control Summary describing the internal control activities undertaken during the previous year.

The current requirements in BPRM B-350 have been updated with a list of agencies required to establish and maintain an internal audit function and also require agencies to 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." The recommendations were developed to provide agencies with an improved level of assurance that an appropriate set of controls are in place and functioning properly. Recommendations directed toward agencies relate to internal control coordination, implementation, education and training, as well as to internal audit organization, staffing, processes, and continuing education.

As the State's chief fiscal officer, the Comptroller has several responsibilities under the Act, including issuing standards for internal control, providing technical assistance to agencies and conducting audits of internal controls. All of these efforts are directed toward helping public sector managers safeguard public assets and promote accountability in government. Past audits have examined a range of topics from specific control systems at individual agencies to broader statewide issues like the operation of internal audit units. This audit is one of a series that focuses specifically on the Internal Control Certification process and whether State agencies have:

- submitted their certifications on time,
- properly answered all the questions with the appropriate level of detail, and
- maintained documentation that supports the answers given.

Answers to these questions provide insight into the adequacy of not only the agencies' internal control systems, but also their control environment and commitment to make timely, informative and reliable information available for accountability purposes.

## **Office of the Medicaid Inspector General**

Office of the Medicaid Inspector General (OMIG) is an independent entity established within the Department of Health in July 2005 to improve and preserve the integrity of the Medicaid program by conducting and coordinating fraud, waste and abuse control activities for all State agencies responsible for services funded by Medicaid. OMIG conducts and supervises prevention, detection, audit and investigation efforts and coordinates those activities with various social service agencies. OMIG works closely with the Attorney General's Medicaid Fraud and Control Unit to strengthen partnerships with Federal and local law enforcement agencies. OMIG's mission is to enhance the integrity of the Medicaid program by preventing and detecting fraudulent, abusive and wasteful practices within the program and to recover improperly expended Medicaid funds while promoting high quality patient care.

OMIG's Internal Control Officer (ICO) prepares the Internal Control Certification, which is composed of six sections where agencies are asked to determine whether they comply fully, partially or do not comply with the provisions of the Act. On April 30, 2012, OMIG assessed its internal controls in the annual certification as fully compliant with all provisions of the Act, except for one section that was deemed not applicable because OMIG is not one of the agencies required to establish an internal audit function.

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## Audit Findings

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OMIG's Internal Control Certification was submitted timely and exhibited the necessary quality. Answers to the questions were complete and responsive, and were supported by records and documentation maintained by the agency.

### Agency Certification

OMIG responded to all of the questions in the certification and provided the requested level of detail for each of the questions.

### Supporting Documentation

In each area, OMIG officials provided us with sufficient, appropriate documentation supporting the statements made in the certification.

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## Audit Scope and Methodology

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We audited the quality and timeliness of OMIG's 2011-2012 Internal Control Certification to determine whether the agency filed the certification in accordance with DOB requirements. To accomplish our objective, we reviewed the Internal Control Certification and all documentation of internal controls that OMIG used to support it. In addition, we interviewed OMIG officials to learn more about the internal control system. Our audit addressed the quality of the Internal Control Certification, but did not assess, nor was it intended to assess, the quality of OMIG's internal control system. Our audit scope included the period January 1, 2011 through August 29, 2012.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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. 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 whom 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 functions do not affect our ability to conduct independent audits of program performance.

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## Authority

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This audit was performed according to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

## Reporting Requirements

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We discussed the results of our audit with OMIG officials who agreed with our conclusions and waived the opportunity to provide formal written comments to be included in this final report.

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## Contributors to This Report

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## Division of State Government Accountability

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### Vision

A team of accountability experts respected for providing information that decision makers value.

### Mission

To improve government operations by conducting independent audits, reviews and evaluations of New York State and New York City taxpayer financed programs.