



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

Division of State Government Accountability

Quality of Internal Control Certification

Office of Mental Health



Report 2012-S-43

October 2012

Executive Summary

Purpose

Determine whether the Office of Mental Health (OMH) 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. DOB requires the head of each covered State agency and public authority to certify compliance with the Internal Control Act by April 30 of each year by submitting a certification and internal control summary detailing the internal control activities undertaken during the previous year. On April 30, 2012, OMH reported full compliance with all provisions of the Internal Control Act.

Key Findings

- OMH's Internal Control Certification was submitted on time and generally exhibited the necessary quality. Answers to most questions were complete and responsive, and were supported by records and documents maintained by the agency. However, OMH's certification did not provide sufficient detail in describing the results of its reviews of high-risk activities.
- OMH has assigned the same person to function as both Internal Audit Director and Internal Control Officer. These duties are not compatible and could impair the person's ability to perform the audit function with the necessary degree of independence.

Key Recommendations

- Provide appropriately detailed responses to questions as requested in the annual Internal Control Certification.
- Separate the duties associated with the internal control and internal audit functions.

Other Related Audits/Reports of Interest

[Office For The Prevention of Domestic Violence: Quality of Internal Control Certification \(2012-S-41\)](#)

[Office of the Medicaid Inspector General: Quality of Internal Control Certification \(2012-S-46\)](#)

[Department of State: Quality of Internal Control Certification \(2012-S-50\)](#)

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

Division of State Government Accountability

October 26, 2012

Michael F. Hogan, Ph.D.
Commissioner
Office of Mental Health
44 Holland Avenue
Albany, New York 12229

Dear Commissioner Hogan:

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*

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This report is also available on our website at: www.osc.state.ny.us

Background

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 Budget's (DOB) 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 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 Mental Health

Office of Mental Health (OMH) promotes the mental health and well-being of all New Yorkers. Its mission is to facilitate recovery for young to older adults receiving treatment for serious mental illness, to support children and families in their social and emotional development and early identification and treatment of serious emotional disturbances, and to improve the capacity of communities across New York to achieve these goals. OMH envisions a future when every New Yorker experiences hope and recovery and when people across New York have access to choice among the supports and services that foster self-determination for living, working, learning and participating fully in their communities.

OMH has developed comprehensive vulnerability assessments which are filled out by 27 facilities across the State, as well as the central office. OMH's Internal Control Officer (ICO) is also the director of its internal audit unit. The audit unit tabulates the results of the vulnerability assessments and uses that summary for audit planning purposes. There are six sections of the Internal Control Certification where agencies are asked to determine whether they comply fully, partially or do not comply with the provisions of the Act. In the annual certification filed on April 30, 2012, OMH assessed its internal control system as fully compliant with the Act.

Audit Findings and Recommendations

OMH's Internal Control Certification was submitted timely and generally exhibited the necessary quality. Answers to most questions were complete and responsive, and were supported by records and documentation maintained by the agency. However, in one instance we found sufficient detail was not provided when answering the questions. We also noted an issue related to OMH's organizational structure which may impact its reported level of compliance with the Act.

Certification

While OMH responded to all of the questions in the certification, officials did not provide the requested level of detail when describing the results of reviews conducted on high-risk activities. For example, OMH stated only what those high-risk activities were, rather than describing the results of its review efforts.

Supporting Documentation

In each area, OMH officials had sufficient, appropriate documentation supporting the statements made in the certification.

Other Issues Potentially Impacting Compliance

As part of our examination, we also noted the following issue that calls into question the degree of OMH's compliance with specific provisions of the Act. OMH reported full compliance with the requirement to designate an Internal Control Officer who shall report to the head of the agency to implement and review the internal control responsibilities. However, OMH has designated the same individual to function as both the Internal Audit Director and the Internal Control Officer. The Internal Control Task Force report specifically rejects this practice, concluding that the roles are incompatible and could serve to impair the ability of the person to fulfill their audit responsibilities with the required level of independence.

Recommendations

1. Provide appropriately detailed responses to questions as requested in the annual Internal Control Certification.
2. Separate the duties associated with the internal control and internal audit functions.

Audit Scope and Methodology

We audited the quality of OMH's 2011-2012 Internal Control Certification to determine whether OMH 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 OMH used to support it. In addition, we interviewed OMH officials to learn more about the internal control system. Our audit addressed the quality of the Internal Control Certification, but it did not assess, nor was it intended to assess, the quality of OMH's internal control system. Our audit scope included the period January 1, 2011 through July 23, 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 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.

Authority

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

We provided a draft copy of this report to OMH officials for their review and comment. Officials agreed with our recommendations and reported taking steps to implement them. A copy of their response is included at the end of this report.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Office of Mental Health shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

Contributors to This Report

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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.

Agency Comments



State of New York
Andrew M. Cuomo
Governor



Office of Mental Health
44 Holland Avenue
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www.omh.ny.gov

October 5, 2012

John Buyce
Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236-0001

Dear Mr. Buyce:

The Office of Mental Health has reviewed the Office of the State Comptroller's draft audit report entitled, "Quality of Internal Control Certification" (2012-S-43). OMH is pleased with OSC's positive findings concerning the timeliness and quality of OMH's Internal Control Certification submissions.

In response to OSC's first recommendation, OMH agrees that there was a single instance that required more detail and OMH will ensure that in the future detailed responses are provided in all instances. In response to OSC's second recommendation, for OMH to separate the duties associated with the internal control and internal audit functions, OMH will be evaluating alternative ways of separating the duties while still maintaining necessary quality.

Thank you for your efforts to make recommendations which further enhance our operations.

Sincerely yours,

Kristin M. Woodlock RN, MPA
Executive Deputy Commissioner

