



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

Division of State Government Accountability

Quality of Internal Control Certification

Department of Agriculture and Markets



Report 2012-S-47

December 2012

Executive Summary

Purpose

To determine whether the Department of Agriculture and Markets (Department) 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 September 12, 2012, the Department submitted its annual Internal Control Certification and reported a mixture of full and partial compliance with provisions of the Act.

Key Findings

- The Department's Internal Control Certification was submitted late, over 4 months after the April 30 deadline.
- In one instance, the Department's certification did not provide an adequate level of detail describing specific actions it will take to address the Department's partial compliance assessment of its internal audit function.
- Although the Department certified partial compliance with the education and training provision of the Act because line staff are currently not trained on internal controls, the Department also does not have a formal internal control education and training program for its managerial employees.

Key Recommendations

- Re-examine priorities to accommodate the timely submission of the Internal Control Certification.
- Provide appropriately detailed responses to questions as requested in the annual Internal Control Certification.
- Expand and enhance the internal control training and education program to cover all aspects of internal controls for all staff levels.

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

December 19, 2012

Mr. Darrel J. Aubertine
Commissioner
Department of Agriculture and Markets
10B Airline Drive
Albany, New York 12235

Dear Commissioner Aubertine,

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 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.

Department of Agriculture and Markets

The Department of Agriculture and Markets (Department) aims to promote a viable agricultural industry, foster agricultural environmental stewardship, and safeguard New York's food supply. The Department's mission is to foster a competitive food and agriculture industry that benefits producers and consumers alike.

The Department has a four-step review process for evaluating internal controls which is communicated to all staff by the Department's Internal Control Officer (ICO) through the distribution of the Internal Control Program Manual. The directors of each division within the Department complete the review process by identifying departmental functions, performing risk assessments, testing controls and devising corrective action plans as needed. The ICO and Internal Audit Director review the initial corrective action plans, as well as their progress mid-way and at the end of the fiscal year.

The Department's ICO position is traditionally filled by the First Deputy Commissioner, who prepares the Internal Control Certification. However, the 2011-2012 certification was prepared by the Internal Audit Director as a result of staffing changes in the ICO position. The certification 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 September 12, 2012, the Department submitted its annual certification and reported full compliance with two sections and partial compliance with four sections.

Audit Findings and Recommendations

Although the Department's Internal Control Certification was submitted over four months late on September 12, 2012, it generally exhibited the necessary quality. However, in one case, we found sufficient detail was not provided when answering the question. In addition, we noted issues relating to the Department's training program that could impact the reported level of compliance.

Agency Certification

The Internal Control Certification was completed by the Department's Director of Internal Audit on June 19, 2012. However, as a result of organizational changes, it was not submitted until September 12, 2012, nearly four and a half months late.

While the Department responded to all sections in the Internal Control Certification, one question concerning the internal audit function's risk-based audit plan was not answered with sufficient detail. In particular, the Department declared that it does not use a structured risk assessment in formulating the Department's annual audit plan. While the Department recognizes this as a weakness, it did not provide a corrective action plan; rather, it simply stated that this is an area that remains to be addressed when updating the Internal Audit Manual.

Supporting Documentation

In each area, the Department provided sufficient, appropriate documentation supporting the statements made in its certification.

Other Issues Potentially Impacting Compliance

As part of our examination, we also noted the following issue that calls into question the degree of the Department's compliance with specific provisions of the Act. Although the Department reported partial compliance with the education and training provision of the Act, the limitation was in regard to the fact that line staff are not currently trained on internal controls. However, we found that the existing training provided to managerial staff (such as Division Directors) is informal, consisting primarily of the Internal Control Program Manual and some undocumented and informal feedback from the ICO and the Internal Audit Director about corrective action monitoring. As such, the training does not appear to cover all aspects of internal controls.

Recommendations

1. Re-examine priorities to accommodate the timely submission of the Internal Control Certification.
2. Provide appropriately detailed responses to questions as requested in the annual Internal Control Certification.

3. Expand and enhance the internal control training and education program to cover all aspects of internal controls for all staff levels.

Audit Scope and Methodology

We audited the quality and timeliness of the Department's 2011-2012 Internal Control Certification to determine whether the Department 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 the Department used to support it. In addition, we interviewed Department 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 the Department's internal control system. Our audit scope included the period January 1, 2011 through September 12, 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

A draft copy of this report was provided to Department officials for their review and comment. Officials agreed with our recommendations and reported having already taken steps to implement them. A complete 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 Department of Agriculture and Markets 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



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Andrew M. Cuomo
Governor

Darrel J. Aubertine
Commissioner

December 18, 2012

Mr. John F. Buyce, CPA, CIA, CGFM
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

Dear Mr. Buyce:

Enclosed is the Department's response to the Office of the State Comptroller's draft report 2012-S-47, *Department of Agriculture and Markets: Quality of Internal Control Certification*.

We welcome your agency's review and acknowledge that within every organization, there are opportunities to implement additional or enhanced internal controls. I am confident that the actions taken to address the recommendations will enable the Department to achieve a greater level of compliance in the future.

Please contact Ms. Tracy Robbins, the Department's Director of Internal Audit, if you have any questions regarding our response or require any additional information or documentation. Ms. Robbins can be reached at (518)458-7728.

Sincerely,

A handwritten signature in black ink, appearing to read "Darrel J. Aubertine".

Darrel J. Aubertine
Commissioner

Encl.

Response to Office of the State Comptroller's Draft Report
Department of Agriculture and Markets:
Quality of Internal Control Certification (2012-S-47)

RECOMMENDATIONS

1. Re-examine priorities to accommodate the timely submission of the Internal Control Certification.

Response: Every effort will be made to ensure future Internal Control Certifications are submitted on time.

2. Provide appropriately detailed responses to questions as requested in the annual Internal Control Certification.

Response: This recommendation refers to the Department's declaration that it does not use a structured risk assessment in formulating the annual audit plan. Although we recognized the weakness, we failed to provide a corrective action plan. A risk based audit plan will be created for the 4/1/13-3/31/14 audit period.

3. Expand and enhance the internal control training and education program to cover all aspects of internal controls for all staff levels.

Response: The Internal Control Officer will be encouraged to work with Human Resources to utilize the internal control training modules offered by the Statewide Learning Management System (SLMS). SLMS offers online training specifically tailored to educate line staff and managers on the topic of internal controls. The Department will maintain a record of employees who complete the SLMS program as well as any additional training, including direct instruction from the Internal Control Officer and/or Coordinator.