



**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 Parks, Recreation and Historic Preservation

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Report 2012-S-49

October 2012

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## Executive Summary

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### Purpose

To determine whether the Office of Parks, Recreation and Historic Preservation (Parks) 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 (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 June 25, 2012, Parks submitted its annual Internal Control Certification and reported full compliance with all provisions of the Act.

### Key Findings

- Parks' Internal Control Certification was submitted, 56 days after the April 30 deadline.
- When asked to list all high risk activities reviewed and the results of those reviews, Parks' certification did not provide the required level of detail.
- Parks did not support some statements made in its certification with sufficient, appropriate documentation. Officials were unable to provide evidence of the communication of the Internal Control Officer designee to all staff, nor evidence that appropriate internal control training was provided to all employees.
- Although Parks certified full compliance with all provisions of the Act, it has not yet completed a program of internal control review and its internal audit function has not undergone an external quality assessment as required by professional standards.

### Key Recommendations

- Re-examine priorities to accommodate timely submission of the Internal Control Certification.
- Provide appropriately detailed responses to questions as requested in the annual Internal Control Certification.
- Ensure all statements contained in the Internal Control Certification are supported by sufficient and appropriate documentation.
- Ensure that compliance testing and monitoring systems are in place. When necessary, ensure corrective action is taken and monitored.
- Ensure that the internal audit function undergoes an external quality review.

### Other Related Audits/Reports of Interest

[Office for 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 \(2012-S-50\)](#)

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

**Division of State Government Accountability**

October 26, 2012

Ms. Rose Harvey  
Commissioner  
Office of Parks, Recreation and Historic Preservation  
625 Broadway  
Albany, New York 12207

Dear Commissioner Harvey:

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](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 Parks, Recreation and Historic Preservation**

Office of Parks, Recreation and Historic Preservation (Parks) operates and maintains a statewide system of 176 parks and 35 historic sites and hosts a variety of cultural, recreational, and educational programs in 11 distinct regions of New York. Parks' mission is to provide safe and enjoyable recreational and interpretive opportunities for all New York State residents and visitors and to be responsible stewards of our valuable natural, historic and cultural resources.

Parks' Internal Control Officer (ICO) changed the process by which the risk assessments were conducted for the 2011-2012 fiscal year. Rather than being conducted at the central office, the baseline assessment was done at the regional level. From each region, the Internal/Audit Director selected one facility, for which a five-step internal control review was performed. The five-step process includes a review of inherent risks, assessment of current risks, summary of risks, reporting of corrective action plans and commissioner's certification.

The 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 June 25, 2012, Parks assessed its internal controls in the annual certification as fully compliant with all provisions of the Act.

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## Audit Findings and Recommendations

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Although Parks' Internal Control Certification was submitted late on June 25, 2012, it exhibited the necessary quality in most areas. However, for one area it did not provide sufficient detail and in two sections, Parks did not provide sufficient documentation to support a full compliance assessment. We also noted two issues related to OPRHP's internal control review and its internal audit function which could impact its reported level of compliance.

### Agency Certification

Parks submitted its Internal Control Certification on June 25, 2012, nearly two months after the April 30 deadline.

While Parks responded to all sections in the Internal Control Certification, one question was not answered with sufficient detail. In particular, in response to the question in the section concerning the system of internal controls and internal control review, Parks did not list all the high-risk activities reviewed, nor the results of those reviews, as requested.

### Supporting Documentation

In two instances, Parks failed to support statements made in its certification with sufficient, appropriate documentation. In one case, although Parks reported full compliance with the provision regarding the designation of an Internal Control Officer, officials were unable to provide us with documentation to show they communicated this designation to all staff as required. Such communication is critical since the organization chart provided by Parks does not show the function of Internal Control Officer as a title or duty for the designated individual.

In the second instance, Parks reported full compliance with the provision requiring implementation of education and training efforts to ensure that officers and employees have achieved adequate awareness and understanding of internal control standards. However, Parks provided documentation that supported training efforts given only to certain sectors of its employee pool, rather than to all employees.

### Other Issues Potentially Impacting Compliance

As part of our examination, we also noted the following issues that call into question the degree of Parks' compliance with specific provisions of the Act.

Parks reported full compliance with the requirement to establish and maintain a system of internal controls and a program of internal control review for the agency. However, at the time of our audit the ICO and Office of Internal Audit were still in the process of reviewing the completed assessments and had yet to conduct follow-up reviews to determine the status and success of corrective action plans.



In addition, Parks reported full compliance with the requirement for its internal audit function to operate in accordance with generally accepted professional standards for internal auditing. These standards require that the function undergo an external quality assessment at least once every five years. However, the internal audit function has yet to undergo any such assessments.

## Recommendations

1. Re-examine agency priorities to accommodate timely submission of the Internal Control Certification.
2. Provide appropriately detailed responses to questions as requested in the annual Internal Control Certification.
3. Ensure all statements contained in the Internal Control Certification are supported by sufficient and appropriate documentation.
4. Ensure that compliance testing and monitoring systems are in place. When necessary, ensure corrective action is taken and monitored.
5. Ensure that the internal audit function undergoes required external quality assessments.

## Audit Scope and Methodology

We audited the quality and timeliness of Parks' 2011-2012 Internal Control Certification to determine whether Parks 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 Parks used to support it. In addition, we interviewed Parks 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 Parks' internal control system. Our audit scope included the period January 1, 2010 through August 15, 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

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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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A draft copy of this report was provided to Parks officials for their review and comments. Officials generally agree with our findings and reported that they have already implemented many changes and improvements in their procedures. We considered their comments in preparing this report and have included them 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 Parks, Recreation and Historic Preservation 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.

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## Contributors to This Report

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**John Buyce**, Audit Director  
**Walter Irving**, Audit Manager  
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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.

# Agency Comments



## New York State Office of Parks, Recreation and Historic Preservation

Albany, New York 12238  
www.nysparks.com

Andrew M. Cuomo  
Governor

Rose Harvey  
Commissioner

October 9, 2012

Mr. John Buyce  
Audit Manager  
Office of the State Comptroller  
State Audit Bureau  
110 State Street  
Albany, NY 12236

Dear Mr. Buyce:

The New York State Office of Parks, Recreation & Historic Preservation has reviewed the Office of the State Comptroller's draft audit report 2012-S-49 entitled "*Quality of Internal Control Certification*". Enclosed please find the Agency's response to the draft report.

As summarized by the attached, we generally concur with the recommendation made in the draft audit and have already implemented many changes and improvements in procedures. The audit is generally positive and OPRHP understands there is always room for improvement. We thank the OSC team for their professionalism and their efforts on our behalf in conducting this review.

Thank you for the opportunity to respond to the report. If you have any questions regarding the Agency's response, please contact Brian D. Jackson of OPRHP's Office of Internal Audit at (518) 473-3390.

Sincerely,

Mindy Scott  
Deputy Commissioner for  
Finance and Administration

Enclosure

cc: Commissioner Harvey  
Tom Lukacs, Division of the Budget  
Andy Beers  
Brian Jackson

An Equal Opportunity/Affirmative Action Agency

**New York State Office of Parks, Recreation & Historic Preservation  
Response to the Office of the State Comptroller's Draft Audit Findings  
Quality of Internal Control Certification  
Audit 2012-S-49**

The Office of Parks, Recreation & Historic Preservation's (OPRHP) response to the Office of the State Comptroller's (OSC) draft audit report number 2012-S-49, entitled "*Quality of Internal Control Certification*" is presented below. OPRHP has reviewed the findings and recommendations presented in the draft audit report. In the following sections, we have noted the portions of the report where we feel the need to clarify the described conditions, findings and recommendations.

**Comments on Described Conditions**

The following section presents specific comments regarding selected wording contained in the preliminary audit report.

**Background**

- **Page 5, Office of Parks, Recreation and Historic Preservation (Parks), Paragraph 2, third sentence:** "Each region selected one facility, for which a five step internal control review was performed."

**Agency Response:** The facilities chosen for the review were chosen by the Internal Audit Director.

* Comment 1
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**Response to Recommendations (Page 7)**

The following section presents OPRHP's response to the recommendation contained in the draft audit report.

- **Recommendation 1:** *Re-examine agency priorities to accommodate timely submission of the Internal Control Certification.*

**Agency Response:** Agree. OPRHP concurs with the recommendation.

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

**Agency Response:** Agree. OPRHP concurs with the recommendation.

- **Recommendation 3:** *Ensure all statements contained in the Internal Control Certification are supported by sufficient and appropriate documentation.*

**Agency Response:** Agree. OPRHP concurs with the recommendation.

\* See State Comptroller's Comment, page 13.

**New York State Office of Parks, Recreation & Historic Preservation  
Response to the Office of the State Comptroller's Draft Audit Findings  
Quality of Internal Control Certification  
Audit 2012-S-49**

- **Recommendation 4:** *Ensure that compliance testing and monitoring systems are in place. When necessary, ensure corrective action is taken and monitored.*

**Agency Response:** Agree. OPRHP concurs with the recommendation.

- **Recommendation 5:** *Ensure that the internal audit function undergoes required external assessments.*

**Agency Response:** Agree. OPRHP concurs with the recommendation.

## State Comptroller Comment

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1. We modified our report to clarify who selected the facilities for the internal control review.