
THE 411 FOR NEW INTERNAL CONTROL OFFICERS

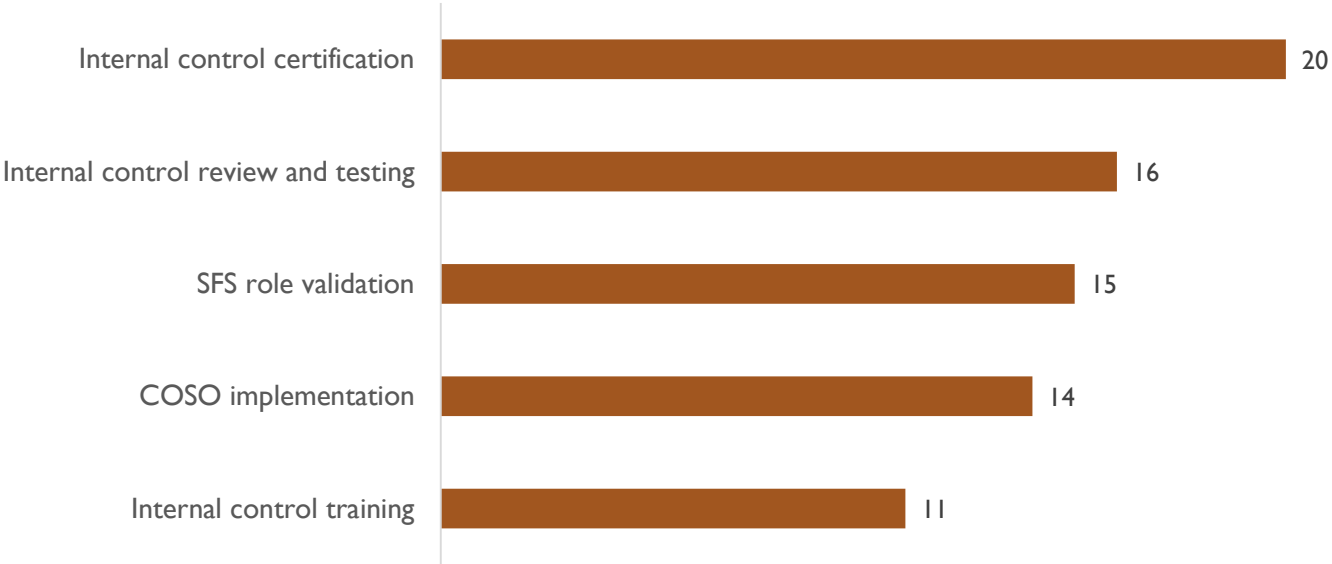
NEW YORK STATE INTERNAL CONTROL ASSOCIATION



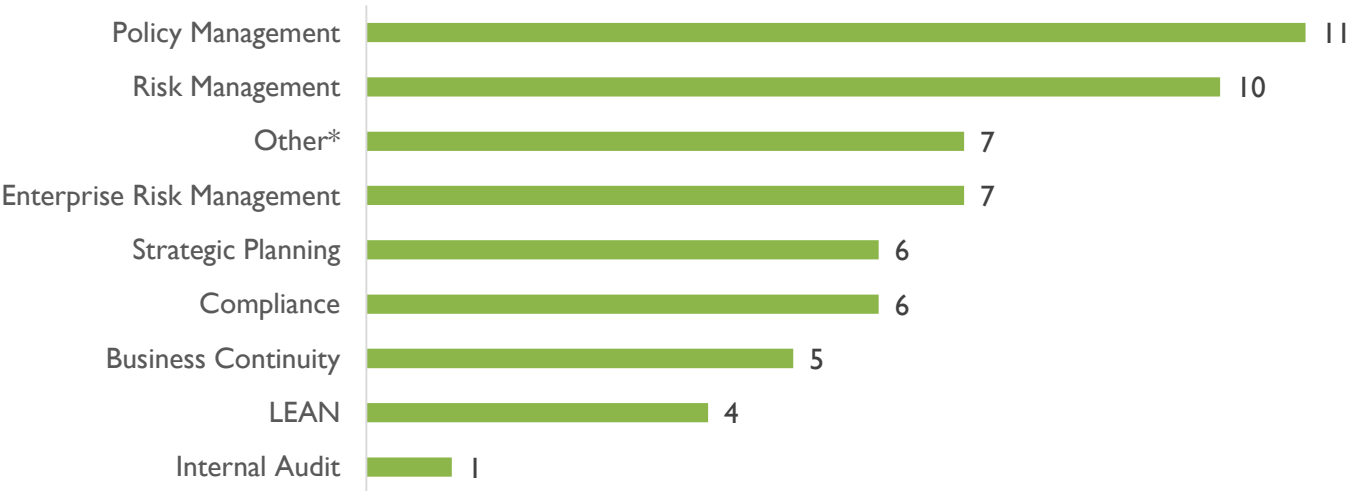
WHAT WE WILL HIGHLIGHT TODAY

- The Internal Control Act
- The Internal Control Standards
- COSO2013
- Internal Control Review Program Components
- B-350 Internal Control Certification
- OSC Certification of Internal Controls over the Payment Process
- SFS Annual Validation of User Access and Role Data

What are the primary internal control duties of the Internal Control Officer?



In your organization, is the Internal Control Officer responsible for other operational duties?



*** Other**
Ethics Officer
Process Quality & Compliance
Executive Deputy Commissioner duties
Project Sunlight
Budget, Accounting, Performance Metrics
Information Security and Cyber Risk
Management
Administrative units - HR, etc.



NEW YORK STATE GOVERNMENT ACCOUNTABILITY, AUDIT AND INTERNAL CONTROL ACT

INTERNAL CONTROL ACT REQUIREMENTS

Applicable
to Internal
Controls

1. Establish and maintain internal control system guidelines for the organization
2. Establish and maintain for a system of internal controls and a program of review.
3. Make available to each officer and employee a clear and concise statement of the management policies and standards with which the officers and employees are expected to comply.
4. Designate an internal control officer, who shall report to the head of the organization, to implement and review the internal control responsibilities established.
5. Implement internal control education and training efforts to ensure that officers and staff understand internal controls and there role.
6. Periodically evaluate the need for an internal audit function.



STANDARDS FOR INTERNAL CONTROL IN NEW YORK STATE GOVERNMENT

**Standards for
Internal Control in
New York State Government**

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller



March 2016

Standards for Internal Control in New York State Government

[https://osc.state.ny.us/agencies/
ictf/docs/intcontrol_stds.pdf](https://osc.state.ny.us/agencies/ictf/docs/intcontrol_stds.pdf)

INTERNAL CONTROL FRAMEWORK

Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.

IMPORTANCE OF INTERNAL CONTROL AND RISK MANAGEMENT

- Help organizations accomplish their mission and objectives;
- Reduce opportunities for fraud;
- Prevent loss of funds or other resources;
- Establish standards of performance;
- Ensure compliance with laws, regulations, policies and procedures;
- Preserve integrity;
- Discourage bad publicity;
- Ensure public confidence; and
- Protect all employees.

CORE EXPECTATIONS

- Each agency must have a process to assure itself that controls are both adequate and functioning as intended.
- It needs to be a continuous process.
- Everyone is responsible for internal control, but they have different roles.

EFFECTIVE INTERNAL CONTROL

Effective internal control provides reasonable assurance regarding the achievement of objectives and requires that:

- Each component and each relevant principle is present and functioning
- The five components are operating together in an integrated manner
- Each principle is suitable to all entities; all principles are presumed relevant except in rare situations where management determines that a principle is not relevant to a component (e.g., governance, technology) (note this must be thoroughly documented)
- Components operate together when all components are present and functioning and internal control deficiencies aggregated across components do not result in one or more major deficiencies
- A major deficiency represents an internal control deficiency or combination thereof that severely reduces the likelihood that an entity can achieve its objectives

KEY CONCEPTS TO THE STANDARDS

- Emphasizes the need to actively manage the Internal Control System
- Recognizes increased relevance and dependence on Information Technology
- Emphasizes risk assessment and requires specific consideration of Fraud Risks
- Emphasizes the importance of information system documentation

CORE EXPECTATIONS - ICOS

- ICO needs to have a broad understanding of agency operations
- ICO must report to agency head – Direct line of communication to executive management
- ICO needs to have sufficient authority to act for the agency head on issues related to IC
- Cannot be the Internal Auditor
- Internal Control Officers are not responsible for the system; their role is to help facilitate, document and assess all implementation and functioning of the components.

CORE EXPECTATIONS - AUDITORS

- Auditors (external or internal) are not responsible for an entity's internal controls.
- External auditors evaluate internal controls as part of their audit planning process to determine if they can be relied on.
- Internal auditors assess whether an organization's internal controls are effective and evaluate the way an organization operates.
- Neither is responsible for the design and effectiveness of controls.

FUNDAMENTAL CONCEPTS AND EXPECTATIONS

- Geared to the achievement of objectives in one or more of the following categories—operations, reporting, and compliance;
- Able to provide reasonable—but not absolute—assurance to an entity's senior management and board of directors; and
- Adaptable to the entity structure—flexible in application for the entire entity or for a particular subsidiary, division, operating unit, or business process.

MINIMUM DOCUMENTATION REQUIREMENTS

- Decision that a Principle is not relevant.
- Polices should document relevant Internal Control responsibilities.
- Evaluation of operations, risks and identified vulnerabilities.
- Management evaluates and documents the results of ongoing monitoring and separate evaluations to identify internal control issues.
- Management evaluates and documents internal control issues and determines appropriate corrective actions for internal control deficiencies on a timely basis.
- Management completes and documents corrective actions to remediate internal control deficiencies on a timely basis.

KEY POINTS

- The internal control or risk management function is responsible for identifying and inventorying risks to the mission of the organization on both a unit- and entity-wide basis
- The operation and monitoring of the system of internal control should be undertaken by individuals who collectively possess the necessary skills, technical knowledge, objectivity, and understanding of the organization

OTHER KEY ASPECTS

- The system of control should be embedded in the operations of the agency and form part of its culture.
- Controls should be flexible and capable of responding quickly to evolving risks, both internal and external.
- The costs of control must be balanced against the benefits, including the risks it is designed to manage.

OTHER KEY ASPECTS (CONT'D)

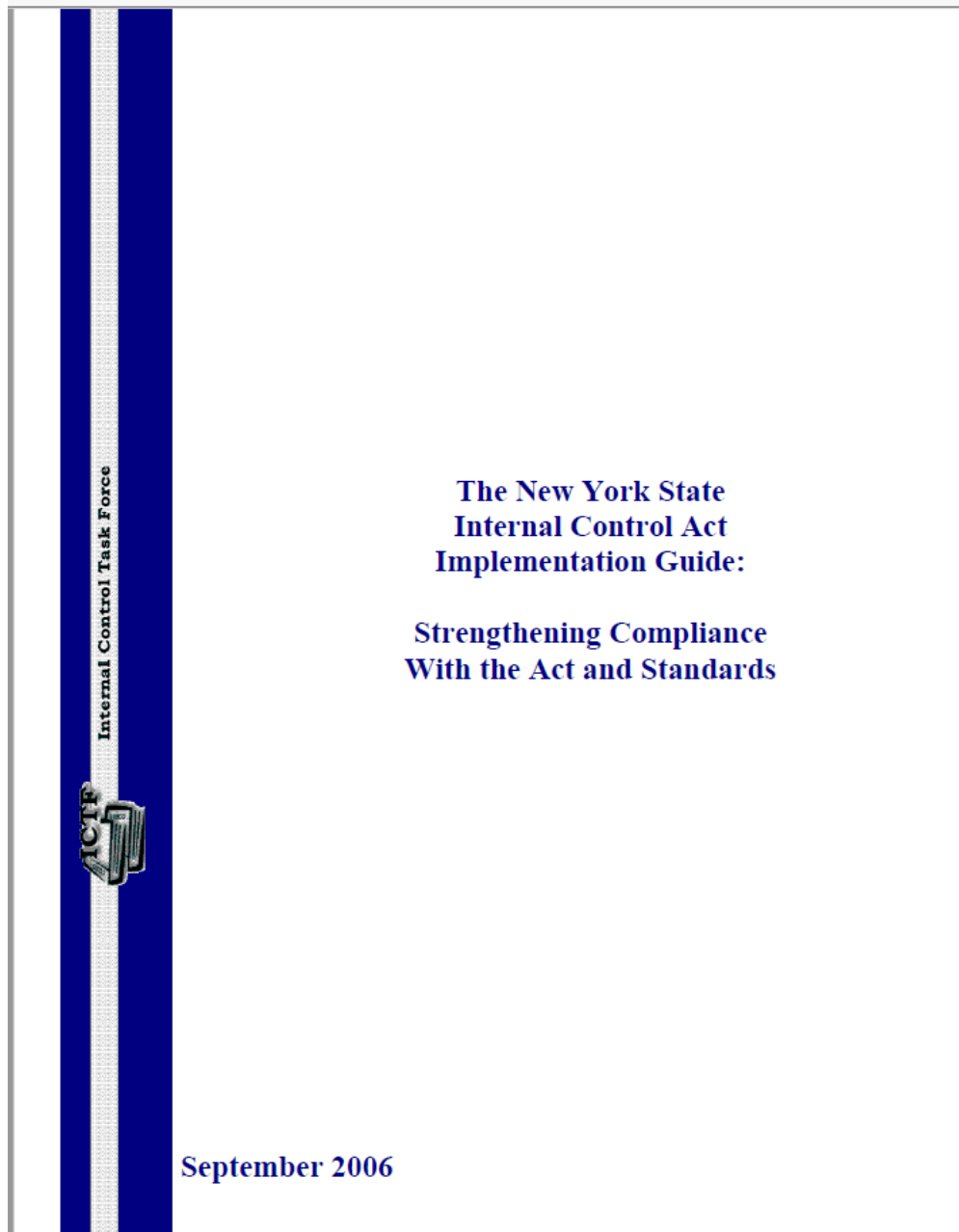
- The system of control must include procedures for reporting *immediately* to appropriate levels of management any significant control failings, or weaknesses that are identified, together with details of corrective action being undertaken.
- Control can help minimize the occurrence of errors and breakdowns, but cannot provide absolute assurance that they will not occur.

APPENDIX – INTERNAL CONTROL REFERENCES

- Updated References
 - Internal Control Act
 - COSO Internal Control – Integrated Framework
- Additional References
 - NYS Guide to Financial Operations – Contract Monitoring
 - NYS Guide to Financial Operations – Certification of Internal Control Over the Payment Process



INTERNAL CONTROL REVIEW PROGRAM COMPONENTS



The New York State Internal Control Act Implementation Guide

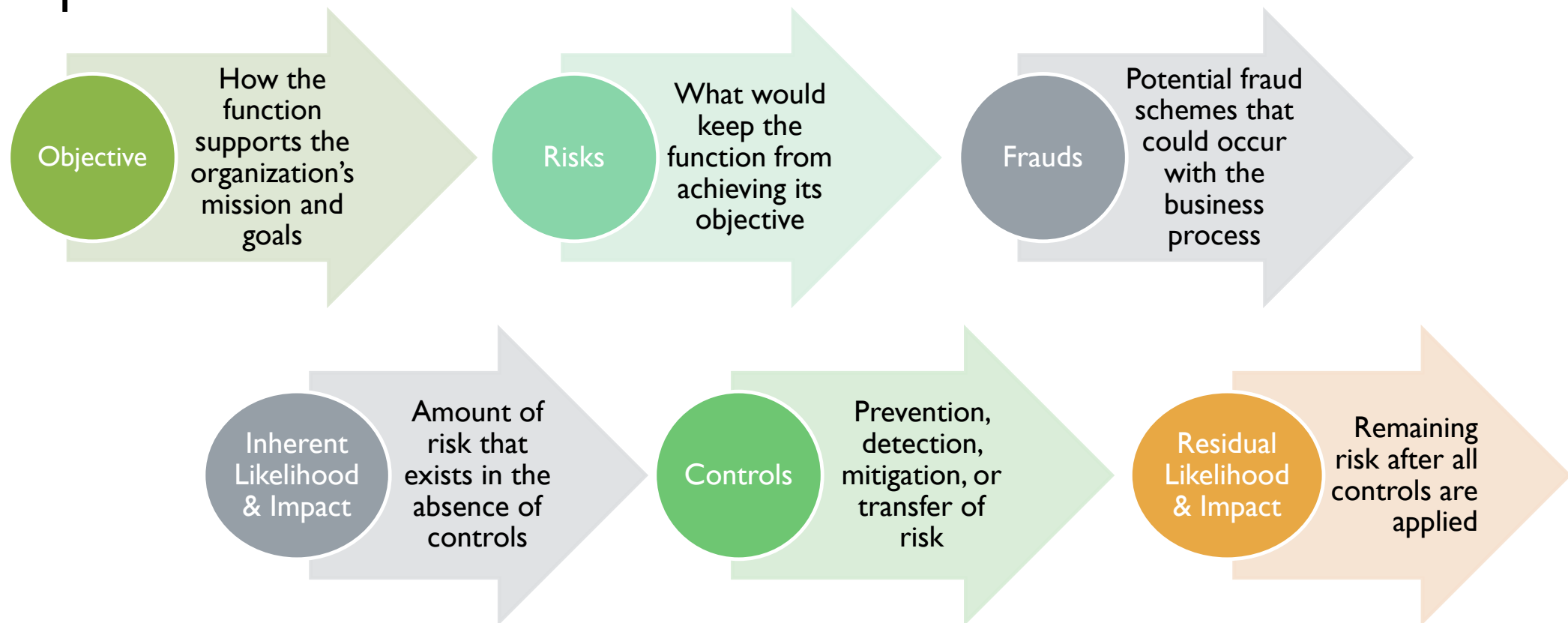
https://www.osc.state.ny.us/agencies/ictf/docs/implement_guide_20060907.pdf

TASK FORCE IMPLEMENTATION GUIDE

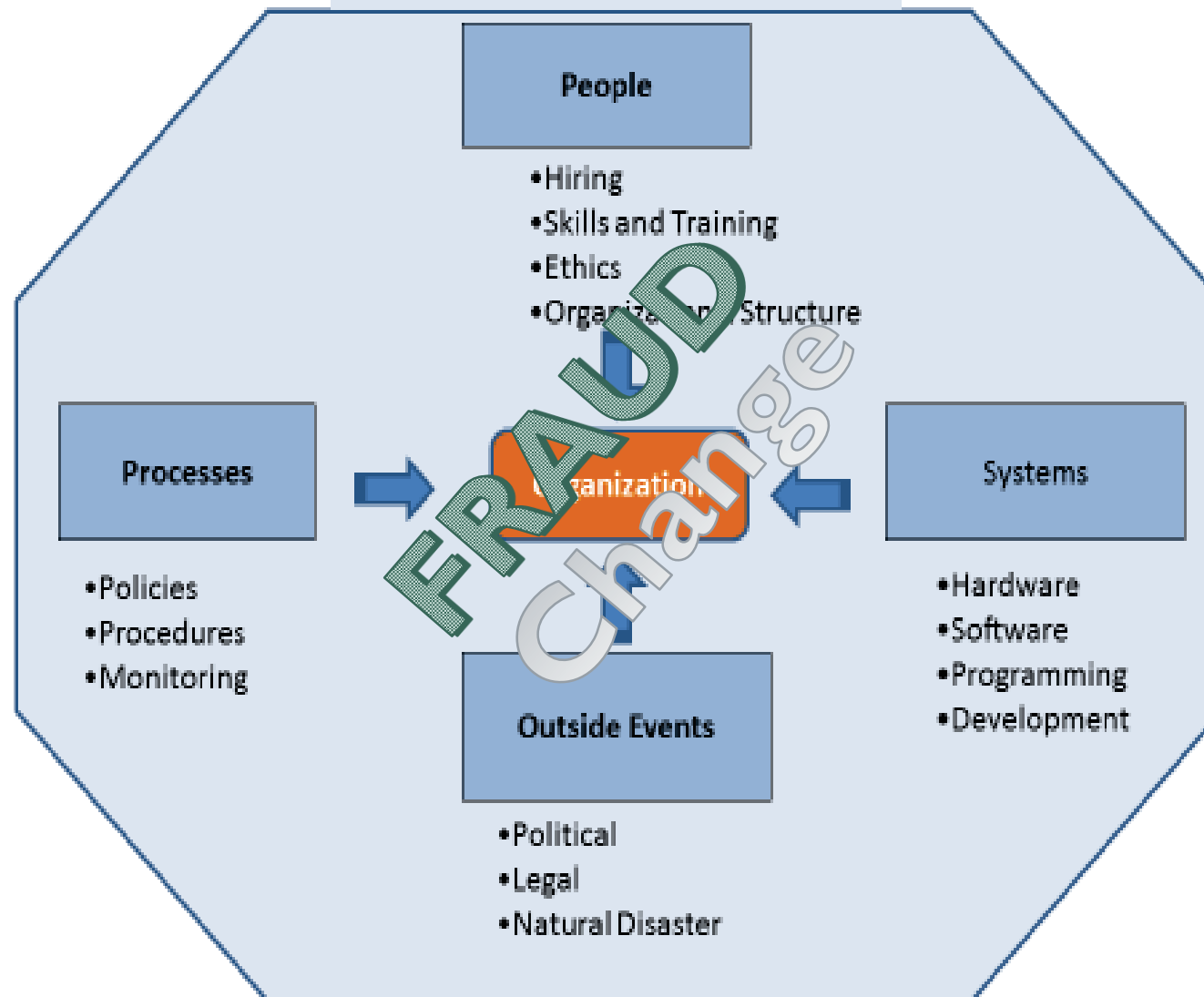
- **Establishing a System of Internal Controls**
 - **Establishing the Right Tone**
 - **Designation of an Internal Control Officer**
 - **Establishing the Management, Oversight and Reporting Process for the Agency's Overall Internal Control Program**
 - **Establishing the Process for Internal Control Education, Training and Awareness**
 - **Organization of Internal Control Reporting Program**

RISK ASSESSMENT

A systematic review of an assessable unit's core functions, objectives/goals, and techniques used to achieve desired results and avoid unwanted outcomes.



POTENTIAL RISK EXPOSURES



TEST OF CONTROLS

Management is responsible for conducting reviews to assure adherence to controls, and for analyzing and improving control systems.

- A sampling of transactions
- Observation/Review of operations
- Interview of key personnel
- Surveys
- Other actions designed to evaluate a function's key controls at a given point in time

CORRECTIVE ACTION PLANS

Evaluation and communication of internal control deficiencies in a **timely** manner to **those parties responsible for taking corrective action**.

This includes **monitoring** the implementation of necessary corrective actions **to acceptable completion**.

COSO COMPONENT AND PRINCIPLE ASSESSMENT

The **ongoing monitoring and assessment** of the COSO components and principles to determine the effectiveness of the agency's internal control system.



COSO 2013 INTERNAL CONTROL FRAMEWORK

AS ADOPTED IN OSC'S *STANDARDS FOR INTERNAL
CONTROL IN NEW YORK STATE GOVERNMENT*

THE NEW YORK STATE
INTERNAL CONTROL ACT

INTERNAL CONTROL REVIEW
COMPONENT AND PRINCIPLE EVALUATION
GUIDE

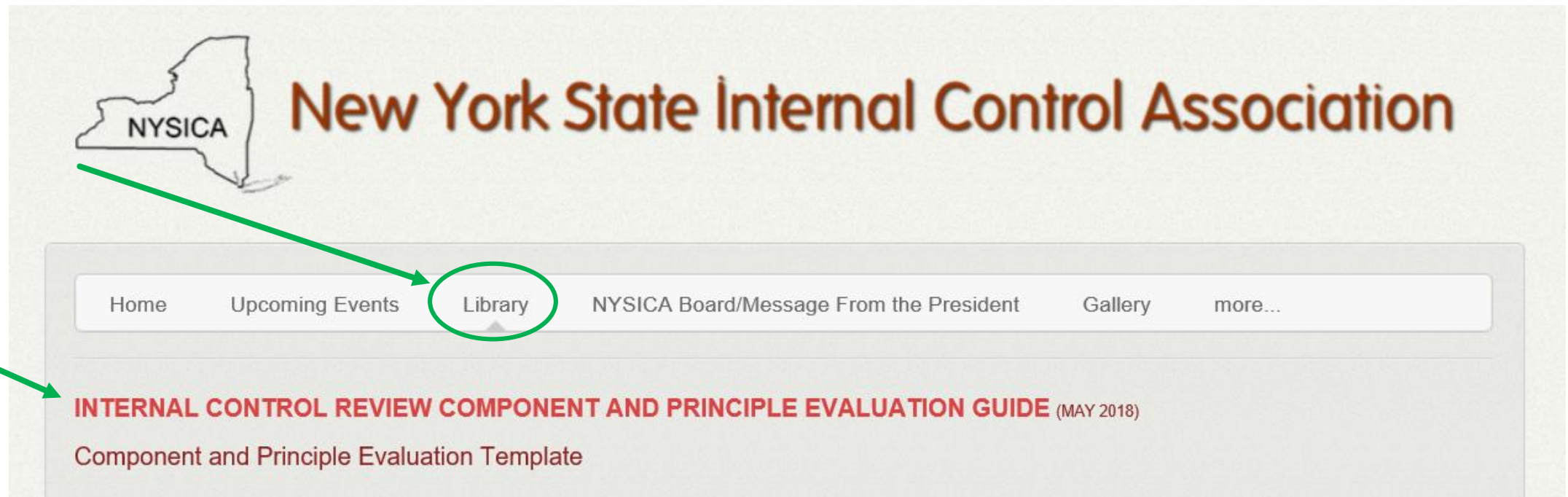
MAY 2018

Internal Control Review Component and Principle Evaluation Guide

http://nysica.com/uploads/3/4/8/5/34855847/internal_control_review_component_and_principle_evaluation_guide.pdf

COPY OF THE GUIDE AND TEMPLATE

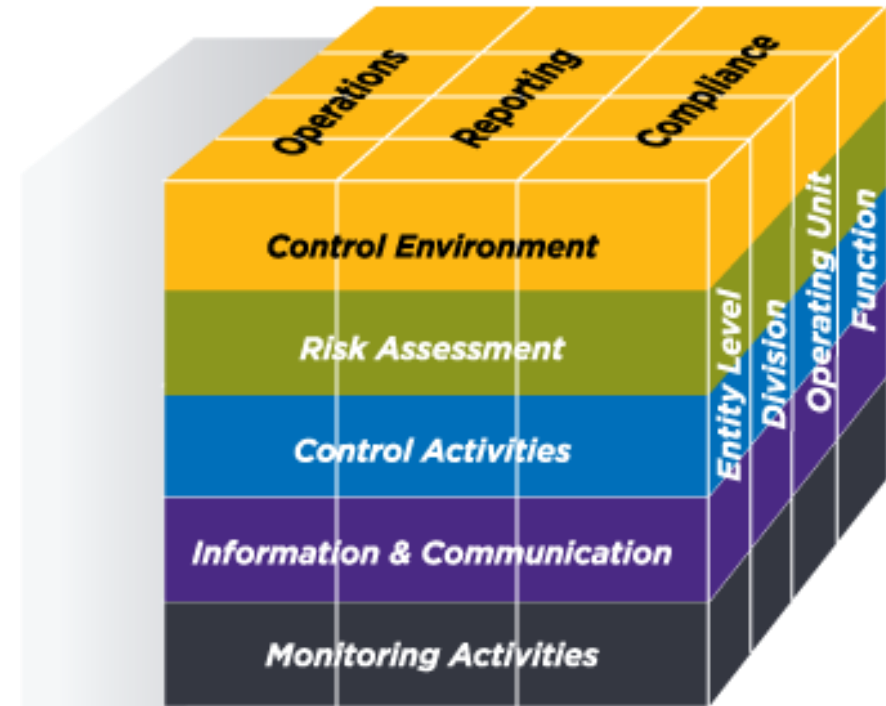
We have published the guide and template on our website: www.nysica.com



INTERNAL CONTROL FRAMEWORK

Five components of internal control

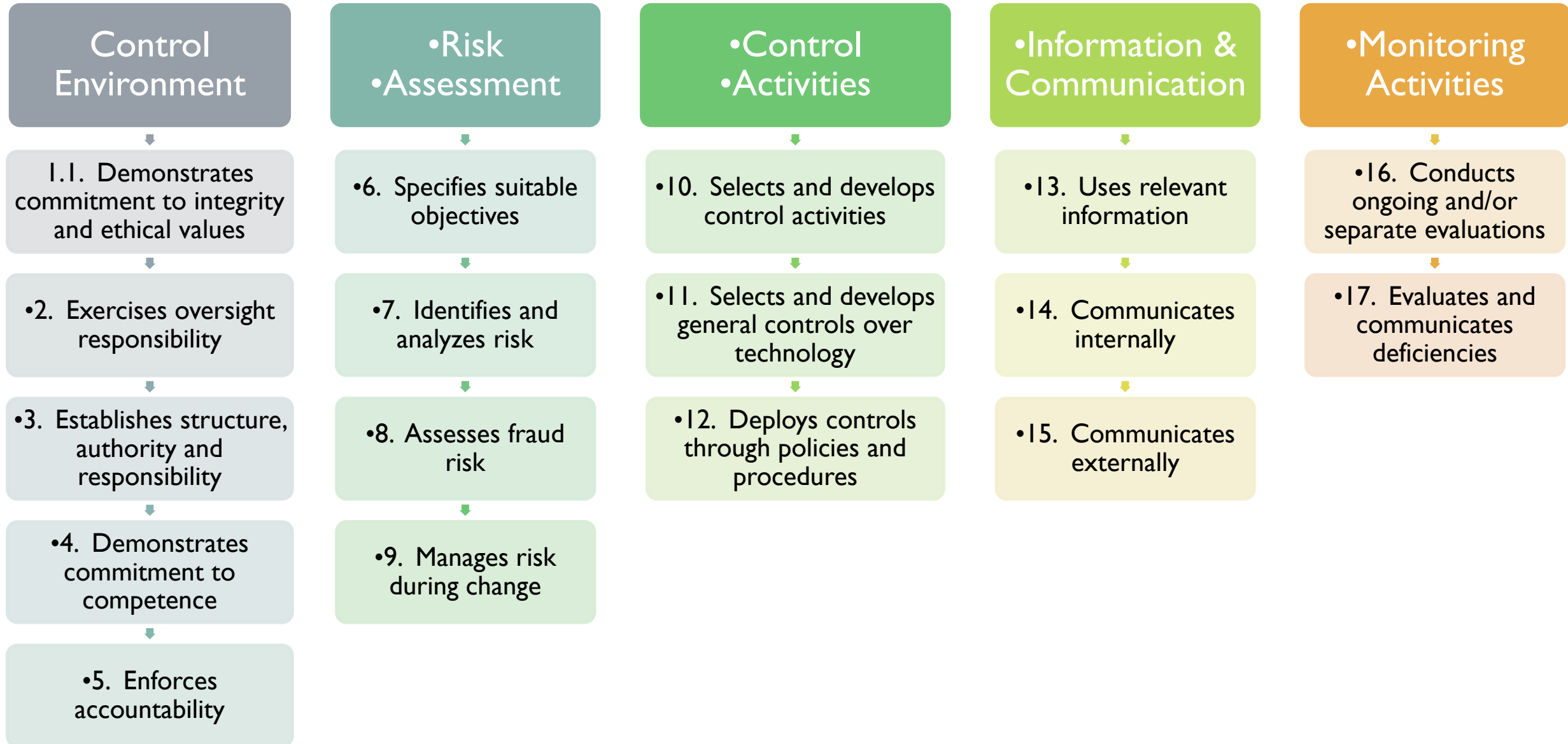
1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information & Communication
5. Monitoring Activities



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These components apply to staff at all levels of the agency and to the agency's operations, reporting, and compliance objectives.

Each of the 5 components contain several principles. The 17 principles represent the fundamental concepts which are associated with particular components within the system.



EFFECTIVE SYSTEM OF INTERNAL CONTROL

Suitable &
Relevant



Present &
Functioning



Operating
Together



Effective
System of
Internal
Control

SUITABLE AND RELEVANT

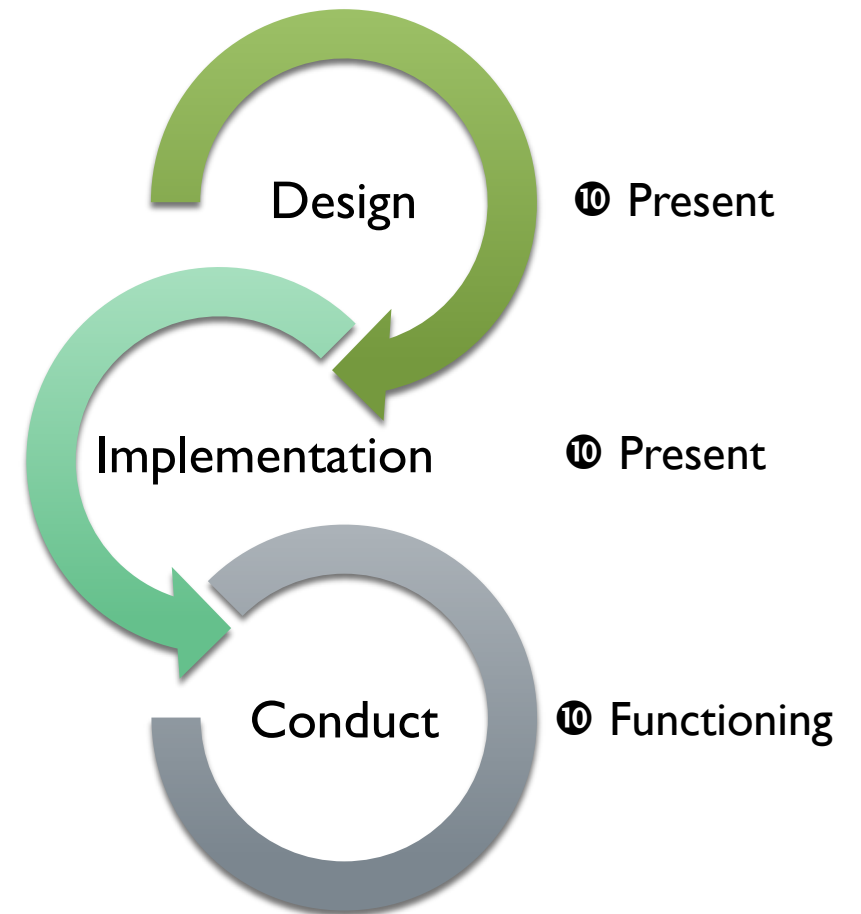



If management determines a principle is not suitable or relevant, management must support its determination with the rationale of how, in the absence of that principle, the associated component can be present and functioning.

PRESENT AND FUNCTIONING

Present = must exist in the **design**
and **implementation**

Functioning = must continue to
exist in the **conduct**





All relevant principles must be successfully designed, implemented, and operating sufficiently.

Persuasive evidence must exist that proves controls are selected, developed and deployed to affect the components and related principles.

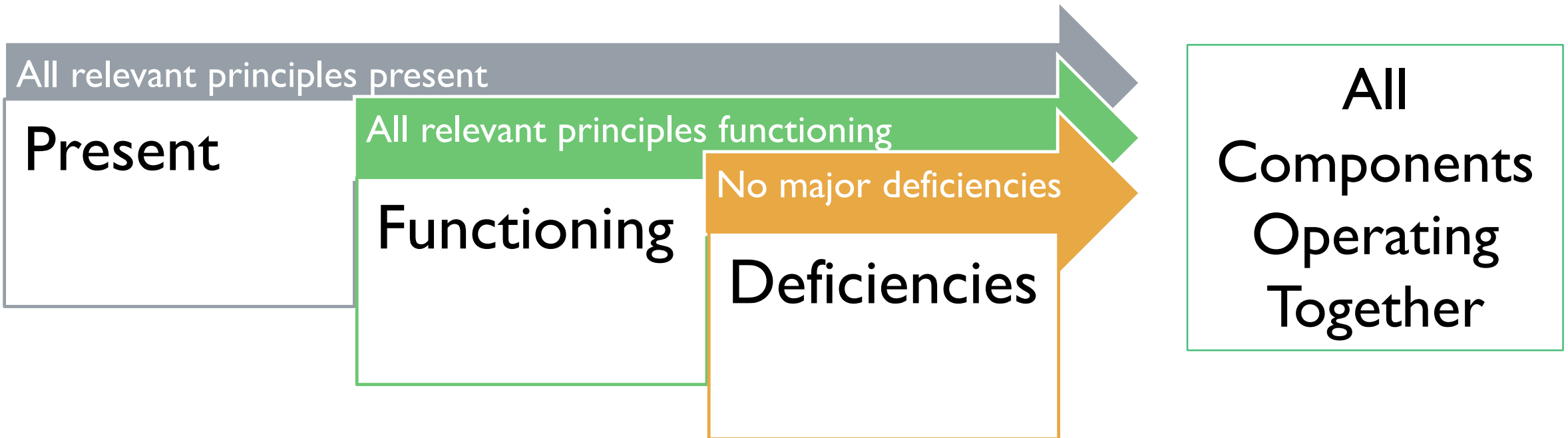
DEFICIENCIES

Internal control deficiency refers to a shortcoming in a component or relevant principle(s) that reduces the likelihood of the agency achieving its objectives.

Major deficiency refers to an internal control deficiency, or combination of deficiencies, that severely reduces the likelihood that the agency can achieve its objectives.

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- A major deficiency in one component or principle cannot be mitigated to an acceptable level by the presence and functioning of another component or principle.
 - Deficiencies are evaluated **both** on an individual basis and in the aggregate.
 - Management considers the correlation among different deficiencies or groups of deficiencies when evaluating their significance.

OPERATING TOGETHER





DOB BUDGET POLICY AND REPORTING MANUAL ITEM B-350

GOVERNMENTAL INTERNAL CONTROL AND INTERNAL AUDIT REQUIREMENTS

B-350 INTERNAL CONTROL CERTIFICATION

DOB Budget Policy and Reporting Manual Item B-350 outlines internal control and internal audit requirements for covered state agencies. <https://www.budget.ny.gov/guide/bprm/b/b350.html>

The internal control certification form is due **annually** on **April 30th**.



This BPRM item requires all covered State Agencies to complete the Internal Control Certification form in Attachment C.

All State Agencies **without internal audit functions** must submit the Internal Audit Evaluation Form Attachment D with the Internal Control Certification.



NYSICA Resources – B-350 Internal Control and Internal Audit presentation February 21, 2019

**Questions? Contact Kiyanna Joyner at DOB
dob.sm.icreporting@budget.ny.gov or (518) 473-0411**

OSC GUIDE TO FINANCIAL OPERATIONS

SECTION XII.4.D, CERTIFICATION OF INTERNAL CONTROLS OVER THE PAYMENT PROCESS

OSC CERTIFICATION

Title 2, Chapter I, Part 6.6 of the New York Codes, Rules and Regulations requires each agency to maintain adequate internal controls over the payment process to support the validity of the agency claim certification for processing payments.

The agency head must email a completed and signed certification form to BSEInternalControlCert@osc.ny.gov on or before April 30 for each year. A separate certification form should be submitted for each Business Unit.



The Comptroller will require agency heads to assess the internal controls for one or more particular areas each year.

2019 Certification

- 1) Procurement card purchase process
- 2) Contracts requiring electronic payments

Talk to your DIA to ensure there is no duplication of work, some IA functions do this certification.



NYSICA Resource links – Certification of internal controls over the payment process presentation January 25, 2018

Questions? Contact BSEInternalControlCert@osc.ny.gov



SFS ANNUAL USER AND ROLE VALIDATION

SFS QUARTERLY VALIDATION

To ensure confidentiality, integrity and availability of the data in the SFS by your periodic review of user and role information.

Your organization can decide when it is most appropriate to complete the review.

- You may choose to complete the review more than once a year.
- Refer to the Agency Role Guide on SFS Secure to ensure you have the most updated guidance.
- Agencies must submit an annual validation by October annually.

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- Every organization must map at least one user to the following SFS roles:
 - ASA,
 - Compliance Reviewer, and
 - Financial Certifier.
 - If your organization does not have someone mapped to each of these roles, your agency will be unable to provide the required sign off.



NYSICA Resource Links

- State Financial System – New Online Validation Process April 26, 2018
- SFS Security Updates presentation September 27, 2018

Questions? Contact the SFS Help Desk at HelpDesk@sfs.ny.gov or
Call (518) 457-7737 or (877) 737-4185 toll-free

“Tell me and I forget,
teach me and I may remember,
involve me and I learn.”

~ Benjamin Franklin

NEW YORK STATE INTERNAL CONTROL ASSOCIATION



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