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**Thomas P. DiNapoli  
COMPTROLLER**



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**OFFICE OF THE  
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE  
GOVERNMENT ACCOUNTABILITY**

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**DIVISION OF CRIMINAL  
JUSTICE SERVICES**

**QUALITY OF INTERNAL  
CONTROL CERTIFICATION**

**Report 2008-S-104**

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## AUDIT OBJECTIVE

Our objective was to determine whether the Division of Criminal Justice Services (DCJS) submitted a quality internal control certification to the Division of Budget on April 30, 2008.

## AUDIT RESULTS - SUMMARY

We determined DCJS did not submit a quality internal control certification to DOB by April 30, 2008. In some cases in the certification, sufficient detail was not provided when answering the questions. In addition, although DCJS outlined a strong risk assessment process in their certification, when we reviewed supporting documentation, we found the quality of risk assessment efforts varied by program area. Also, we found the Internal Control Coordinator does not monitor the Corrective Action Plans as frequently as stated in the certification.

Our audit report contains four recommendations to improve the quality of DCJS' internal control certification. DCJS officials agreed with our recommendations and indicate steps they plan to take to implement them.

This report, dated September 25, 2008 is available on our website at <http://www.osc.state.ny.us>.

Add or update your mailing list address by contacting us at: (518) 474-3271 or  
Office of the State Comptroller  
Division of State Government Accountability  
110 State Street, 11<sup>th</sup> Floor  
Albany, NY 12236

## BACKGROUND

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.

The Division of Budget's Budget Policy and Reporting Manual Bulletins B-350 and B-1177 require the head of each covered State agency and public authority to certify compliance with the State's Internal Control Act by April 30 of each year by submitting a Certification and Internal Control Summary of the internal control activities undertaken during the previous year. The current requirements in the BPRM B-350 internal control certification has been updated with a list of agencies required to establish and maintain an internal audit function and also requires agencies 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.*" These recommendations include specific guidance for agencies, the Internal Control Task Force, NYS Division of Budget and the NYS Comptroller's Office. The recommendations were developed to provide agencies with an improved level of assurance that an appropriate set of controls are in place within the agency and are 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.

DCJS is a multi-function criminal justice support agency with a variety of responsibilities, including collection and analysis of statewide crime data; operation of the DNA databank and criminal fingerprint files; administration of federal and state criminal justice funds; support of criminal justice-related agencies across the state; and administration of the state's Sex Offender Registry that allows anyone to research the status of an offender. The mission of DCJS is to enhance public safety and improve criminal justice.

DCJS provides support services and guidance to other state agencies whose mission is to provide public protection. These agencies include the Crime Victims Board, Division of Probation and Correctional Alternatives, State Commission of Correction, and the Office for Prevention of Domestic Violence. These services include administration, personnel and finance as well as research and management information system.

DCJS has both an Internal Control Officer (ICO) and Internal Control Coordinator (Coordinator). The Coordinator prepares internal control training materials for new employees and updates internal control information on the intranet. In addition he coordinates risk assessment activities of the division and assists in preparing the internal control certification. The ICO reviews all the reports and risk assessment documents and authorizes the internal control certification. The ICO also communicates the results of the risk assessments to executive management.

## AUDIT FINDINGS AND RECOMMENDATIONS

### *Quality of Internal Control Certification*

The Division of Budget (DOB) requires agencies to certify compliance with the State's Internal Control Act annually by submitting an internal control certification, which includes both an internal control summary report as well as a signed certification to attest that they met required internal control provisions.

In order to determine if DCJS submitted a quality certification, we reviewed the certification to see if they followed the certification instructions outlined in the Budget Policy and Reporting Manual Item B-350, and followed the internal control requirements outlined in the NYS Internal Control Act Implementation Guide and the Internal Control Task Force Recommendations in the Standards for Internal Control in New York State Government which are the basis for the certification. In addition, we determined a quality certification should show evidence an agency responded to all the questions, provided explanation and detail when required, and answered the questions accurately. We also reviewed supporting documentation of the certification provided by DCJS to determine if the information reported was accurate. This audit did not assess, nor was it intended to assess, the quality of the DJCS system of internal controls.

DCJS certified as required in 2007-08 by submitting both documents. However, we determined DCJS did not submit a quality internal control certification to DOB on April 30, 2008. In some cases in the certification, sufficient detail was not provided when answering the questions. In addition,

although DCJS outlined a strong risk assessment process in their certification, when we reviewed supporting documentation, we found the quality of risk assessment efforts varied by program area. Also, we found the Coordinator does not monitor the Corrective Action Plans as frequently as stated in the certification.

Having a quality certification is essential and gives reasonable assurance of a complete system of internal controls.

#### Certification

The internal control summary report asks agencies to respond to a series of questions regarding the agency's internal control system and also requests information on the specific actions taken by the agency to implement the recommendations made by the Internal Control Task Force. Most of the questions require the agency to provide detailed responses. While DCJS provided responses to all the questions, in some cases their responses were brief and lacking detail. For example, in the section in the certification titled "Coordination and Implementation", there are eight recommendations listed that address the following: management communication of internal controls to agency staff, agency risk assessments and corrective actions and maintenance of internal control documentation. DCJS responded to six of the eight recommendations by stating "Done" or "Performed on an annual basis." Specifically, one of the recommendations addressing risk assessments stated:

*Internal control programs should establish a process for identifying improvement areas, corresponding corrective actions, and implementation of all corrective actions.*

DCJS responded to this recommendation: Done.

When required, DCJS should provide detailed responses so that DOB officials are aware of what specific actions were taken and has reasonable assurance that the agency is working on complying with the recommendations set forth by the Internal Control Task Force.

#### Supporting Documentation

Program managers in each office are responsible for completing an annual risk assessment of the critical functions performed in their office. Using standardized forms, program managers analyze and prioritize the risks based on likelihood and consequences, identify existing controls, and complete a Corrective Action Plan if controls do not exist or are deemed inadequate. The Coordinator is responsible for ensuring that programs submit completed and timely risk assessments. Once he confirms he has all risk assessments from all the program areas, he forwards them on to the ICO for review. The ICO is responsible for reviewing and signing off on the risk assessments.

However, when we reviewed the risk assessment forms submitted to the Coordinator by DCJS's eight program offices, we found the quality of risk assessment efforts varied by program area. Some of the programs did not submit all the required forms and some did not provide answers to all the questions on the forms. For example, five of the eight programs did not submit the "Inventory Control Worksheet" and two of the eight programs submitted other incomplete risk assessment forms. For example, on the Corrective Action Planning Questionnaire, one program left the following questions blank:

- Who will be affected by the new controls?
- How will this new control activity be monitored? How often and by whom?

Another program provided incomplete information on the “Risk Assessment Worksheet for Each Major Function” form. The program omitted information indicating the Consequence, Likelihood or Priority of the risk they listed on the form.

To ensure a quality risk assessment, program managers should be thoroughly documenting their risk assessment.

As part of DCJS’s risk assessment process, program managers are required to identify existing controls and complete a Corrective Action Plan if controls do not exist or are deemed inadequate. The internal control certification requires agencies to report on corrective actions. In addition, *The New York State Internal Control Act Implementation Guide: Strengthening Compliance with the Act and Standards*, state the ICO or other internal control staff should work with managers and monitor the implementation status of the Corrective Action Plans.

We met with DCJS officials from each program that outlined a corrective action plan in their certification and verified the actions had been implemented. However, we found the Coordinator does not monitor the Corrective Action Plans as frequently as stated in the certification. The internal control certification stated:

“...testing and implementation of the corrective action plan is documented by the programs and reviewed and monitored by the Coordinator, with follow-up testing and monitoring occurring at **regular** intervals” and

“**regular** meetings with all liaisons are called by the Coordinator to assess the progress of existing corrective action plans as well as newly identified risks which will require Corrective Action Plans in the future.”

However, the Coordinator informed us that he does not follow up “regularly” with program managers on their Corrective Action Plans but instead, follows up with them annually. For example, we were provided with an email dated May 9, 2008 from the Coordinator to the program areas addressing the Correction Action Plans reported in the prior year’s certification (2006-2007). These plans are a critical part of an agencies internal control program because they are used to identify internal control weaknesses and corrective actions needed to correct those weaknesses. DCJS should establish a formal process for the ICO and Coordinator to track actions taken to implement Corrective Action Plans and make sure this process incorporates and documents “regular” monitoring (not just annually) to ensure that programs implement corrective actions in a timely manner.

### Recommendations

1. When required, provide detailed responses to questions in the certification.
2. Review risk assessment forms submitted by programs for completeness and follow-up with programs, if necessary.
3. Ensure the monitoring of Corrective Action Plans by the Internal Control Coordinator is accurately stated in the certification.
4. Establish a formal process for the ICO and Coordinator to track actions taken to implement Corrective Action Plans. In addition, make sure this process

incorporates regular monitoring (not just annually) to ensure that divisions implement corrective actions in a timely manner.

## **AUDIT SCOPE AND METHODOLOGY**

We did our performance audit according to generally accepted government auditing standards. We audited the quality of the DCJS 2007-08 B-350 Internal Control Certification. To do our audit we interviewed agency officials to learn about their control activities and reviewed all documentation of internal controls provided by DCJS to support their certification.

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

## **AUTHORITY**

We did this audit according to the State Comptroller's authority set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

## **REPORTING REQUIREMENTS**

Draft copies of this report were provided to DCJS officials for their review and comment. Their comments were considered in preparing this report and are included as Appendix A.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Division of Criminal Justice Services 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 therefor.

## **CONTRIBUTORS TO THE REPORT**

Major contributors to this report include David R. Hancox, Walter Irving, Melissa Little, Claudia Christodoulou and Andrea Dagastine.

## APPENDIX A - AUDITEE RESPONSE



STATE OF NEW YORK  
DIVISION OF CRIMINAL JUSTICE SERVICES  
4 Tower Place  
Albany, New York 12203-3764  
<http://criminaljustice.state.ny.us>

DAVID A. PATERSON  
GOVERNOR

DENISE E. O'DONNELL  
COMMISSIONER

September 5, 2008

Mr. David R. Hancox  
Office of the State Comptroller  
Division of State Government Accountability  
110 State Street, 11<sup>th</sup> Floor  
Albany, NY 12236

Dear Mr. Hancox:

Thank you for the opportunity to respond to the findings and recommendations detailed in your draft audit report (2008-S-14) addressing whether the Division of Criminal Justice Services (Division) submitted a quality internal control certification to the Division of the Budget (DOB) on April 30, 2008.

The Division agrees with your assertion that "Having a quality certification is essential and gives reasonable assurance of complete internal controls". The Division makes every effort to ensure that a fully completed quality certification is submitted to DOB annually, and will continue to do so.

However, the Division also recognizes as stated in the draft audit report "This audit did not assess, nor was it intended to assess, the quality of the DCJS System of Internal Controls". The Division is committed to and has established and implemented an effective system of internal controls. To that end, the Division has established a comprehensive system of internal controls, is confident of control effectiveness, and continuously monitors its system of internal controls making improvements as needed. In addition, all executive staff and managers are aware of the importance of a comprehensive system of internal controls.

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Consistent with the requirements of the State's Internal Control Act and the Division of Budget's Policy and Reporting Manual Bulletins B-350 and B1177, the Division has certified compliance by April 30 of each year by submitting the required Certification and Internal Control Summary. The Division notes that its current Internal Control Coordinator has submitted the required Certification and Internal Control Summary for the past eight years. Most noteworthy, over the past eight years, the Division has not received even one question or concern regarding the quality of the Certification and Internal Control Summary submitted to DOB. The Division cites this lack of feedback as evidence that its Internal Control summaries have more than adequately met the needs of control agencies and examiners charged with evaluating control effectiveness.

Our response to each of your recommendations is detailed below. For ease of review, we have listed your recommendation followed by our response.

**1. When required, provide detailed responses to questions in the certification.**

The Division concurs with this recommendation and will continue to make every effort to provide detailed responses to questions in the certification. In addition, the Division's Internal Control Officer has reiterated to the Internal Control Coordinator the importance of ensuring that detailed responses are provided for all questions included in the Certification.

The Division notes that this recommendation is a result of a perceived deficiency related to our responses to one question in the 2007-08 Internal Control Summary document. Question #8, new to the 2007-08 Internal Control Summary document, refers agencies to the Compliance Roadmap for Internal Control Officers, Directors of Internal Audit and Other Stakeholders (Compliance Roadmap)"and instructs agencies to use the "Compliance Roadmap as a guide and to provide a point-by-point affirmation of compliance or gap analysis of each of the recommendations include therein.

Although we found the instructions provided for completion of the Compliance Roadmap somewhat unclear we made our best effort to fully respond. The Division carefully reviewed the Compliance Roadmap and provided a response to each of the 16 recommendations.

For example, the first recommendation of the Compliance Roadmap states: "Each Agency/Authority Head should provide a communication to all staff in support of its internal control program, including the importance of assessing internal controls". The Division routinely communicates information about its internal control program through its intranet site and e-mails made available to all Division staff. Therefore, the Division responded to Recommendation #1 as follows: "This is done on an annual basis". Using this format, the Division responded to each of the 16 recommendations in the same manner.

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We also note that DOB did not request additional information or clarification concerning the Division's Compliance Roadmap. However, given our commitment to a comprehensive system of internal controls, and the submission of a quality certification, the Division will contact the Division of the Budget for additional guidance on the appropriate format for responses to revised question #8 of the 2007-08 Internal Control Summary.

**2. Review risk assessment forms submitted by programs for completeness and follow-up with programs if necessary.**

The Division will continue efforts to review risk assessment forms for completeness and follow-up with programs where necessary. The Executive Deputy Commissioner and I have reiterated to all executive staff and managers the importance of documenting risks and completing risk assessment forms.

In addition, Division managers routinely monitor risks relative to their program areas. Risks are assessed and, where appropriate, controls are modified to mitigate any changes in risk. Also, during 2008 the Division's Office of Internal Audit & Compliance conducted a risk assessment of all program areas and functions within the Division. This risk assessment was independent of the risk assessment forms prepared in connection with the Division's internal control program. However, it further underscores the importance the Division places on identifying risks in all program areas.

**3. Ensure the monitoring of corrective action plans by the Internal Control Coordinator is accurately stated in the certifications.**

The Division's Internal Control Officer will work closely with the Internal Control Coordinator to ensure that monitoring of corrective action plans is accurately stated in the certifications.

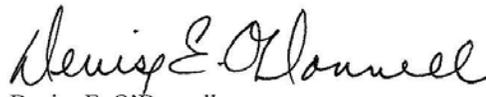
**4. Establish a formal process for the ICO and Coordinator to track actions taken to implement Corrective Action Plans. In addition, make sure this process incorporates regular monitoring (not just annually) to ensure that divisions implement corrective actions in a timely manner.**

The Division appreciates the acknowledgement in the draft audit that a review of our corrective action plan "verified the actions had been implemented." The Division concurs with the importance of better documenting those efforts to demonstrate compliance to our control agencies. The Division's Internal Control Officer has strengthened procedures over monitoring actions taken to implement Corrective Action Plans. These procedures include:

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- Quarterly meetings between the Internal Control Officer and the Internal Control Coordinator to discuss progress in the respective program area's implementation of a Corrective Action Plan, and
  - Routine meetings between the Internal Control Coordinator and managers from program areas with Corrective Action Plans to discuss progress and ensure that the corrective actions are implemented in a timely manner.

In closing, the Division remains committed to maintaining a comprehensive system of internal controls and will make every effort to ensure that a quality internal control certification is prepared and submitted to DOB.

Very Truly Yours,

  
Denise E. O'Donnell

cc: Sean Byrne  
Don Capone  
Bob Wright  
Sandy Fader