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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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**STATE UNIVERSITY  
CONSTRUCTION FUND**

**QUALITY OF INTERNAL  
CONTROL CERTIFICATION**

**Report 2008-S-118**

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## AUDIT OBJECTIVE

Our objective was to determine whether the State University Construction Fund (SUCF) submitted a quality internal control certification to the Division of Budget by April 30, 2008.

## AUDIT RESULTS - SUMMARY

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.

We determined SUCF submitted a quality internal control certification by April 30, 2008 and had adequate supporting documentation to conclude reported information was accurate.

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 (BPRM) 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 (the Act) by April 30, 2008 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.

Established by Chapter 251 of the Laws of 1962, the State University Construction Fund

is a public benefit corporation specifically designated to provide academic buildings, dormitories and other facilities for the State-operated institutions and statutory colleges under jurisdiction of the State University of New York (SUNY), and to expedite the construction, reconstruction and rehabilitation or improvement of such facilities.

SUCF is administered by a Board of Trustees who also serves as their Audit Committee. The operations of Fund are managed by a General Manager. SUCF has both an Internal Control Officer (ICO) and an Internal Control Committee (Committee). The ICO is responsible for the SUCF internal control program and works in coordination with the Internal Control Committee. Together they work on SUCF's internal control plan. They discuss, research and prepare recommendations about internal control needs and meet as a group with the General Manager for his final approval.

## **AUDIT FINDINGS**

### *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. The certification for the fiscal year ended March 31, 2008 was due April 30, 2008.

In order to determine if SUCF submitted a quality certification, we reviewed the certification to see if they followed the certification instructions detailed 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 NYS 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 SUCF to determine if the information reported was accurate.

We determined SUCF submitted a quality internal control certification for the year ending March 31, 2008 on April 11, 2008 and had adequate supporting documentation to conclude reported information was accurate. The certification addressed the requirements detailed in the B-350 manual and followed the internal control requirements outlined in the NYS Internal Control Act Implementation Guide and the Internal Control Task Force Recommendation in the Standards for Internal Control in NYS Government which are the basis for the certification.

### **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. The responses provided by SUCF on the internal control summary were detailed and offered specific information relating to the questions.

For example, one question asks for methods used in 2007-2008 to provide internal control

education and training to keep agency/authority staff aware of the need for internal controls. SUCF's response included 14 examples of training and information provided to employees during the last fiscal year.

Another question asks for specific actions taken to implement the internal control recommendations included in the Internal Control Task Force report. SUCF described their step by step approach to develop a timetable for updating risk assessments and testing. Steps included: updating their internal control guide, re-inventory of assessable units and functions, screening risks for each function, development of the testing and risk assessment review timetable and the development of a timetable for more formal internal control training.

### **Supporting Documentation**

We found SUCF had adequate documentation to support their certification.

We reviewed SUCF's Internal Control Guide, which is intended to document SUCF's internal control program and practices. It defines internal controls and allows employees to gain a better understanding about the internal controls associated with their specific job functions and responsibilities.

We reviewed SUCF's risk assessment process, which is detailed in the Internal Control Guide. This process is based on assessing risk by function as recommended by the Internal Control Task Force. Using an impact versus likelihood approach adopted from the NYS Internal Control Association, SUCF developed a timetable listing each function and their scheduled in-depth review in compliance with *Manager's Guide: Testing Compliance with Internal Control*

*Requirements* which is from BPRM Item B-350.

SUCF implemented the Corporate Integrity Hotline, which was an internal control improvement implemented during the year. The Corporate Integrity Hotline allows employees, vendors and the general public to report fraud and misconduct. SUCF places posters with the Hotline information at every building and job site. The phone number and information regarding the Hotline is also posted on their intranet and public website. Callers are assured their calls are confidential and caller ID has been disabled.

SUCF communicates their internal control program through their intranet resource page and public website. SUCF's intranet resource page contains useful information for employees including agency-wide policies and procedures, training opportunities, access to help-desk and technical assistance as well as links to other SUNY, New York State, and federal websites. SUCF's public website offers a wide variety of useful information and resources for visitors to the site. Linked from the public website is an applications site for vendors and employees to download forms and guidance on how to do business with the Fund. The General Manager further communicates internal controls through his annual memorandum to employees. In the memorandum, he encourages employees to recognize their role as public stewards.

SUCF monitors its operations through electronic data processing systems to reinforce internal controls. The Operational Support Unit (IS) develops and produces standard reports including deviation reports regularly so that managers can monitor their processes.

SUCF is not required to have an Internal Audit Function. The ICO and the Internal

Control Committee evaluated internal control needs and arrived at the conclusion that SUCF does not need to establish an Internal Audit function. However, the Trustees have outsourced the Internal Audit function to SUNY Internal Audit, who performs two to three audits annually.

#### **AUDIT SCOPE AND METHODOLOGY**

We conducted our performance audit in accordance with generally accepted government auditing standards. We audited the quality of SUCF's 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 SUCF 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**

The audit was performed pursuant to the State Comptroller's authority as 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 SUCF officials for their review and comment. Their comments were considered in preparing this report and are included as Appendix A.

#### **CONTRIBUTORS TO THE REPORT**

Major contributors to this report include David R. Hancox, Walter Irving, Melissa Little, Eileen L. Chambers and Devisha Baldeo.

## APPENDIX A - AUDITEE RESPONSE



### STATE UNIVERSITY CONSTRUCTION FUND

Edward F. Cox, Chairman  
Eugene K. Tyksinski, Member  
Stephen V. Reitano, Member

September 4, 2008

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

RE: Audit Report 2008-S-11

Dear Mr. Hancox:

This letter is to acknowledge receipt of the draft audit report addressing whether the State University Construction Fund submitted a quality internal control certification to the Division of Budget by April 30, 2008.

Upon review of the draft report, we have no additional comments.

On behalf of the Fund and its Board of Trustees and staff, thank you for the professionalism exhibited by your staff during this audit.

Sincerely,

Philip W. Wood  
General Manager

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