



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

Division of State Government Accountability

Quality of Internal Control Certification

Office of the Welfare Inspector General



Report 2012-S-42

September 2012

Executive Summary

Purpose

Determine whether the Office of the Welfare Inspector General (OWIG) 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 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 April 30, 2012 OWIG reported a mix of full and partial compliance with the various requirements of the Internal Control Act. One provision was reported as not applicable to OWIG.

Key Findings

- OWIG's Internal Control Certification was submitted on time and exhibited the necessary quality.
- Answers to the questions were complete and responsive, and were supported by records and documentation maintained by the agency.

Key Recommendations

- No recommendations

Other Related Audits/Reports of Interest

[Office for the Aging: Quality of Internal Control Certification \(2008-S-114\)](#)

[Division of Veterans Affairs: Quality of Internal Control Certification \(2008-S-115\)](#)

[Department of Transportation: Quality of Internal Control Certification \(2008-S-116\)](#)

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

Division of State Government Accountability

September 28, 2012

Mr. Sean Courtney
New York State Welfare Inspector General
55 Hanson Place, Room 650
Brooklyn, New York 11217

Dear Mr. Courtney:

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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State Government Accountability Contact Information:

Audit Director: John Buyce

Phone: (518) 474-3271

Email: StateGovernmentAccountability@osc.state.ny.us

Address:

Office of the State Comptroller
 Division of State Government Accountability
 110 State Street, 11th Floor
 Albany, NY 12236

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 Budget's (DOB) 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 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 the Welfare Inspector General

Office of the Welfare Inspector General (OWIG) was created in April 1992 to assist in, supervise and conduct prosecutions and investigations relating to fraud or abuse in government social and human service programs. OWIG conducts prosecutions and investigations, and coordinates with other governmental agencies and law enforcement organizations, to deter fraud and abuse. OWIG's collects, refers and reports information about fraud and abuse in social and or human service programs, while recommending measures to help prevent or reduce future occurrences.

OWIG is a small agency with a staff of only four people. As a result, the Welfare Inspector General serves as the Internal Control Officer for the agency. OWIG has completed a vulnerability assessment that indicates the most at-risk area for the agency is the Welfare Management System. As a result, an audit was completed of the use of WMS. The Welfare Inspector General maintains a written summation of the results of the audit.

DOB's internal control summary and certification form contains six sections wherein agencies are asked whether they comply fully, partially or do not comply with the provisions of the Act. On April 30, 2012, OWIG assessed its internal controls in the annual certification as fully compliant in one area: making available a clear and concise statement of the generally applicable management policies and standards with which employees are expected to comply. OWIG reported partial compliance in four other areas, indicating that because of its limited staff, it has not established a separate internal control unit, provided sufficient formal staff education and training, established monitoring procedures, and segregated the internal control function from the position of the agency head. The final section was deemed not applicable since OWIG is not one of the agencies required to establish an internal audit function.

Audit Findings

We determined OWIG's Internal Control Certification was submitted timely (April 30, 2012) and exhibited the necessary quality. Answers to the questions were complete and responsive, and were supported by records and documentation maintained by the agency.

Agency Certification

OWIG responded to all of the questions in the certification and provided the requested level of detail for each of the questions.

Supporting Documentation

In each area, OWIG officials provided us with sufficient, appropriate documentation supporting the statements made in its certification.

Audit Scope and Methodology

We audited the quality and timeliness of OWIG's 2011-2012 Internal Control Certification to determine whether OWIG filed the certification in accordance with DOB requirements. To accomplish our audit objective, we reviewed the Internal Control Certification and all documentation of internal controls that OWIG used to support it. In addition, we interviewed OWIG officials to learn more about the internal control system. Our audit addressed the quality of the Internal Control Certification, but it did not assess, nor was it intended to assess, the quality of OWIG's internal control system. Our audit scope included the period January 1, 2011 through August 9, 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 OWIG officials for their review and comments. Officials agreed with our findings and reported their intent to more fully comply with requirements of the New York State Government Accountability, Audit and Internal Control Act as resources become available. We considered their comments in preparing this report and have included them at the end of this report.

Contributors to This Report

John Buyce, Audit Director
Walter Irving, Audit Manager
Joel Biederman, Audit Supervisor
Kathy Garceau, Examiner-in-Charge
Kelly Evers Engel, Staff Examiner
Taylor Daby, Audit Intern

Division of State Government Accountability

Andrew A. SanFilippo, Executive Deputy Comptroller
518-474-4593, asanfilippo@osc.state.ny.us

Elliot Pagliaccio, Deputy Comptroller
518-473-3596, epagliaccio@osc.state.ny.us

Jerry Barber, Assistant Comptroller
518-473-0334, jbarber@osc.state.ny.us

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



State of New York
OFFICE OF THE WELFARE INSPECTOR GENERAL
Shirley Chisholm State Office Building, 55 Hanson Place, Room 650, Brooklyn, NY 11217
(718) 923-4290 Fax: (718) 923-4310
www.owig.state.ny.us

Andrew M. Cuomo
Governor

Sean Courtney
Welfare Inspector General

September 26, 2012

Mr. John F. Buyce
Audit Director
Division of State Government Accountability
Office of the State Comptroller
110 State Street
Albany, NY 12236

Re: Audit of Welfare IG's internal control certification for 2011-12

Dear Mr. Buyce:

Thank you for sending me your agency's draft report regarding the quality of my office's internal control certification, submitted to the New York State Division of the Budget on April 30, 2012.

I am grateful for the time and effort that staff in the Comptroller's Office devoted to reviewing our certification. I accept fully the conclusions and findings expressed in the draft report. In addition, I appreciate the professionalism and courtesy extended to us by all your staff throughout the audit process.

May I take this opportunity to express the view that the important task of satisfying all of the several requirements of the New York State Governmental Accountability, Audit and Internal Control Act would be achieved more effectively if the many resources of large Executive Department agencies were combined and made available to smaller agencies, such as mine. If this were to occur, my office's goal to comply fully with the Act would come much closer to realization.

Very truly yours,

A handwritten signature in cursive script that reads "Sean Courtney".
Sean Courtney