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

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Division of State Government Accountability

# Quality of Internal Control Certification

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## Division of State Police

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# Executive Summary

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## Purpose

To determine whether the Division of State Police (Division) 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 April 16, 2012, the Division submitted its annual Internal Control Certification and reported full compliance with all but one provision of the Act: ensuring that continuing professional education requirements are met by the Director and staff of the Internal Affairs unit, which is responsible for internal audits.

## Key Findings

- The Division submitted its Internal Control Certification timely. However, it did not provide the required level of detail for two questions. The Division did not list the deficiencies discovered during its annual review of high-risk areas and did not identify audit recommendations that were not implemented.
- The Division did not maintain sufficient, appropriate documentation supporting statements made in two areas: the content of, and participation in, training courses related to internal controls; analyses or assessments supporting how the Division determined its reported list of high-risk areas; and one question which called for examples demonstrating the Superintendent's consistent communications to staff in support of internal controls.
- The Division reported that its internal audit function was only partially compliant with generally accepted professional standards for internal auditing because it did not provide staff with the necessary training due to the lack of funding. However, we noted several other deficiencies that need to be addressed to achieve full compliance including issues related to organizational placement and the conduct of periodic external quality control reviews.

## Key Recommendations

- 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 the internal audit function undergoes the required external quality control assessments and address identified deficiencies to bring the function into compliance with generally accepted internal audit standards.

## **Other Related Audits/Reports of Interest**

[Department of State: Quality of Internal Control Certification \(2012-S-50\)](#)

[Office for People With Developmental Disabilities: Quality of Internal Control Certification \(2012-S-44\)](#)

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

**Division of State Government Accountability**

May 9, 2013

Mr. Joseph D'Amico  
Superintendent  
Division of State Police  
Building 22  
1220 Washington Avenue  
Albany, NY 12226-2252

Dear Superintendent D'Amico:

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:** Carmen Maldonado

**Phone:** (212) 417-5200

**Email:** [StateGovernmentAccountability@osc.state.ny.us](mailto: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](http://www.osc.state.ny.us)

# 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.

## **Division of State Police**

The Division of State Police (Division) is one of the largest law enforcement agencies in the nation. In many rural areas of the State it is the principal department providing police services to the public. In other areas it shares jurisdiction and works cooperatively with local agencies. The Division's mission is to promote highway safety and protect citizens from crime. Its responsibilities range from traditional patrol duties to sophisticated investigations of drug traffickers and other criminals.

The Division's Internal Control Officer, who is also the First Deputy Superintendent, prepares the Internal Control Certification from the information gathered from the Deputy Superintendents from six units (Special Projects, Administration, Technology and Communication, Field Command, Employee Relations, and Internal Affairs) and the knowledge he gets from weekly meetings with supervisors and committee meetings he attends. The Internal Affairs Bureau functions as the Division's Internal Audit Unit. The Division's audit plan is comprised of annual self-assessments completed by each unit. The audit plan is supplemented with separate audits of the troops and individual investigations initiated because of use of force, evidence security, or complaints against the Division. Corrective action reports are prepared for each audit or investigation conducted when deficiencies are identified.

The Internal Control Certification 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 April 16, 2012, the Division assessed its internal controls in the annual certification as fully compliant with all but one provision of the Act. The Division reported partial compliance with the internal auditing provision because it had not ensured that continuing professional education requirements were met due to insufficient funds to provide the necessary training.

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## Audit Findings and Recommendations

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The Division's Internal Control Certification was submitted on time (April 16, 2012) and generally exhibited the necessary quality. However, sufficient detail was not provided in response to two questions and the Division did not have sufficient documentation supporting statements made in two areas and one question of the Certification. In addition, the Division did not identify all the reasons for its partial compliance with one section of the Certification.

### Agency Certification

The Division responded to all questions in the Internal Control Certification. However, for two of the questions, the answer was not sufficiently detailed. Specifically, the Division did not provide the required list of deficiencies discovered during its 2011-12 review of high-risk areas. In addition, the Division did not identify unresolved recommendations from internal audits issued during 2011-12, nor did it provide a full explanation of why they were not implemented. Instead, the Division only stated that "several" recommendations were not implemented because of a lack of funding and a hiring freeze.

### Supporting Documentation

In three instances, the Division failed to support statements made in its certification with sufficient, appropriate documentation. The Division reported full compliance with all but one provision requiring implementation of education and training efforts to ensure that all employees have achieved adequate awareness and understanding of internal control standards. The certification included a list of 59 training courses provided through its full time training academy that it reported contained material on internal control awareness and evaluation techniques. However, we tested five of these training courses and found two were not even provided to Division employees during 2011-12. In addition, the Division was not able to provide documentation showing how these programs (which included courses such as AED/CPR training, Defensive Driving, EMT training and Tear Gas School) had increased employees' understanding and awareness of internal control.

In the second instance, the Division was unable to demonstrate the basis for selection of the highest risk areas reported in its Certification, including whether the listing was based on any operational analyses or risk assessments. We found the Division does conduct annual self-assessments of risk, as well as audits of troops, details, and sections. However, there is no evidence that these examinations were considered or used to identify the areas of greatest risk. We also noted that the Division's Certification reported that the same high-risk activities were reviewed in both 2011 and 2012 filings.

Lastly, the Division could not provide examples to support its statement that the Superintendent has consistently communicated strong support for internal controls.



## Other Issues Potentially Impacting Compliance

As part of our examination, we also noted the following issues that call into question the degree of the Division's compliance with specific provisions of the Act. As part of its certification, the Division reported that it was only partially compliant with the provision that requires its internal audit function to operate in accordance with generally accepted professional standards for internal auditing because it did not have funding to meet mandatory continuing professional education requirements. However, although our audit was not designed to specifically assess the Division's compliance with individual provisions, it did disclose several other issues pertaining to the operation of the internal audit function which will also need to be addressed to achieve full compliance.

Professional standards require that the director of the internal audit function report directly to the head of the organization. Further, B-350 requires that an agency's internal audit function be independent of its Internal Control Officer. The Division's organizational chart shows the Director of Internal Affairs, who functions as the head of the internal audit function, reports directly to the Internal Control Officer rather than to the Superintendent. We also noted that Internal Affairs staff members do not complete annual independence certifications, which are generally required by professional standards. Further, we noted the Division has not performed an analysis to determine whether its internal audit resources are sufficient, considering the Division's size and complexity, as required by the Act.

Professional standards also require that the internal audit function undergo an external quality assessment at least once every five years. However, the internal audit function has yet to undergo any such assessment, which is not only necessary for compliance, but would also provide management with comprehensive information about any other areas that need to be addressed.

## Recommendations

1. Provide appropriately detailed responses to questions as requested in the annual Internal Control Certification.
2. Ensure all statements contained in the Internal Control Certification are supported by sufficient and appropriate documentation.
3. Ensure the internal audit function undergoes the required external quality control assessments and address identified deficiencies to bring the function into compliance with generally accepted internal audit standards.

## Audit Scope and Methodology

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We audited the quality and timeliness of the Division's 2011-2012 Internal Control Certification to determine whether the Division filed the certification in accordance with the DOB requirements. To accomplish our objective, we reviewed the Internal Control Certification and all documentation of internal controls that the Division used to support it. In addition, we interviewed Division 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 the Division's internal control system. Our audit scope included the period April 1, 2011 through November 13, 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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We provided a draft copy of this report to Division officials for their review and comment. Their comments were considered in preparing this final report and are attached in their entirety 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 Superintendent of the New York State Division of State Police 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.

## Contributors to This Report

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**Carmen Maldonado**, Audit Director

**Steve Goss**, Audit Manager

**Jennifer Paperman**, Audit Supervisor

**Brandon Ogden**, Examiner-in-Charge

**Peter Carroll**, Staff Examiner

## Division of State Government Accountability

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Andrew A. SanFilippo, Executive Deputy Comptroller

518-474-4593, [asanfilippo@osc.state.ny.us](mailto:asanfilippo@osc.state.ny.us)

Elliot Pagliaccio, Deputy Comptroller

518-473-3596, [epagliaccio@osc.state.ny.us](mailto:epagliaccio@osc.state.ny.us)

Jerry Barber, Assistant Comptroller

518-473-0334, [jbarber@osc.state.ny.us](mailto:jbarber@osc.state.ny.us)

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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 POLICE  
DIVISION HEADQUARTERS  
1220 WASHINGTON AVENUE  
ALBANY, NEW YORK 12226-2252

JOSEPH A. D'AMICO  
SUPERINTENDENT

April 17, 2013

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

Dear Mr. Maldonado:

This letter is in response to the draft audit report for the New York State Police regarding the "Quality of Internal Control Certification" – Report 2012-S-128.

The following constitutes the Division's response to the audit recommendations:

1. The Division is committed to quality service to the residents of New York State and to stringent Internal Controls to accomplish our mission. We will endeavor to provide detailed responses in the B-350 Internal Control Certification to support our commitment.
2. While internal controls are woven into every aspect of State Police operations, it is recognized that documentation is critical to establishing that fact. The Division will increase efforts to properly document Internal Control activities and ensure that supporting documentation is available.
3. The Division will immediately undertake efforts to have an external quality control assessment of the Audit Section planned and scheduled during the 2013/2014 fiscal calendar year.

If you require any further information, please contact First Deputy Superintendent Kevin Gagan, Internal Control Officer, at 518-457-6711.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe D'Amico".

Joseph D'Amico  
Superintendent