



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

Division of State Government Accountability

Internal Control System Components

Office of Temporary and Disability Assistance



Report 2015-S-4

August 2015

Executive Summary

Purpose

To determine whether the Office of Temporary and Disability Assistance's (Office) management of its internal control system appropriately addresses all five components of internal control. Our audit scope included the period January 1, 2013 through May 21, 2015.

Background

In 1987, the Legislature passed the New York State Governmental Accountability, Audit and Internal Control Act requiring each State agency to institute a comprehensive system of internal control over its operations. The Division of the Budget'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. As the State's chief fiscal officer, the Comptroller also has several responsibilities under the Act, including providing technical assistance to agencies, conducting audits of internal control, and issuing the Standards for Internal Control in New York State Government (Standards). The Standards form the minimum expectations for internal control in State agencies and public authorities, and provide guidance to State officials on establishing and evaluating a comprehensive system of internal controls. Included in that guidance are five specific components of internal control that must be addressed by each system: control environment, control activities, risk assessment, information and communication, and monitoring.

Key Finding

- We found the Office's Internal Control System appropriately addresses all five components of internal control. As a result, the Office has multiple mechanisms in place for implementing and evaluating the effectiveness of its internal control system.

Key Recommendations

- No recommendations

Other Related Audits/Reports of Interest

[Division of Housing and Community Renewal: Quality of Internal Control Certification \(2012-S-31\)](#)
[Office of Parks, Recreation and Historic Preservation: Quality of Internal Control Certification \(2012-S-49\)](#)

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

Division of State Government Accountability

August 4, 2015

Ms. Sharon Devine
Executive Deputy Commissioner
Office of Temporary and Disability Assistance
40 North Pearl Street
Albany, NY 12204

Dear Ms. Devine:

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 of the Office of Temporary and Disability Assistance entitled *Internal Control System Components*. 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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Division of State Government Accountability
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This report is also available on our website at: www.osc.state.ny.us

Background

Internal control is the integration of all 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 an internal control system is to help an organization achieve its mission, internal controls also help 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) 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.

As the State's chief fiscal officer, the Comptroller also has several responsibilities under the Act, including providing technical assistance to agencies, conducting audits of internal controls, and issuing the Standards for Internal Control in New York State Government (Standards). The Standards have been developed in part from those advocated by leading authorities in the field of internal control, such as the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the U.S. Government Accountability Office (GAO), and other professional organizations.

Past audits have examined various aspects of internal controls, such as the quality and timeliness of the internal control certifications submitted to DOB. This audit is one of a series that focuses specifically on the management of internal control systems present and operating at State agencies and whether those agencies have appropriately addressed all five components of internal controls (control environment, control activities, risk assessment, information and communication, and monitoring).

The Office oversees the State's temporary and disability public assistance programs (e.g., public assistance and emergency food programs), which are largely administered by counties and local governments. The Office is responsible for supervising State programs that provide assistance and support to eligible families and individuals. The mission of the Office is to enhance the economic security of low-income working families; assist work-capable public assistance recipients in achieving entry into the workforce; assist individuals with priority needs other than work readiness in accessing appropriate benefit and services; and enhance child well-being and reduce child poverty. The Office's internal control system is segregated into 16 major areas (Divisions), 73 assessable units (Units), and more than 200 functions.

Audit Findings

We found the Office's Internal Control System appropriately addresses all five components of internal control. As a result, the Office has multiple mechanisms in place for implementing and evaluating the effectiveness of its internal control system.

The Office's Internal Control Officer (ICO) is responsible for monitoring and supporting the implementation of internal controls. The ICO has put a number of mechanisms in place to address the five components of internal control. As a part of the Office's yearly internal control certification, each Division identifies significant risks and controls associated with each function. It also tests the controls in place to ensure they are working as intended, identifies any weaknesses, and implements and monitors corrective action plans to improve shortcomings. Additionally, each Unit within the Division evaluates its control environment, information and communication systems, monitoring systems, and controls over the security of information. For example, each Unit is asked to evaluate its attitude toward internal controls as well as staff morale.

The major risks to the Office are identified and communicated throughout the organization. Enterprise-wide risks are identified through the preparation of the internal control certification; regular meetings between the ICO, Internal Audit Manager, and the Information Security Officers; and weekly senior staff meetings. These risks are communicated to the highest levels in the Office through bi-weekly meetings that the Commissioner/Executive Deputy holds with each direct report.

We also found that the Office's Internal Audit Unit undertakes several activities in support of the internal control system. Annually, it performs internal control reviews of at least ten functions and incorporates risk level into its selection of functions to review. These reviews identify control weaknesses and the actions needed to correct those weaknesses, and monitor the implementation of necessary corrective actions. They also increase the effectiveness of risk management efforts and improve the Office's internal control structure.

The Office has also taken the initiative to incorporate updates to COSO's Integrated Framework and guidance from the GAO to improve its current internal control system. The Office is currently implementing a process requiring that, as a part of the internal control certification process, each Unit evaluate the five components of internal control based on 17 specific principles adapted from the latest COSO update. Each Unit will be required to rate its compliance with each of the 17 principles and explain the basis for its rating.

Audit Scope, Objective, and Methodology

The objective of our audit was to determine whether the Office's management of its internal control system appropriately addresses all five components of internal control. Our audit scope included the period January 1, 2013 through May 21, 2015.

To accomplish our objective, we reviewed the Office's 2012-2013 and 2013-2014 internal control certifications, as well as documentation of risk assessments and self-assessments that the Office used in establishing and evaluating the components of internal control. In addition, we interviewed the Internal Control Officer, the Director of Internal Audit, and Internal Control Coordinators to learn more about their design, implementation, and management of the Office's internal control system.

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 objective. We believe that the evidence we 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 pursuant 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 Office officials for their review and comment. Their comments were considered in preparing this final report and are attached in their entirety at the end.

Contributors to This Report

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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



ANDREW M. CUOMO
Governor

Office of Temporary and Disability Assistance

SAMUEL D. ROBERTS
Commissioner

SHARON DEVINE
Executive Deputy Commissioner

July 3, 2015

Mr. John Buyce
Office of the State Comptroller
Division of State Government Accountability
110 State St – 11th Floor
Albany, NY 12236-0001

Dear Mr. Buyce:

The following is the response of the Office of Temporary and Disability Assistance (OTDA) to the Office of State Comptroller (OSC) draft audit report 2015-S-4 dated June 12th, 2015 entitled "Internal Control System Components". We appreciate your auditors' work on this project and your acknowledgment of the emphasis OTDA has placed on implementing a strong internal control structure. In particular, we are glad you took the time to acknowledge the initiative OTDA has taken in incorporating the specific principles of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework into our larger Internal Control process.

As OTDA works to continually enhance its Internal Control program, we are hopeful that OSC will share best Internal Control practices gleaned from your current series of audits. If you have any information you would like to share, please contact the OTDA Internal Control Officer, Katie Meyer, at Katie.Meyer@otda.ny.gov.

Thank you for the professionalism and courtesy shown by your auditors during the course of this review.

Respectfully,

Kevin Kehmna, Director
Bureau of Audit and Quality Improvement

cc: Samuel Roberts
Sharon Devine
Wilma Brown-Phillips
Krista Rock
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