Memorandum to Presidents

Date: May 26, 1989
From: Office of the Senior Vice Chancellor
Subject: Compliance with the New York State Governmental Accountability, Audit and Internal Control Act of 1987
To: Presidents, State-operated Campuses
Deans, Statutory Colleges

The New York State Governmental Accountability, Audit and Internal Control Act (Chapter 814 of the Laws of 1987) requires the University, and Budget Bulletin B-1089 requires each of the State-operated campuses and statutory colleges, to take the following actions:

1. Establish and maintain guidelines for a system of internal controls;

2. Establish and maintain a system of internal controls and a program of internal control review which is designed to identify internal control weaknesses and actions needed to correct these weaknesses;

3. Make available to each employee a clear and concise statement of the University's/campus's generally applicable management policies and standards with which each employee will be expected to comply;

4. Designate an internal control officer at the University and campus levels to implement and review the University's/campuses' Internal Control Programs;

5. Implement education and training efforts to ensure employee awareness and understanding of internal control standards and evaluation techniques;

6. Periodically evaluate the need for an internal audit function.

Internal controls are one component of sound and effective management practices. Chancellor Johnstone and I endorse and are committed to implementing the provisions of the Internal Control Act. We urge each of you to endorse and to make a positive, renewed and ongoing commitment to campus-wide internal control evaluation and improvement efforts.

The Internal Control Act was discussed at the recent Chancellor's Forum and at earlier meetings of the Council of Presidents. In addition, the following
materials were sent to you earlier:


My March 31, 1989, Memorandum to Presidents, No. 489, which provided a copy of the Foreword and Part I of the University-wide Internal Control Guidelines.

The information sent you and the steps toward implementing the State's Internal Control Act are summarized below:

1. The University-wide Guidelines and campus-based internal control guidelines are required by the first provision of the Internal Control Act. Our Campus Advisory Group, which helped develop the Foreword and Part I, has now completed its work on the total University-wide Guidelines package, and a copy is enclosed for your reference, use and distribution. These Guidelines are intended to assist the State-operated/funded campuses to implement the Internal Control Act. Those campuses wishing to do so may adopt or adapt the University-wide Guidelines as the campus guidelines in fulfillment of the first requirement of the Internal Control Act.

2. While the University and its campuses have already developed, implemented and maintained many effective internal controls that are functioning efficiently, it is appropriate and desirable to evaluate our internal controls from time to time. This review can identify and remedy control weaknesses, eliminate ineffective and non-cost-effective controls and, where necessary, add appropriate controls, all of which respond to the second requirement of the Internal Control Act.

3. Also included with the March 31 correspondence was a statement titled "Notice to University Employees of Generally Applicable Management Policies and Standards" and a draft sample "Notice Memorandum." To fulfill the third provision of the Internal Control Act, you will need to provide the "Notice Memorandum" to your current calendar year employees by May 31, 1989; to current college and academic year employees by September 1, 1989; and within 30 days after the effective date of appointment for future appointees.

4. You were also requested to advise me of the name and title of the person designated as campus internal control officer, who is to implement and review the campus's internal control program, in accordance with the fourth requirement of the Act. The designee should be a person having broad knowledge of campus operations,
personnel and policy objectives and should have sufficient authority to act on your behalf to ensure successful implementation and review of the campus internal control program.

5. The fifth provision of the Internal Control Act concerns training. Our Campus Advisory Group has recommended a University-wide Internal Control Program Training Guide. As soon as it is available, it will be forwarded to your campus internal control officer. An opportunity will also be provided for the campus internal control officers or their designees to attend a one-day internal control training program. The implementation of campus-based orientation and training programs will fulfill the fifth requirement.

6. The University has responded to the sixth provision of the Act -- periodically evaluate the need for an internal audit function -- on behalf of both the University as a system and the individual campuses by reaffirming the continuing need for this function.

We recognize and appreciate the many policy steps and procedures the campuses have had in place for many years to foster good management, internal controls, efficiency and effectiveness. We ask your cooperation in helping us to implement the State's Internal Control Act program. If you have any questions, please do not hesitate to call me.

Harry K. Spindler

Enclosure

cc: Campus Internal Control Officers, State-operated Campuses and Statutory Colleges

This memorandum for information to:
  Presidents, Community Colleges (without enclosure)
  President Coll
  Vice President Nesheim
STATE UNIVERSITY OF NEW YORK
INTERNAL CONTROL PROGRAM
GUIDELINES
The New York State Governmental Accountability, Audit and Internal Control Act, Chapter 814 of the Laws of 1987, requires, among other actions, that the State University of New York establish and maintain guidelines for a system of internal controls. Budget Bulletin B-1089 requires each of the State-operated campuses as well as the statutory colleges at Alfred and Cornell Universities to also establish and maintain such guidelines. The system of internal controls is designed to assure that the University and its State-operated/funded campuses meet their mission, promote performance leading to effective accomplishment of objectives and goals, safeguard assets, check the accuracy and reliability of financial and other key data, promote operational efficiency and economy, and encourage adherence to applicable laws and regulations and prescribed managerial policies and practices.

Internal controls should be viewed as an integral part of each system that management uses to regulate and guide its operations. In this sense, internal controls are management controls. Good internal controls are essential to achieving the proper conduct of University business with full accountability for the resources made available. They also facilitate the achievement of management objectives by serving as checks and balances against undesired actions. In preventing negative consequences from occurring, internal controls help achieve the positive aims of program managers.

The University and each of its State-operated/funded campuses must take the following actions toward implementing the Internal Control Act:

1. Establish and maintain guidelines for a system of internal controls.

2. Establish and maintain a system of internal controls and a program of internal control review which is designed to identify internal control weaknesses and identify actions that are needed to correct these weaknesses.

3. Make a clear and concise statement of the University's/campus's generally applicable management policies and standards with which each employee will be expected to comply available to each employee.

4. Designate an internal control officer at both the University and campus levels to implement and review the University's/campus's Internal Control Program.

5. Implement education and training efforts to ensure employee awareness and understanding of internal control standards and evaluation techniques.
6. Periodically evaluate the need for an internal audit function.

(Note: The University has reaffirmed its need for the continuation of the internal audit function on behalf of the University as a whole and all of its campuses.)

These Guidelines have been developed to assist State-operated/funded campuses to implement the New York State Internal Control Act. The material contained herein responds to specific requirements of the Internal Control Act. These Guidelines are organized into the following six sections:

Section I provides generally applicable background information, concepts, and principles relating to internal controls.

Section II outlines one organized approach to the internal control evaluation and improvement process. The approach outlined should be viewed by the campuses as a guide only. Each campus may modify or refine the outlined process to meet the unique characteristics, circumstances, and requirements of the campus so long as the requirements of the Internal Control Act are met.

Section III identifies some of the major University internal control systems.

Section IV provides instructions and forms for use by the campuses in reporting the status and progress of their internal control program.

Section V, comprised of attachments, includes examples of administrative tasks involved in implementing the Internal Control Program, a partial listing of activity areas subject to internal control evaluation and improvement efforts, an illustration of an internal control vulnerability assessment and sample reports.

Section VI, comprised of appendices, provides basic reference materials, including a copy of both Chapter 814 of the Laws of 1987 and the State Comptroller's Internal Control Standards.

Comments and suggestions for improving these Guidelines would be appreciated. Such comments and suggestions should be sent to the Office of the Senior Vice Chancellor, Division of Administrative Affairs, State University of New York, State University Plaza, Albany, New York 12246.
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SECTION I

GENERALLY APPLICABLE BACKGROUND INFORMATION, CONCEPTS AND PRINCIPLES RELATING TO INTERNAL CONTROLS

Scope of SUNY's Internal Control Program

The University's Internal Control Program encompasses the internal control programs of the State-operated colleges and the statutory colleges at Alfred and Cornell Universities.

The Research Foundation of State University of New York, the auxiliary service corporations, the campus-related foundations, the student government organizations and the community colleges are not included within the scope of the University's Program in response to Chapter 814 of the Laws of 1987.

Matters such as statutory development or interpretation, determination of program needs, resource allocation, rule making, or other discretionary policy-making activities are not normally included within the scope of an internal control program. The internal control evaluation and improvement process begins at the point at which a program or function has been authorized by the policy-level body or official having authority to do so, and focuses on the steps involved in the operation of the program. Internal control would include, for example, among others, an evaluation that criteria for the operation of the program are followed; that there is reasonable assurance that obligations and costs are in compliance with applicable law; funds, property and other assets are safeguarded; and that revenues, expenditures and other key data are properly recorded.

Objectives of SUNY's Internal Control Program

1. Successful achievement of the University's and campus's mission, objectives and goals

2. Operational effectiveness, efficiency and economy

1 It is recognized that the operation of a campus involves a dynamic interaction between all of its programs and the organizations that play a part in meeting the campus's mission. Therefore, the development of an efficient and effective internal control program should account for this interaction and, at the discretion of the campus, may include part or all of these organizations' operations.
3. Compliance with laws, regulations, policies, procedures and guidelines

4. Safeguarding assets
   * Prevent or minimize waste, loss, unauthorized use of assets
   * Prevent misappropriation of funds
   * Maintain complete inventory of equipment items and verify the accuracy of the inventory by regular periodic physical inventories

5. Accurate recording, preservation and reporting of financial and other key data

Internal Controls, Some Definitions

1. "Internal controls". Internal controls encompass the plan of organization and all of the coordinate methods and measures adopted within an organization to meet its mission, promote performance leading to effective accomplishment of objectives and goals, safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies and practices. Internal controls include the ongoing evaluation of the control systems themselves, and where appropriate, removing unnecessary and noncost-effective controls. Internal controls encompass internal administrative controls, internal program controls, and internal accounting controls.

2. "Internal administrative controls". The plan of organization and procedures and records that encourage adherence to policies to promote efficiency in the daily operation and management of the University. Elements of administrative controls include, but are not limited to:
   a. Administrative manuals,
   b. Organization charts and decision-making hierarchies,
   c. Formal statements and policies governing hiring practices, and
   d. Formal job descriptions and evaluation standards.

3. "Internal program controls". The plan of organization and the procedures and records that are concerned with accomplishing organizational objectives and goals, including instructional, research and student programs and services, in an efficient and effective manner. Elements of program controls include, but are not limited to:
   a. Mission statements,
   b. Program definitions and related budget materials,
   c. Programmatic and administrative goals, and
   d. Operational objectives which define what is to be accomplished, by when and the standards by which accomplishments are to be judged.

5/1/89 - 1.2 -
4. "Internal accounting controls". The plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

   a. financial transactions are executed in accordance with management's general or specific authorization,

   b. such transactions are recorded in conformity with generally accepted accounting principles or other applicable criteria and to maintain accountability for assets,

   c. access to assets is permitted only in accordance with management's authorization, and

   d. the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

5. "Vulnerability assessment". The methodology and process followed by management to determine the relative susceptibility of the University and campus programs, functions, or organizational entities to conscious or unintended abuse, misuse through misappropriation of assets, accounting or reporting errors, or reduced operational efficiency or effectiveness. A vulnerability assessment may result in taking immediate corrective action or in the analysis of existing activities for the purpose of identifying those areas where more intensive review should be conducted.

6. "Internal control review". An internal control review is a detailed examination of specific University activities to determine if adequate and appropriate control measures are in place. It involves analyzing those vulnerable activities, identified through the vulnerability assessment, which expose the University to some degree of risk to see if procedures and policy directives associated with each activity are functioning as intended to achieve the objective of that activity.

7. "Internal audit". An independent appraisal activity supported by management to review agency operations as a means of assuring conformance with management policies and the effectiveness of internal control systems. The internal audit tests the reliability of the internal control system, identifies material internal control weaknesses, and includes recommendations to improve those controls to promote adherence to prescribed policies and procedures.

8. "Internal control officer". An individual with sufficient authority to act on behalf of the Chancellor/campus president to ensure the implementation and review of the University/campus Internal Control Program. This individual should have a broad knowledge of University and campus operations, personnel, and policy objectives.

9. "Event cycle". A series of related activities that are performed to get something done. E.g., Personnel Cycle: recruiting, selecting, hiring, testing, training, evaluating, promoting, terminating, retiring, maintaining personnel records, and processing PR-75's.
Some Key Concepts and Basic Principles

Internal controls should be geared to and consistent with the successful achievement of the University's and campus's mission, objectives and goals -- effectively, efficiently and economically.

A system of internal control should be an integral part of the overall responsibility of management to safeguard University, campus and public assets and to continually direct, monitor and improve operations. It should not be a separate and distinct system within the University or campus, but the embodiment of all the plans and devices which assure reasonable control over operations. Accordingly, the ultimate responsibility for good internal controls rests with the University's and campus's own internal management and not with any external unit. The same managers who are responsible for day-to-day operations and decision making are also responsible for ensuring the presence and effectiveness of internal controls within their area of responsibility.

Internal controls are an integral part of the University's and campus's policies, procedures, guidelines, programs, practices and operations including, but not limited to, the following:

a. Education and Other Applicable Laws
b. Board of Trustees' Policies and Regulations
c. Policy Handbook
d. Policy Memoranda
e. Administrative Procedures Manual
f. Master Plan, Interim Progress Reports and Master Plan Amendments
g. Curriculum Review/Approval Guidelines
h. Collective Bargaining Agreements
i. Budget Development and Execution Processes:
   -- Operating Budget
   -- Capital Budget
j. Finance Bulletins
k. Chart of Accounts
l. Accounting System
m. Internal Audit Activity
n. Equipment Inventory System
o. Physical Plant Inventory/Evaluations
p. Various Other Guidelines and Instructions

Internal control systems:

* Are the responsibility of every manager
* Are not a new concept
* Apply equally to programmatic, administrative, and financial activities
* Form an integral part of normal operations
* Support and strengthen planning
* Provide reasonable assurance, not absolute assurance
* Include cost/benefit (materiality) considerations

As used in these Guidelines, "cost" is taken broadly to mean both the financial measure of resources consumed in accomplishing a specific purpose
and a measure of lost opportunity, such as a delay in operations, a decline in service levels or productivity, or low employee morale. A "benefit" is measured by the degree to which the risk of failing to achieve a stated objective is reduced. Examples of a benefit include increasing the probability of detecting fraud, waste, abuse, or error; preventing an improper activity; or enhancing regulatory compliance.

Management/Employee Responsibilities for Internal Controls

A general principle applicable to all managers and employees is that they are to have personal and professional integrity and are to maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good internal controls.

As used in the context of internal control, the terms "management" and "manager" relate to organizational responsibilities and authority, not to collective bargaining agreement definitions.

Management responsibilities:

1. Internal controls are an inherent part of a manager's responsibility, not an overlay.

2. The manager is accountable and responsible for the development, maintenance, documentation and supervision of adequate internal control systems for those programs and functions for which he/she is responsible.

3. Management plans and conducts vulnerability assessments and internal control reviews.

4. Management implements the decisions resulting from vulnerability assessments and internal control reviews.

5. Management responds to changes in the operating environment in terms of internal controls.

**INTERNAL CONTROL = MANAGEMENT CONTROL**

Employee responsibilities:

1. Each employee is responsible for adhering to the established University and campus internal controls.
SECTION II

INTERNAL CONTROL EVALUATION AND IMPROVEMENT PROCESS

The objective evaluation and, where determined appropriate, the improvement of internal controls, if they are to be performed in an effective, efficient and economical manner, make an organized approach certainly desirable and perhaps necessary.

The general approach outlined below should be viewed by the campuses as a guide only. The outlined approach may be modified and refined by each campus as necessary to meet the unique characteristics, circumstances and requirements of the campus.

The following eight steps comprise the recommended general approach to the evaluation and improvement process:

Step 1: Organize the Process
Step 2: Segment the Campus
Step 3: Develop a Schedule for Vulnerability Assessments
Step 4: Conduct Vulnerability Assessments
Step 5: Establish Plans for Subsequent Actions
Step 6: Conduct Internal Control Reviews
Step 7: Take Corrective Action
Step 8: Prepare Summary Reports on Internal Controls

Further and more detailed information on the internal control evaluation and improvement process outlined in these Guidelines will be found in the SUNY Internal Control Program Training Guide.
INTERNAL CONTROL EVALUATION AND IMPROVEMENT PROCESS

STEP 1: ORGANIZE THE PROCESS

An organized approach is a key ingredient to a successful internal control program. Thoughtful diligence applied to this step will prove to be invaluable in both approaching the more detailed steps and maintaining your controls. The organizational step includes four major components:

1. Assign responsibility
2. Develop internal reporting system
3. Establish documentation process
4. Commit personnel

ASSIGN RESPONSIBILITY

A system of internal control is not a separate and distinct system within an organization, but the embodiment of all of the plans and devices which assure reasonable control over operations. Accordingly, the ultimate responsibility for good internal controls rests with the internal management at each campus and not with any external unit. The same managers who are responsible for day-to-day operations and decision making are also responsible for ensuring the presence and effectiveness of internal controls.

The actual assignment of duties will vary significantly among campuses and subunits depending on such factors as size and organizational structure. However, it is recommended that consideration be given to the following assignments:

Campus Internal Control Officer

One senior official, having a broad knowledge of the campus operations, personnel and policy objectives, should be designated as the campus internal control officer. This individual should be responsible for coordinating the campus-wide internal control effort and providing visible administrative leadership. This designee should have sufficient authority to act on behalf of the campus president to ensure the successful implementation and review of the campus internal control program. Typical duties of this individual as they relate to the internal control effort may include:

* Preparing, issuing and maintaining campus guidelines
* Developing campus-specific objectives
* Chairing a campus steering committee comprised of representatives from key functional areas, i.e., academic, finance and business, and student services

* Evaluating plans for vulnerability assessments and internal control reviews

* Coordinating development and presentation of campus-specific training programs for involved staff

* Monitoring progress

* Reviewing results of vulnerability assessments and internal control reviews

* Monitoring the implementation and effectiveness of corrective actions

* Reporting progress and status to senior campus management

**Heads of Major Campus Organizational Units**

The head, typically the vice president, dean or director, as appropriate, of each major campus organizational unit (or other component as identified in the segmenting process) should be responsible for internal control within that unit. Typical duties may include:

* Participating on campus steering committee

* Ensuring that line managers are motivated and trained to accomplish their assignments. Participation in the Internal Control Program may appropriately be reflected in the individual performance program and evaluation.

* Developing/reviewing event cycle objectives

* Arranging and/or conducting vulnerability assessments and internal control reviews

* Reviewing and analyzing the results of vulnerability assessments and internal control reviews

* Ensuring that significant weaknesses in controls are corrected

* Ensuring that all additions and changes to rules, procedures, systems, etc., include proper controls

**Line Managers**

Personnel who are uniquely familiar with individual operations and who are responsible for the management process must take an active role in
ATTACHMENT 4

ILLUSTRATION OF A PLAN AND SCHEDULE FOR INTERNAL CONTROL EVALUATIONS AND IMPROVEMENTS
<table>
<thead>
<tr>
<th>Assessable Unit</th>
<th>Planned Actions</th>
<th>Targeted Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critic Teacher Tuition Waivers</td>
<td>Update written procedures to reflect current acceptable practices. Add documentation of internal controls to the procedures.</td>
<td>8/1/89</td>
</tr>
</tbody>
</table>

Prepared by: **Perry Winkle**  
Title: Coordinator, Student Teacher Programs  
Date: 6/1/89

Reviewed by: **Stan A Lora**  
Title: Dean, School of Education  
Date: 6/5/89
ATTACHMENT 5

ILLUSTRATION
OF A
PLAN AND SCHEDULE FOR AND STATUS REPORT ON
INTERNAL CONTROL EVALUATIONS AND IMPROVEMENTS
<table>
<thead>
<tr>
<th>ASSESSABLE UNIT</th>
<th>EVALUATION METHOD</th>
<th>TARGETED EVALUATION COMPLETION DATE</th>
<th>IMPROVEMENT ACTION INDICATED</th>
<th>CURRENT STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critic Teacher</td>
<td>Vulnerability Assessment</td>
<td>6/1/89</td>
<td>Yes</td>
<td>Completed</td>
</tr>
<tr>
<td>Tuition Waivers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Prepared by: Campus Internal Control Officer
Title: Campus Internal Control Officer
Telephone: (007) 987-6543
Date: 12/31/89
ATTACHMENT 6

ILLUSTRATION
OF A
SUMMARY ON RESULTS
OF
INTERNAL CONTROL EVALUATION AND IMPROVEMENT ACTIONS
## SUMMARY ON RESULTS OF INTERNAL CONTROL EVALUATION AND IMPROVEMENT ACTIONS

<table>
<thead>
<tr>
<th>ASSESSABLE UNIT</th>
<th>RESULTS OF EVALUATION AND IMPROVEMENT ACTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critic Teacher</td>
<td>This activity had a moderately low risk vulnerability.</td>
</tr>
<tr>
<td>Tuition Waivers</td>
<td>However, the written procedures were updated to reflect current acceptable practices. Documentation of the internal controls was also added to the written procedures.</td>
</tr>
</tbody>
</table>

Prepared by: [Signature]  
Title: Campus Internal Control Officer  
Telephone: (007) 987-6543  
Date: 12/31/89  
5/1/89
APPENDIX 1

NEW YORK STATE GOVERNMENTAL ACCOUNTABILITY, AUDIT AND INTERNAL CONTROL ACT
(CHapter 814 of the LAWS of 1987)

(NOTE: THIS APPENDIX IS ALSO FOUND IN THE INTERNAL CONTROL PROGRAM TRAINING
GUIDE.)
STATE OF NEW YORK

CHAPTER 814, LAWS OF 1987

1987-1988 Regular Sessions

SENATE—ASSEMBLY

July 2, 1987

IN SENATE -- Introduced by Sens. ANDERSON, BRUNO, COOK, DALY, DONOVAN, DUNNE, FARLEY, FLOSS, GOLD, GOODHUE, GOODMAN, JOHNSON, KEHOE, KORR, KUEH, LACK, LAVALLE, E. LEVY, N. LEVY, LOMBARDO, MARCI, MARINO, McGUGH, MEGH, OHRENSTEIN, PADAVAN, PRESENT, ROLISON, SCHERMERHORN, SEWARD, SKLOS, SPANO, STAFFORD, TRUNZIO, TULLY, VELELLA, VOLKER -- (at request of the Governor) -- read twice and ordered printed, and when printed to be committed to the Committee on Rules

IN ASSEMBLY -- Introduced by COMMITTEE ON RULES -- (at request of M. of A. M. H. Miller, Schimmer, Dearie, Pheffer, Seminario, Young) -- (at request of the Governor -- read once and referred to the Committee on Ways and Means

AN ACT to amend the state finance law, the executive law, the legislative law, the judiciary law, the public authorities law and the public officers law, in relation to systems of internal control for state agencies, covered authorities, the legislature and the judiciary and providing for the repeal of such provisions upon expiration thereof

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Short title. This act shall be known and may be cited as the "New York state governmental accountability, audit and internal control act of 1987".

§ 2. Legislative findings. The legislature hereby finds that the scope, size and complexity of state government make it necessary to assure that the state's systems of internal control provide reasonable control over all state operations, and provide the public, the governor, the state legislature, the judiciary and the heads of state agencies and authorities with assurance that state assets and resources, including but not limited to, cash, investments, facilities inventories, supplies.

EXPLANATION—Matter in italics (underscored) is new; matter in brackets [ ] is old law to be omitted.
equipment, personal and contractual services are being utilized consistent with the requirements of law and duly established managerial policies and in an effective, economical and efficient manner.

The legislature further finds that the public has a right to know the extent to which state agencies and authorities, the legislature and the judiciary are achieving the objectives of internal control described herein and consequently to be fully informed of weaknesses identified through the conduct of external audits of internal controls.

The legislature further finds that prudent management of state government requires controls in all aspects of state government designed to assure that assets are properly safeguarded, that accounting entries and data are accurate and reliable, and that prescribed managerial policies are adhered to, including assurances that such assets and resources are used only for proper purposes. Therefore, this act requires systems of internal control throughout state government as well as the external audit thereof.

The legislature further finds that it is responsible for the generation of revenue and the appropriation of funds; and, in keeping with the constitutional principle of the separation of powers and the fact that it is directly chosen by the people, the legislature is itself directly responsible to the public for the proper use and application of the resources necessary for its operation; and the operational requirements of the legislature, which is a lateral, collegial institution rather than a hierarchical organization and is constitutionally charged with determining the rules of its own proceedings, differ in many respects from those agencies charged with the delivery of goods and services to the people of the state.

The legislature, therefore, finds that existing systems of internal control can be improved and made more comprehensive, and that it is desirable to build on and coordinate existing internal control efforts and provide a firm statutory foundation for an effective and continuing comprehensive system that will foster the effective and efficient use of government resources and ensure the integrity of accounting systems.

The legislature further finds that it is responsible for the generation of revenue and the appropriation of funds; and, in keeping with the constitutional principle of the separation of powers and the fact that it is directly chosen by the people, the legislature is itself directly responsible to the public for the proper use and application of the resources necessary for its operation; and the operational requirements of the legislature, which is a lateral, collegial institution rather than a hierarchical organization and is constitutionally charged with determining the rules of its own proceedings, differ in many respects from those agencies charged with the delivery of goods and services to the people of the state.

The legislature finds that the adequacy and effectiveness of existing state government internal controls and internal audit functions can be improved by the implementation of a more comprehensive system of internal control and internal audit that encompasses all of state government and will foster the effective and efficient use of government resources and ensure the integrity of accounting systems.

§ 3. The state finance law is amended by adding a new section two-a to read as follows:

§ 2-a. Additional definitions. As used in subdivisions two-b and two-c of section eight of this chapter, the following terms shall have the following meanings:

1. "Internal controls". Internal controls encompass the plan of organization and all of the coordinate methods and measures adopted within an organization to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies. Internal controls encompass both internal administrative controls and internal accounting controls.

2. "Internal administrative controls". The plan of organization and procedures and records that are concerned with the decision processes leading to management's authorization of transactions.

3. "Internal accounting controls". The plan of organization and the procedures and records that are concerned with the safeguarding of as-
sets and the reliability of financial records and consequently are
designed to provide reasonable assurance that:
a. financial transactions are executed in accordance with management's
general or specific authorization;
b. such transactions are recorded in conformity with generally ac-
cepted accounting principles or other applicable criteria and to main-
tain accountability for assets;
c. access to assets is permitted only in accordance with management's
authorization; and

d. the recorded accountability for assets is compared with the exist-
ing assets at reasonable intervals and appropriate action is taken with
respect to any differences.

4. "Internal audit". An appraisal activity established by the manage-
ment of an organization for the review of operations as a means of en-
suring conformance with management policies and the effectiveness of in-
ternal administrative and accounting controls, and conducted in confor-
mance with generally accepted standards for internal auditing.

5. "State agency". Any state department, state university of New York,
city university of New York, board, bureau, division, commission, com-
mittee, council, office or other governmental entity performing a gov-
ernmental or proprietary function for the state, or any combination
thereof as provided in subdivision two of section nine hundred fifty-one
of the executive law, except any public authority or public benefit cor-
poration, the judiciary or the state legislature.

6. "Judiciary". The courts and court-related programs, including the
office of court administration, of the state-funded portion of the uni-
fied court system and all components thereof as provided in subdivision
two of section two hundred forty-nine-a of the judiciary law.

7. "State-legislature". The legislature of the state of New York, in-
cluding all components thereof as provided in subdivision two of section
ninety of the legislative law.

8. "Covered authority". Any public authority or public benefit cor-
poration, other than a bi-state authority or public benefit corporation,
a majority of whose members are appointed by the governor or serve as
members by virtue of holding state offices to which they were appointed
by the governor, or any combination thereof.

§ 4. Subdivision two-a of section eight of such law is amended by add-
ing a new paragraph d to read as follows:

d. which is subject to such internal accounting controls as the comp-
troller deems necessary.

§ 5. Section eight of such law is amended by adding two new subdivi-
sions two-b and two-c to read as follows:

2-b. For the purposes of the New York state governmental accountabil-
ity, audit and internal control act of 1987, assist in the development
and implementation of an audit program for the state by:
a. Either as part of one or more audits, or separately, conducting
periodic audits of internal controls and operations of state agencies
(other than those state agencies for which an audit is required pursuant
to sections nine hundred fifty-three and nine hundred fifty-four of the
executive law) and covered authorities. All such audits shall be per-
formed in accordance with generally accepted auditing standards. Nothing
in the New York state governmental accountability, audit and internal
control act of 1987 shall be deemed to diminish or impair the
controller's power to audit and authority to supervise accounts under
articles V and X of the state constitution and this chapter. The audits
shall identify internal control weaknesses that have not been corrected

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and action, that are recommended to correct these weaknesses. If any such internal control weaknesses are significant or material with respect to the operations of the agency that is the subject of the audit, the comptroller shall so state. The comptroller shall make available to the public the results of any such audits.

b. Providing technical assistance to state agencies and covered authorities and, upon request, to the state legislature and the judiciary in the implementation of internal audit functions, which shall be consistent with generally accepted standards for internal auditing, and, upon request, interpret such standards.

2-c. Provide technical assistance to state agencies and covered authorities and, upon request, to the state legislature and the judiciary in the implementation and periodic evaluation of internal accounting controls, which shall be consistent with generally accepted standards for internal accounting control and, upon request, interpret such standards.

§ 6. Section one hundred twelve of such law is amended by adding a new subdivision one-a to read as follows:

1-a. The system of accounting prescribed by the comptroller pursuant to the provisions of subdivision one of this section shall be subject to such internal accounting controls as the comptroller deems necessary.

§ 7. The executive law is amended by adding a new article forty-five to read as follows:

ARTICLE 45
INTERNAL CONTROL RESPONSIBILITIES OF STATE AGENCIES

Section 950. Definitions.

951. Internal control responsibilities.
952. Internal audit responsibilities.
953. Independent audits of the executive chamber and the division of the budget.
954. Independent audits of the department of audit and control and the department of law.

§ 950. Definitions. As used in this article, the following terms shall have the following meanings:

1. "Internal controls". Internal controls encompass the plan of organization and all of the coordinate methods and measures adopted within an organization to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies. Internal controls encompass both internal administrative controls and internal accounting controls.

2. "Internal administrative controls". The plan of organization and procedures and records that are concerned with the decision processes leading to management's authorization of transactions.

3. "Internal accounting controls". The plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

a. financial transactions are executed in accordance with management's general or specific authorization;

b. such transactions are recorded in conformity with generally accepted accounting principles or other applicable criteria and to maintain accountability for assets;

c. access to assets is permitted only in accordance with management's authorization; and
d. the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

4. "Internal audit". An appraisal activity established by the management of an organization for the review of operations as a means of assuring conformance with management policies and the effectiveness of internal administrative and accounting controls, and conducted in conformance with generally accepted standards for internal auditing.

5. "State agency". Any state department, state university of New York, city university of New York, board, bureau, division, commission, committee, council, office or other governmental entity performing a governmental or proprietary function for the state, or any combination thereof as provided in subdivision two of section nine hundred fifty-one of this article, except any public authority or public benefit corporation, the judiciary or the state legislature.

6. "Judiciary". The courts and court-related programs, including the office of court administration, of the state-funded portion of the unified court system and all components thereof as provided in subdivision two of section two hundred forty-nine-a of the judiciary law.

7. "State legislature". The legislature of the state of New York, including all components thereof as provided in subdivision two of section ninety of the legislative law.

8. "Covered authority". Any public authority or public benefit corporation, other than a bi-state authority or public benefit corporation, a majority of whose members are appointed by the governor or serve as members by virtue of holding state offices to which they were appointed by the governor, or any combination thereof.

§ 951. Internal control responsibilities. 1. The head of each state agency shall:

a. establish and maintain for the agency guidelines for a system of internal controls;

b. establish and maintain for the agency a system of internal controls and a program of internal control review. The program of internal control review shall be designed to identify internal control weaknesses and identify actions that are needed to correct these weaknesses;

c. make available to each officer and employee of the agency a clear and concise statement of the generally applicable management policies and standards with which the officer or employee of such agency will be expected to comply;

d. designate an internal control officer to implement and review the internal control responsibilities established pursuant to this section;

e. implement education and training efforts to ensure that officers and employees within such agency have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques; and

f. periodically evaluate the need for an internal audit function.

2. In order to identify all state agencies and their responsibilities for the purposes of implementing the provisions of this article, the director of the division of the budget shall issue and, at his discretion, periodically revise a schedule which lists all state agencies.

§ 952. Internal audit responsibilities. 1. The director of the division of the budget, after reviewing the evaluation of the head of each state agency as to the need for an internal audit function, shall issue and, at his discretion, periodically revise a schedule of state agencies (other than the department of audit and control and the department of law) which are required to establish and maintain an internal audit
function. The controller and the attorney general or their designees shall determine, and periodically review such determination or, whether an internal audit function within their respective departments is required. Establishment of such function shall be based upon an evaluation of exposure to risk, costs and benefits of implementation, and any other factors that are determined to be relevant. The head of each state agency listed in the budget director's schedule, and the comptroller and the attorney general if they or their designees so determine, shall establish an internal audit function which operates in accordance with generally accepted professional standards for internal auditing. Any such internal audit function shall be directed by an internal auditor who shall report directly to the head of such state agency. Notwithstanding any other provision of law, each internal auditor shall be appointed by the head of the agency, and except in the case of the department of audit and control and department of law, such appointment shall be subject to the approval of the director of the budget. The position of internal auditor shall be an exempt position. For agencies for which an independent audit is not required pursuant to sections nine hundred fifty-three and nine hundred fifty-four of this article, the internal audit function shall evaluate the agency's internal controls and operations. The internal audit function shall also identify internal control weaknesses that have not been corrected and make recommendations to correct these weaknesses.

2. In the event the head of a state agency does not establish an internal audit function pursuant to subdivision one of this section, he or she shall nevertheless establish and maintain the program of internal control review required by section nine hundred fifty-one of this article.

§ 953. Independent audits of the executive chamber and the division of the budget. 1. At least once every two years, the independent certified public accountant or accountants selected pursuant to this section shall conduct audits of the internal controls of the executive chamber and the division of the budget, either as a single audit or separately. Such audits shall be performed in accordance with generally accepted auditing standards and shall include a report on whether the executive chamber and division of the budget's internal accounting controls and internal administrative controls are established and functioning in a manner that provides reasonable assurance that they meet the objectives of internal controls as defined in section nine hundred fifty of this article. The report shall identify the internal controls both evaluated and not evaluated and shall identify internal control weaknesses that have not been corrected and actions that are recommended to correct these weaknesses. If any such internal control weaknesses are significant or material with respect to the entity, the independent auditor shall so state. The governor and the director of the budget shall make available to the public the results of such audits, including any related management letters. The governor and director of the budget and any officer or employee of the executive chamber and the division of the budget shall make available upon request to such independent certified public accountants all books and records relevant to such independent audits.

2. The governor and the director of the budget, either separately or jointly, shall request proposals from independent certified public accountants for audits of the internal controls of the executive chamber and the division of the budget. The requests for proposals shall include a reference to the requirements for audits conducted pursuant to subdivision one of this section. The governor and the director of the budget
shall select such independent auditor or auditors in accordance with a
competitive procedure including an evaluation, based on quality and
price factors, of those proposals received in response to such requests
for proposals. No contract for an independent auditor may extend for
more than four years.
§ 954. Independent audits of the department of audit and control and
the department of law. 1. At least once every two years, the independent
certified public accountants selected pursuant to this section shall
conduct audits of the internal controls of the department of audit and
control and the department of law, respectively. Such audits shall be
performed in accordance with generally accepted auditing standards and
shall include a report on whether the departments' internal accounting
controls and internal administrative controls are established and func-
tioning in a manner that provides reasonable assurance that they meet
the objectives of internal controls as defined in section nine hundred
fifty of this article. The report shall identify the internal controls
both evaluated and not evaluated and shall identify internal control
weaknesses that have not been corrected and actions that are recommended
to correct these weaknesses. If any such internal control weaknesses are
significant or material with respect to such departments, the indepen-
dent auditors shall so state. The comptroller and the attorney general
shall make available to the public the results of such audits, including
any related management letters. The comptroller and attorney general and
any officer or employee of such departments shall make available upon
request to such independent certified public accountants all books and
records relevant to such independent audits.
2. The comptroller and the attorney general shall request proposals
from independent certified public accountants for audits of the internal
controls of their respective departments. The requests for proposals
shall include a reference to the requirements for audits conducted pur-
suant to subdivision one of this section. The comptroller and attorney
general shall select such independent auditors in accordance with a com-
petitive procedure including an evaluation, based on quality and price
factors, of those proposals received in response to such requests for
proposals. No contract for an independent auditor may extend for more
than four years.
3. Whenever the comptroller or his appointee is a member of any board,
commission, committee, council, or corporation, which constitutes a
state agency, the governing body of such board, commission, committee,
council, or corporation shall select an independent auditor for the pur-
pose of conducting audits of internal controls in accordance with this
section.
§ 8. Article six and sections ninety and ninety-one of the legislative
law are renumbered article seven and sections one hundred and one hun-
dred one and a new article six is added to read as follows:
ARTICLE 6
INTERNAL CONTROL RESPONSIBILITIES OF THE STATE LEGISLATURE
Section 89. Definitions.
90. Internal control responsibilities.
91. Internal audit responsibilities.
92. Independent audits.
§ 89. Definitions. As used in this article, the following terms shall
have the following meanings:
1. "Internal controls". Internal controls encompass the plan of organ-
ization and all of the coordinate methods and measures adopted within an
organization to safeguard its assets, check the accuracy and reliability
1. Internal administrative controls. The plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:
   a. financial transactions are executed in accordance with management's general or specific authorization;
   b. such transactions are recorded in conformity with generally accepted accounting principles or other applicable criteria and to maintain accountability for assets;
   c. access to assets is permitted only in accordance with management's authorization; and
   d. the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

2. Internal accounting controls. The plan of organization and the procedures and records that are concerned with the management of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:
   a. no financial transactions are executed in accordance with management's general or specific authorization;
   b. such transactions are recorded in conformity with generally accepted accounting principles or other applicable criteria and to maintain accountability for assets;
   c. access to assets is permitted only in accordance with management's authorization; and
   d. the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

4. Internal audit. An appraisal activity established by the management of an organization for review of operations as a means of assuring conformance with management policies and the effectiveness of internal administrative and accounting controls, and conducted in conformance with generally accepted standards for internal auditing.

5. Legislature. The legislature of the state of New York, including all components thereof as provided in subdivision two of section ninety of this chapter.

§ 90. Internal control responsibilities. 1. The senate and the assembly shall each:
   a. establish and maintain by rule guidelines for a system of internal controls; and
   b. establish and maintain a system of internal controls and a program of internal control review for their respective house.

2. In order to identify all the components of the legislature and their responsibilities for the purposes of implementing the provisions of this article, the temporary president of the senate and the speaker of the assembly shall jointly issue, and at their discretion, periodically revise a schedule which lists all components of each of their respective houses of the legislature. The temporary president of the senate and the speaker of the assembly may identify in a schedule components for which joint internal administrative controls, internal accounting controls and internal control reviews will be established and maintained.

§ 91. Internal audit responsibilities. 1. The temporary president of the senate and the speaker of the assembly or their designees shall determine, and periodically review such determination of, whether an internal audit function within their respective house is required. Establishment of such function shall be based upon an evaluation of costs and benefits of implementation and other factors that are determined to be relevant. In the event it is determined that an internal audit function is required for one or both houses, the temporary president of the senate or the speaker of the assembly shall establish an internal audit function within the respective house which operates in accordance with generally accepted standards for internal auditing. Any such internal audit function shall be directed and shall report in a manner prescribed.
by the respective house. The internal audit function shall evaluate the 
respective house's internal controls, identify internal control 
weaknesses that have not been corrected and make recommendations to cor-
rect these weaknesses.

2. In the event the temporary president of the senate or the speaker 
of the assembly does not establish an internal audit function pursuant 
to subdivision one of this section he or she shall nevertheless esta-

lish and maintain the program of internal controls review required by 
section ninety of this article.

§ 92. Independent audits. 1. At least once every two years, the inde-
pendent certified public accountants selected pursuant to this section 
shall conduct audits of the internal controls of each house of the 
legislature. Such audits shall be performed in accordance with generally 
accepted auditing standards and shall include a report on whether the 
respective house's internal accounting controls and internal administra-
tive controls are established and functioning in a manner that provides 
reasonable assurance that they meet the objectives of internal controls 
as defined in section eighty-nine of this article. The report shall 
identify the internal controls both evaluated and not evaluated and 
shall identify internal control weaknesses that have not been corrected 
and actions that are recommended to correct these weaknesses. If any 
such internal control weaknesses are significant or material with 
respect to each house, the independent auditor shall so state. The tem-
porary president of the senate and the speaker of the assembly shall 
make available to the public the results of such audits, including any 
related management letters. The temporary president and the speaker and 
any officer or employee of each house shall make available upon request 
to such independent certified public accountants all books and records 
relevant to such independent audits.

2. The temporary president of the senate and the speaker of the assem-
by shall request proposals from independent certified public account-
ants for audits of the internal controls of their respective house. The 
requests for proposals shall include a reference to the requirements for 
audits conducted pursuant to subdivision one of this section. The tem-
porary president and the speaker shall select such independent auditors 
in accordance with a competitive procedure including an evaluation. 
based on quality and price factors, of those proposals received in 
response to such requests for proposals. No contract for an independent 
auditor may extend for more than four years.

§ 9. Subdivision one of section two hundred eleven of the judiciary 
law is amended by adding a new paragraph (g-one) to read as follows:

(q-1) A system of internal control for the unified court system, pur-
suant to article seven-D of this chapter.

§ 10. Such law is amended by adding a new article seven-D to read as 
follows:

ARTICLE 7-D
INTERNAL CONTROL RESPONSIBILITIES OF THE 
JUDICIARY

Section 249. Definitions.

249-a. Internal control responsibilities.
249-b. Internal audit responsibilities.
249-c. Independent audits.

§ 249. Definitions. As used in this article, the following terms shall 
have the following meanings:
1. "Internal controls". Internal controls encompass the plan of organization and all of the coordinate methods and measures adopted within an organization to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies. Internal controls encompass both internal administrative controls and internal accounting controls.

2. "Internal administrative controls". The plan of organization and procedures and records that are concerned with the decision processes leading to management's authorization of transactions.

3. "Internal accounting controls". The plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:
   a. financial transactions are executed in accordance with management's general or specific authorization;
   b. such transactions are recorded in conformity with generally accepted accounting principles or other applicable criteria and to maintain accountability for assets;
   c. access to assets is permitted only in accordance with management's authorization; and
   d. the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

4. "Internal audit". An appraisal activity established by the management of an organization for the review of operations as a means of assuring conformance with management policies and the effectiveness of internal administrative and accounting controls, and conducted in conformance with generally accepted standards for internal auditing.

5. "Judiciary". The courts and court-related programs, including the office of court administration, of the state-funded portion of the unified court system and all components thereof as provided in subdivision two of section two hundred forty-nine-a of this article.

§ 249-a. Internal control responsibilities. 1. The chief judge shall:
   a. establish and maintain for the judiciary guidelines for a system of internal controls;
   b. establish and maintain for the judiciary a system of internal controls and a program of internal control review. The program of internal review shall be designed to identify internal control weaknesses and identify actions that are needed to correct these weaknesses; and
   c. designate one or more internal control officers to implement and review the internal control responsibilities established pursuant to this section; and

2. In order to identify all components of the judiciary and their responsibilities for the purposes of implementing the provisions of this article, the chief judge shall issue and, at his or her discretion, periodically revise a schedule which lists all such components.

§ 249-b. Internal audit responsibilities. 1. The chief judge or his or her designee shall determine, and periodically review his or her determination of, whether an internal audit function within the judiciary is required. Establishment of such function shall be based upon an evaluation of exposure to risk, costs and benefits of implementation, and any other factors that are determined to be relevant. In the event it is determined that an internal audit function is required, the chief judge shall establish an internal audit function which operates in accordance with generally accepted professional standards for internal auditing.

Any such internal audit function shall be directed by an internal audit-
tor who shall report directly to the chief administrative judge. The internal audit function shall evaluate the judiciary’s internal controls, identify internal control weaknesses that have not been corrected and make recommendations to correct these weaknesses.

2. In the event the chief judge does not establish an internal audit function pursuant to subdivision one of this section he or she shall nevertheless establish and maintain the program of internal control review required by section two hundred forty-nine of this article.

§ 249-c. Independent audits. 1. At least once every two years, the independent certified public accountant selected pursuant to this section shall conduct audits of the internal controls of the judiciary. Such audits shall be performed in accordance with generally accepted auditing standards and shall include a report on whether the judiciary’s internal accounting controls and internal administrative controls are established and functioning in a manner that provides reasonable assurance that they meet the objectives of internal controls as defined in section two hundred forty-nine of this article. The report shall identify the internal controls both evaluated and not evaluated and shall identify internal control weaknesses that have not been corrected and actions that are recommended to correct these weaknesses. If any such internal control weaknesses are significant or material with respect to the judiciary, the independent auditor shall so state. The chief judge shall make available to the public the results of such audits, including any related management letters. The chief judge and any officer or employee of the judiciary shall make available upon request to such independent certified public accountants all books and records relevant to such independent audits.

2. The chief judge shall request proposals from independent certified public accountants for audits of the internal controls of the judiciary. The requests for proposals shall include a reference to the requirements for audits conducted pursuant to subdivision one of this section. The chief judge shall select such independent auditor in accordance with a competitive procedure including an evaluation, based on quality and price factors, of those proposals received in response to such requests for proposals. No contract for an independent auditor may extend for more than four years.

§ 11. Article nine of the public authorities law is amended by adding a new title eight to read as follows:

TITLE 8
INTERNAL CONTROL RESPONSIBILITIES OF PUBLIC AUTHORITIES

Section 2930. Definitions.

2931. Internal control responsibilities.
2932. Internal audit responsibilities.

§ 2930. Definitions. For the purposes of this title, the following terms shall have the following meanings:

1. "Internal controls". Internal controls encompass the plan of organization and all of the coordinate methods and measures adopted within an organization to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies. Internal controls encompass both internal administrative controls and internal accounting controls.

2. "Internal administrative controls". The plan of organization and procedures and records that are concerned with the decision processes leading to management’s authorization of transactions.

3. "Internal accounting controls". The plan of organization and the procedures and records that are concerned with the safeguarding of as-
sets and the reliability of financial records and consequently are
designed to provide reasonable assurance that:
a. financial transactions are executed in accordance with management's
general or specific authorization;
b. such transactions are recorded in conformity with generally ac-
ccepted accounting principles or other applicable criteria and to main-
tain accountability for assets;
c. access to assets is permitted only in accordance with management's
authorization; and
.d. the recorded accountability for assets is compared with the exist-
ing assets at reasonable intervals and appropriate action is taken with
respect to any differences.

4. "Internal audit". An appraisal activity established by the manage-
ment of an organization for the review of operations as a means of as-
suring conformity with management policies and the effectiveness of in-
ternal administrative and accounting controls, and conducted in confor-
manee with generally accepted standards for internal auditing.

5. "Covered authority". Any public authority or public benefit cor-
poration, other than a bi-state authority or public benefit corporation,
a majority of whose members are appointed by the governor or serve as
members by virtue of holding state offices to which they were appointed
by the governor, or any combination thereof.

§ 2931. Internal control responsibilities. The governing board of each
covered authority shall:
1. establish and maintain for the authority guidelines for a system of
internal controls;
2. establish and maintain for the authority a system of internal con-
trols and a program of internal control review. The program of internal
review shall be designed to identify internal control weaknesses and
identify actions that are needed to correct these weaknesses;
3. make available to each member, officer and employee a clear and
concise statement of the generally applicable managerial policies and
standards with which he or she is expected to comply;
4. designate an internal control officer to implement and review the
internal controls responsibilities established pursuant to this section;
and
5. implement education and training efforts to ensure that members,
officers and employees have achieved adequate awareness and understand-
ing of internal control standards and, as appropriate, evaluation
techniques.

§ 2932. Internal audit responsibilities. 1. The governing board of
each covered authority or its designee shall determine, and periodically
review the determination of, whether an internal audit function within
the covered authority is required. Establishment of such function shall
be based upon an evaluation of exposure to risk, costs and benefits of
implementation, and any other factors that are determined to be
relevant. In the event it is determined that an internal audit function
is required, the governing board of each covered authority shall esta-
blish an internal audit function which operates in accordance with gen-
erally accepted professional standards for internal auditing. Any such
internal audit function shall be directed by an internal auditor who
shall report directly to the governing board of the authority. The in-
ternal audit function shall evaluate the authority's internal controls
and operations, identify internal control weaknesses that have not been
corrected and make recommendations to correct these weaknesses.
In the event the governing board does not establish an internal audit function pursuant to subdivision one of this section it shall nevertheless establish and maintain the program of internal controls required by section twenty-nine hundred thirty-one of this title.

§ 12. Paragraph (g) of subdivision two of section eighty-seven of the public officers law, as added by chapter nine hundred thirty-three of the laws of nineteen hundred seventy-seven, is amended to read as follows:

(g) are inter-agency or intra-agency materials which are not:

i. statistical or factual tabulations or data;

ii. instructions to staff that affect the public; or

iii. final agency policy or determinations; or

iv. external audits, including but not limited to audits performed by the comptroller and the federal government; or

§ 13. Paragraph (j) of subdivision two of section eighty-eight of such law is relettered paragraph (k) and a new paragraph (j) is added to read as follows:

(j) external audits conducted pursuant to section ninety-two of the legislative law and schedules issued pursuant to subdivision two of section ninety of the legislative law;

§ 14. This act shall take effect immediately and shall remain in full force and effect until January first, nineteen hundred ninety-four at which time this act shall be deemed repealed, provided that sections seven, nine, ten, and eleven of this act shall take effect April first, nineteen hundred eighty-nine, and section eight of this act shall take effect January first, nineteen hundred ninety, except that beginning on and after the date on which this act shall have become a law, the state comptroller, state agencies, covered authorities, the state legislature and the judiciary are authorized to take all actions necessary to implement their respective internal control and audit responsibilities under such sections of this act, and provided that paragraph a of subdivision two of section eight of the state finance law, as added by section five of this act, and subdivision one of section nine hundred fifty-three and subdivision one of section nine hundred fifty-four of the executive law, as added by section seven of this act, and subdivision one of section two hundred forty-nine of the judiciary law, as added by section ten of this act, shall take effect April first, nineteen hundred eighty-nine, and subdivision one of section ninety-two of the legislative law, as added by section eight of this act, shall take effect January first, nineteen hundred ninety.
APPENDIX 2

STANDARDS FOR INTERNAL CONTROLS IN NEW YORK STATE GOVERNMENT

ISSUED BY THE OFFICE OF THE STATE COMPTROLLER

(NOTE: THIS APPENDIX IS ALSO FOUND IN THE INTERNAL CONTROL PROGRAM TRAINING GUIDE.)
INTERNAL CONTROL STANDARDS

The internal control standards define the minimum level of quality acceptable for internal control systems in operation and constitute the criteria against which systems are to be evaluated. These internal control standards apply to all operations and administrative functions (both manual and automated) but are not intended to limit or interfere with duly granted authority related to development of legislation, rulemaking, or other discretionary policymaking in an agency.

General Standards

1. **Reasonable Assurance.** Internal control systems are to provide reasonable assurance that the objectives of the systems will be accomplished.

2. **Supportive Attitude.** Managers and employees are to maintain and demonstrate a positive and supportive attitude toward internal controls at all times.

3. **Competent Personnel.** Managers and employees are to have personal and professional integrity and are to maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good internal controls.

4. **Control Objectives.** Internal control objectives are to be identified or developed for each agency activity and are to be logical, applicable, and reasonably complete.

5. **Control Techniques.** Internal control techniques are to be effective and efficient in accomplishing their internal control objectives.

6. **Continuous Monitoring.** Agency heads are to establish and maintain a program of internal review that is designed to identify internal control weaknesses and implement changes that are needed to correct the weaknesses.
Specific Standards

1. **Documentation.** Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination.

2. **Recording of Transactions and Events.** Transactions and other significant events are to be promptly recorded and properly classified.

3. **Execution of Transactions and Events.** Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority.

4. **Separation of Duties.** Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.

5. **Supervision.** Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved.

6. **Access to and Accountability for Resources.** Access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained. Periodic comparison shall be made of the resources with the recorded accountability to determine whether the two agree. The frequency of the comparison shall be a function of the vulnerability of the asset.

Audit Resolution Standard

**Prompt Resolution of Audit Findings.** Managers are to (1) promptly evaluate findings and recommendations reported by auditors, (2) determine proper actions in response to audit findings and recommendations, and (3) complete, within reasonable time frames, all actions that correct or otherwise resolve the matters brought to management's attention.
EXPLANATION OF GENERAL STANDARDS

General internal control standards apply to all aspects of internal controls.

Reasonable Assurance

Internal control systems are to provide reasonable assurance that the objectives of the systems will be accomplished.

The standard of reasonable assurance recognizes that the cost of internal control should not exceed the benefit derived. Reasonable assurance equates to a satisfactory level of confidence under given considerations of costs, benefits, and risks. The required determinations call for judgment to be exercised.

In exercising that judgment, agencies should:
- Identify (1) risks inherent in agency operations, (2) criteria for determining low, medium, and high risks, and (3) acceptable levels of risk under varying circumstances.
- Assess risks both quantitatively and qualitatively.
- Risk assessment should be done following the information prepared by the Governor's Office of Management and Productivity: A Guide to Conducting Vulnerability Assessments, August 1985. (See note below.)

Cost refers to the financial measure of resources consumed in accomplishing a specified purpose. Cost can also represent a lost opportunity, such as a delay in operations, a decline in service levels or productivity, or low employee morale. A benefit is measured by the degree to which the risk of failing to achieve a stated objective is reduced. Examples include preventing an improper activity; enhancing regulatory compliance; or increasing the probability of detecting fraud, waste, abuse, or error.

Note: A modified version of this guide is included in the State University of New York Internal Control Program Guidelines and Training Guide.

Supportive Attitude

Managers and employees are to maintain and demonstrate a positive and supportive attitude toward internal controls at all times.

This standard requires agency managers and employees to be attentive to internal control matters and to take steps to promote the effectiveness of the controls. Attitude affects the quality of performance and, as a result, the quality of internal controls. A positive and supportive attitude is initiated and fostered by management and is ensured when internal controls are a consistently high management priority.

Attitude is not reflected in any one particular aspect of managers' actions but rather is fostered by managers' commitment to achieving strong controls through actions concerning agency organization, personnel practices, communication, protection and use of resources through systematic accountability, moni-
toring and systems of reporting, and general leadership. However, one important way for management to demonstrate its support for good internal controls is its emphasis on the value of internal auditing and its responsiveness to information developed through internal audits. Similarly, management should be supportive of and responsive to information developed through external audits made by organizations such as the Office of State Comptroller and independent CPA firms.

The organization of an agency provides its management with the overall framework for planning, directing, and controlling its operations. Good internal control requires clear lines of authority and responsibility; appropriate reporting relationships; and appropriate separations of authority.

In the final analysis, general leadership is critical to maintaining a positive and supportive attitude toward internal controls. Adequate supervision, training, and motivation of employees in the area of internal controls is important.

Competent Personnel

Managers and employees are to have personal and professional integrity and are to maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good internal controls.

This standard requires managers and their staffs to maintain and demonstrate (1) personal and professional integrity, (2) a level of skill necessary to help ensure effective performance, and (3) an understanding of internal controls sufficient to effectively discharge their responsibilities.

Many elements influence the integrity of managers and their staffs. For example, personnel should periodically be reminded of their obligations under an operative code of conduct and the Public Officers Law. In addition, hiring and staffing decisions should include pertinent verification of education and experience and, once on the job, the individual should be given the necessary formal and on-the-job training. Managers who possess a good understanding of internal controls are vital to effective control systems.

Counseling and performance appraisals are also important. Overall performance appraisals should be based on an assessment of many critical factors, one of which should be the implementation and maintenance of effective internal controls.
Control Objectives

This standard requires that objectives be tailored to an agency’s operations. All operations of an agency can generally be grouped into one or more categories called cycles. Cycles comprise all specific activities (such as identifying, classifying, recording, and reporting information) required to process a particular transaction or event. Cycles should be compatible with an agency’s organization and division of responsibilities.

Cycles can be categorized in various ways. For example:
- Agency Management.
- Financial.
- Program (operational).
- Administrative.

Agency management cycles cover the overall policy and planning, organization, data processing, and audit functions. Financial cycles cover the traditional control areas concerned with the flow of funds (revenues and expenditures), related assets, and financial information. Program (operational) cycles are those agency activities that relate to the mission(s) of the agency and which are peculiar to a specific agency. Administrative cycles are those agency activities providing support to the agency’s primary mission, such as library services, mail processing and delivery, and printing.

The four types of cycles obviously interact, and controls over this interaction must be established. For example, a typical contract award cycle would be concerned with proper contracting procedures and, if awarded, administration of the contract. At the time of the award, the contract (program) and disbursement (financial) cycles would join together to control and record the payment authorization.

Complying with this standard calls for identifying the cycles of agency operations and analyzing each in detail to develop the cycle control objectives. These are the internal control goals or targets to be achieved in each cycle. The objectives should be tailored to fit the specific operations in each agency and be consistent with the overall objectives of internal controls as set forth in the New York State Governmental Accountability, Audit and Internal Control Act of 1987.

In the New York State Accounting System User Procedure Manual, Volume XI Controls and Special Procedures has, in Section 3.000, suggested guidelines for internal controls applicable to the major financial areas of payroll, cash, account coding, equipment, materials and supplies, and travel. Agencies should consider this material when designing, operating, and evaluating their internal control systems.
Control Techniques

Internal control techniques are to be effective and efficient in accomplishing their internal control objectives.

Internal control techniques are the mechanisms, whether manual or automated, by which control objectives are achieved. Techniques include, but are not limited to, such things as specific policies, procedures, plans of organization (including separation of duties), and physical arrangements (such as locks and fire alarms). This standard requires that internal control techniques continually provide a high degree of assurance that the internal control objectives are being achieved. To do so they must be effective and efficient.

To be effective, techniques should fulfill their intended purpose in actual application. They should provide the coverage they are supposed to and operate when intended. To be efficient, techniques should be designed to derive maximum benefit with minimum effort. Techniques tested for effectiveness and efficiency should be those in actual operation and should be evaluated over a period of time.

In developing control techniques, management must recognize that there are both prevention controls and detection controls. Prevention controls are designed to influence behavior to ensure that transactions are processed properly. Detection controls are designed to identify deviations from expected norms which should be investigated to verify that transactions are executed properly.

Continuous Monitoring

The systems in place should be evaluated on a continuous basis to identify weaknesses and allow management to take corrective action.

Internal control systems that have been put into place by management should be reviewed periodically to verify that they are working as intended, are still needed, and are cost effective. Controls that are not working should be identified and, if still needed, changed so they are working. In addition, agency heads should closely monitor agency action initiated to correct internal control weaknesses identified by internal or external auditors.

Management must recognize that internal control evaluations are accurate only at the time they are made and that procedures and the effectiveness of related internal controls are subject to change. For example, controls can change when employees change or when work flows are changed. Continuous evaluations help to ensure that established procedures and controls are being followed and continue to be appropriate.
EXPLANATION OF SPECIFIC STANDARDS

A number of techniques are essential to providing the greatest assurance that the internal control objectives will be achieved. These critical techniques are the specific standards discussed below.

Documentation

Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination.

This standard requires written evidence of (1) an agency's internal control objectives and techniques and accountability systems and (2) all pertinent aspects of transactions and other significant events of an agency. Also, the documentation must be available as well as easily accessible for examination.

Documentation of internal control systems should include identification of the cycles and related objectives and techniques, and should appear in management directives, administrative policy, and accounting manuals.

Documentation of transactions or other significant events should be complete and accurate and should facilitate tracing the transaction or event and related information from before it occurs, while it is in process, to after it is completed.

Complying with this standard requires that the documentation of internal control systems and transactions and other significant events be purposeful and useful to managers in controlling their operations, and to auditors or others involved in analyzing operations. This standard applies to both manual and automated systems.
Recording of Transactions and Events

Transactions and other significant events are to be promptly recorded and properly classified.

Transactions must be promptly recorded if pertinent information is to maintain its relevance and value to management in controlling operations and making decisions. This standard applies to (1) the entire process or life cycle of a transaction or event and includes the initiation and authorization, (2) all aspects of the transaction while in process, and (3) its final classification in summary records. Proper classification of transactions and events is the organization and format of information on summary records from which reports and statements are prepared.

Execution of Transactions and Events

Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority.

This standard deals with management's decisions to exchange, transfer, use, or commit resources for specified purposes under specific conditions. It is the principal means of assuring that only valid transactions and other events are entered into.

Authorization should be clearly communicated to managers and employees and should include the specific conditions and terms under which authorizations are to be made. Conforming to the terms of an authorization means that employees are carrying out their assigned duties in accordance with directives and within the limitations established by management.
Separation of Duties

Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.

To reduce the risk of error, waste, or wrongful acts or to reduce the risk of their going undetected, no one individual should control all key aspects of a transaction or event. Rather, duties and responsibilities should be assigned systematically to a number of individuals to ensure that effective checks and balances exist. Key duties include authorizing, approving, and recording transactions; issuing and receiving assets; making payments; and reviewing or auditing transactions. Collusion, however, can reduce or destroy the effectiveness of this internal control standard.

Supervision

Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved.

This standard requires supervisors to continuously review and approve the assigned work of their staffs. It also requires that they provide their staffs with the necessary guidance and training to help ensure that errors, waste, and wrongful acts are minimized and that specific management directives are achieved.

Assignment, review, and approval of a staff’s work requires:

- Clearly communicating the duties, responsibilities, and accountabilities assigned each staff member.
- Systematically reviewing each member’s work to the extent necessary.
- Approving work at critical points to ensure that work flows as intended.

Assignment, review, and approval of a staff’s work should result in the proper processing of transactions and events including (1) following approved procedures and requirements, (2) detecting and eliminating errors, misunderstandings, and improper practices, and (3) discouraging wrongful acts from occurring or from recurring.
Access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained. Periodic comparison shall be made of the resources with the recorded accountability to determine whether the two agree. The frequency of the comparison shall be a function of the vulnerability of the asset.

The basic concept behind restricting access to resources is to help reduce the risk of unauthorized use or loss to the State, and to help achieve the directives of management. However, restricting access to resources depends upon the vulnerability of the resource and the perceived risk of loss, both of which should be periodically assessed. For example, access to and accountability for highly vulnerable documents, such as check stocks, can be achieved by:

- Keeping them locked in a safe.

- Assigning or having each document assigned a sequential number.

- Assigning custodial accountability to responsible individuals.

Other factors affecting access include the cost, portability, exchangeability, and the perceived risk of loss or improper use of the resource. In addition, assigning and maintaining accountability for resources involves directing and communicating responsibility to specific individuals within an agency for the custody and use of resources in achieving the specifically identified management directives.
EXPLANATION OF THE AUDIT RESOLUTION STANDARD

Prompt Resolution of Audit Findings

Managers are to (1) promptly evaluate findings and recommendations reported by auditors, (2) determine proper actions in response to audit findings and recommendations, and (3) complete, within reasonable time frames, all actions that correct or otherwise resolve the matters brought to management’s attention.

The audit resolution standard requires managers to take prompt, responsive action on all findings and recommendations made by auditors. Responsive action is that which corrects identified deficiencies. Where audit findings identify opportunities for improvement rather than cite deficiencies, responsive action is that which produces improvements.

The audit resolution process begins when the results of an audit are reported to management, and is completed only after action has been taken that (1) corrects identified deficiencies, (2) produces improvements, or (3) demonstrates the audit findings and recommendations are either invalid or do not warrant management action.

Auditors are responsible for following up on audit findings and recommendations to ascertain that resolution has been achieved. Auditor’s findings and recommendations should be monitored through the resolution and follow-up processes. Top management should be kept informed through periodic reports so it can assure the quality and timeliness of individual resolution decisions.
reviewing and improving controls. On some campuses, the heads of organizational units may also perform the duties of line managers. Internal control assignments to line managers may typically include:

* Establishing an atmosphere within the work environment which is supportive of internal controls
* Conducting vulnerability assessments and internal control reviews
* Initiating improved controls when a need is identified
* Maintaining documentation of controls, vulnerability assessments, internal control reviews and improvements

DEVELOP INTERNAL REPORTING SYSTEM

An internal reporting and follow-up system should be established to monitor the progress of the various tasks that make up the evaluation and improvement process. As a minimum, areas that should be monitored include:

* Status of training
* Scheduling and completion of vulnerability assessments
* Scheduling and completion of internal control reviews
* Progress of corrective actions in areas where controls are either necessary but nonexistent, sufficiently weak to warrant improvement, or excessive as to hinder operations or be noncost-effective

In addition, the reporting system should include summary information regarding the results of vulnerability assessments, internal control reviews, and corrective actions.

ESTABLISH DOCUMENTATION PROCESS

Documentation should be maintained for activities conducted in connection with vulnerability assessments, internal control reviews and follow-up actions. The kind and quantity of documentation and the method of maintaining it are matters that each campus should define for its own purposes. At a minimum, the documentation should show the personnel involved (in the assessment, review or follow-up), the key factors considered, the evaluation methods used and the conclusions reached.

Documentation should be of sufficient detail to permit effective supervisory review, as well as oversight review. Independent reviewers should be able to examine and understand the documentation and determine how the original campus reviewers reached their conclusions.
COMMIT PERSONNEL

Each campus should decide, during the organizational phase, what level of personnel resources will be committed to the evaluation and improvement process.

Orientation and training requirements should be decided concomitant to the committing of personnel. Orientation should be provided to senior managers to familiarize them with the University and campus program and objectives, and to make them aware of their responsibilities in the evaluation, improvement and reporting processes. In addition, training should be provided to the personnel who are assigned to conduct vulnerability assessments and internal control reviews.

See Attachment AT1 for a suggested listing of administrative tasks in implementing the Internal Control Program.
INTERNAL CONTROL EVALUATION AND IMPROVEMENT PROCESS

STEP 2: SEGMENT THE CAMPUS

The primary goal of this step of the internal control process is to develop a campus-wide inventory of "assessable units", each of which will be the subject of a vulnerability assessment. A complete coverage of all administrative, finance and business, and program areas should be included in the inventory. Segmenting the campus provides the groundwork necessary to determine a reasonable level of personnel involvement.

There is no best method to follow in the segmentation process. As a practical matter, a segmentation may be decided upon that includes a combination of organizational units, administrative functions, program activities, and discrete systems.

Sources that should prove useful in developing an inventory of assessable units are organization charts, budget and financial plan materials, schedule of positions, monetary certificates of approval, regulations and manuals, and management information systems. Determining factors may include:

* Organizational structure
* Nature and size of programs and administrative functions
* Numbers and sizes of subprograms and subfunctions
* Degree of independence of programs or functions
* Budget levels
* Funding source
* Geographic location, e.g., extension centers
* Number of personnel

Once the campus inventory of assessable units has been developed, it should be documented.

See Attachment AT2 for a partial listing of suggested activity areas subject to campus internal control evaluation and improvement efforts.
INTERNAL CONTROL EVALUATION AND IMPROVEMENT PROCESS

STEP 3: DEVELOP A SCHEDULE FOR VULNERABILITY ASSESSMENTS

Having developed an inventory of assessable units in Step 2, the next activity is to establish a time schedule for conducting the vulnerability assessments. The schedule should recognize the prioritization of the vulnerability assessments based on such factors as the relative importance and the potential risks of the assessable units included in the inventory.
INTERNAL CONTROL EVALUATION AND IMPROVEMENT PROCESS

STEP 4: CONDUCT VULNERABILITY ASSESSMENTS

A vulnerability assessment is performed by management on each of the assessable units identified in Step 2, the segmentation process. It is intended as a quick analysis and should not require an inordinate amount of staff time and effort. A vulnerability assessment is a preliminary judgment concerning the existence and adequacy of safeguards or controls now in place to assure:

* Successful achievement of the campus's mission, objectives and goals
* Operational effectiveness, efficiency and economy
* Compliance with laws, regulations, policies, procedures and guidelines
* Safeguarding of assets
* Accurate recording, preservation and reporting of financial and other key data

The manager of each assessable unit should be responsible for and participate in each of the unit's vulnerability assessments, which consist of five sub-steps:

Step 4A: Analyze general control environment
Step 4B: Identify and analyze inherent risk
Step 4C: Conduct a preliminary evaluation of existing safeguards or controls
Step 4D: Establish an overall vulnerability ranking
Step 4E: Recommend subsequent action

Managers who perform vulnerability assessments should guard against any tendency to devise a low vulnerability rating with the main purpose of avoiding a detailed internal control review. Also, they should be aware that if a weakness is observed which is perceived as placing the unit in immediate jeopardy, corrective action should be implemented as soon as possible.

STEP 4A: ANALYZE GENERAL CONTROL ENVIRONMENT

The environment in which activities are conducted has a major impact on the effectiveness of internal control. An analysis of the environment is performed to determine the extent to which the work setting supports a system of internal controls. This evaluation may be performed for the entity as a whole, or individually for each assessable unit. Determination
should be based upon the size and nature of the entity. The following should be among the factors that are used to analyze the control environment:

* Management attitude
* Organizational structure
* Personnel
* Delegation of authority
* Policies and procedures
* Budgeting and reporting practices
* Organizational checks and balances
* EDP considerations

**STEP 4B: IDENTIFY AND ANALYZE INHERENT RISK**

The second sub-step in the vulnerability assessment process is an identification and analysis of the risks involved in the assessable unit's activities. Inherent risk may be defined as the potential for nonachievement of the campus's mission, objectives and goals; waste, inefficiency or ineffectiveness; loss, unauthorized use or misappropriation of assets; noncompliance with laws, regulations, policies, procedures and guidelines; or the inaccurate recording, preservation and reporting of financial and other key data.

This analysis should be performed without regard to controls that are in place to counteract those risks. The following should be among the factors considered in analyzing the inherent risk:

* Purpose and characteristics of the activity
* Budget and resource level
* Procurement of goods or services
* Impact outside of the University/campus
* Age and life expectancy of the activity
* Degree of decentralization
* Prior reviews

**STEP 4C: CONDUCT A PRELIMINARY EVALUATION OF EXISTING SAFEGUARDS OR CONTROLS**

The third sub-step in the vulnerability assessment process involves making a preliminary judgment concerning the existence and adequacy of safeguards/controls used by the assessable unit to assure:

* Successful achievement of the campus's mission, objectives and goals
* Operational effectiveness, efficiency and economy
* Compliance with laws, regulations, policies, procedures and guidelines
* Safeguarding of assets
* Accurate recording, preservation and reporting of financial and other key data
An in-depth review is not appropriate during vulnerability assessments. Rather, the evaluator's judgment should be based on knowledge and experience, and should be made in reference to internal control standards. Section VI, Appendix AP2, provides a description of the internal control standards.

STEP 4D: ESTABLISH AN OVERALL VULNERABILITY RANKING

The overall vulnerability ranking is derived from consideration of the conclusions reached in the analysis of the general control environment, the inherent risk and the evaluation of the safeguards from sub-steps 4A, 4B and 4C, respectively.

STEP 4E: RECOMMEND SUBSEQUENT ACTION

The recommendation for subsequent action is derived from consideration of the conclusions reached in sub-steps 4A through 4D above and from your knowledge, experience and judgment of and concerning the vulnerability of the unit or activity.

See Attachment AT3 for an illustration of an internal control vulnerability assessment.
INTERNAL CONTROL EVALUATION AND IMPROVEMENT PROCESS

STEP 5: ESTABLISH PLANS FOR SUBSEQUENT ACTIONS

The vulnerability assessment provides an initial evaluation of risks and safeguards and is used to determine recommended actions to be taken.

The next step is to establish a plan and schedule for taking the approved recommended actions for each of the assessable units, or for the areas which are determined to be most susceptible to loss. Four activities should be considered during this step:

* Classify vulnerability assessments according to the degree of risk
* Prioritize vulnerable areas based on such factors as the degree of risk and relative critical nature of the specific activities
* Select specific courses of action
* Develop a schedule for completing the approved recommended actions

Line managers and succeeding supervisors are the best qualified to establish plans for subsequent actions.

See Attachment AT4 for an illustration of a plan and schedule for internal control evaluations and improvements.
INTERNAL CONTROL EVALUATION AND IMPROVEMENT PROCESS

STEP 6: CONDUCT INTERNAL CONTROL REVIEWS

Depending upon the outcome of the vulnerability assessment and other appropriate considerations, it may be appropriate to conduct internal control reviews. Internal control reviews are detailed examinations of activities to determine whether adequate control measures exist, are implemented, and are effective. They involve assessing a specific group of activities (event cycle) to ascertain if defined techniques (processes and documents) are functioning as intended, and if they efficiently and effectively meet the established control objectives for the event cycle. During an internal control review, the flow of an event should be tracked from beginning to end: how it is created, how it is processed, and how it is reported. The following five sub-steps comprise one approach to conducting internal control reviews:

- Step 6A: Identify event cycles
- Step 6B: Analyze general control environment
- Step 6C: Document the event cycles
- Step 6D: Evaluate internal controls within the event cycles
- Step 6E: Test the internal controls

Line managers should have the primary responsibility in the internal control review process. This responsibility includes planning and organizing each review, assigning responsibilities to personnel who will conduct the actual review, and monitoring the process.
INTERNAL CONTROL EVALUATION AND IMPROVEMENT PROCESS

STEP 7: TAKE CORRECTIVE ACTION

After reviewing the system design and testing the functioning controls, the reviewer should reach conclusions concerning the effectiveness of the controls. When the reviewer concludes that areas remain where controls do not provide reasonable assurance that a control objective is being met, or that unnecessary controls exist, follow-up actions are required.

Reports should be prepared which not only identify the weaknesses, but also recommend how to correct them. The recommendations should correlate with the risks involved; that is, a level of control should be recommended that considers the materiality or degree of the weakness. The recommended change should provide reasonable assurance of control and should be cost effective when weighed against the expected benefit that results from risks avoided or from errors or irregularities detected.

The recommendations should be considered by management, and a decision should be made to institute new controls, improve existing controls, or accept the risk inherent in the weakness. In many instances, the appropriate action will be apparent, but in other instances, further analysis may be necessary. In either case, approved corrective actions should be initiated as promptly as possible.

A formal system should be established to log and track the weaknesses identified, suggested actions, and actions taken. This follow-up system should identify responsible personnel and target dates.

See Attachment AT5 for an illustration of a plan and schedule for and status report on internal control evaluations and improvements.
INTERNAL CONTROL EVALUATION AND IMPROVEMENT PROCESS

STEP 8: PREPARE SUMMARY REPORTS ON INTERNAL CONTROLS

Management reports should be prepared on a regular basis to apprise senior campus management of the status of the Internal Control Program. These reports should include such topics as areas with nonexisting or inadequate control techniques, areas with controls not functioning properly, and areas where excessive controls exist, as well as the plans and schedules for addressing the identified concerns.

See Attachment AT6 for an illustration of a summary on results of internal control evaluation and improvement actions.
SECTION III

MAJOR UNIVERSITY INTERNAL CONTROL SYSTEMS

The following is a listing of several of the major University-wide internal control systems:

Education and Other Applicable Laws

Board of Trustees' Policies and Regulations

Policy Handbook

Policy Memoranda

Administrative Procedures Manual

Functional Office Memoranda on Procedures and Guidelines

Quadrennial Master Plan and Interim Progress Reports and Master Plan Amendments

Comprehensive Review of Undergraduate and Graduate Academic Programs -- every five years according to established gauges of quality, need, efficiency and interrelationships with other programs

Middle States' Accreditation

Accreditation by over 50 Professional Groups -- review and certify specific academic programs

Collective Bargaining Agreements

Budget Development and Execution Process

Chart of Accounts

University Accounting System

Finance Bulletins

Applicable Civil Service, DOB, OGS, OSC and SED guidelines, procedures and reviews

Internal and External Audits

Audit Resolution Follow-up Process

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SECTION IV

STATUS AND PROGRESS REPORTING
ON INTERNAL CONTROL EVALUATION AND IMPROVEMENT EFFORTS

The State-operated/funded campuses have the primary responsibility for taking necessary actions to implement the provisions of the New York State Governmental Accountability, Audit and Internal Control Act. However, the Chancellor and Central Administration staff are accountable for the University's overall compliance with the provisions of the Act. In addition, Central Administration has responsibility for the consolidated reporting on the progress and status of the total University's Internal Control Program efforts.

It is, therefore, necessary to establish a periodic reporting process which has been made as non-burdensome as possible. There are two report forms which will be found on the succeeding pages:

* The first report form, Plan and Schedule for and Status Report on Internal Control Evaluations and Improvements, page 4.2, should identify those internal control systems or assessable units that either have had or are scheduled for an internal control evaluation and improvement review, the evaluation method to be used (vulnerability assessment, internal control review or other method), the targeted completion date for the evaluation, whether improvement action is indicated as a result of the evaluation, the targeted completion date for indicated improvement action, and the current status (completed, on schedule, delayed, etc.) of the evaluation and improvement action.

* The second form, Summary on Results of Internal Control Evaluation and Improvement Actions, page 4.3, provides summary information on the results of completed evaluations and improvement actions.

The initial Plan and Schedule for and Status Report on Internal Control Evaluations and Improvements should cover the period through December 31, 1989, and be received in the Office of the Senior Vice Chancellor, Division of Administrative Affairs, State University of New York, State University Plaza, Albany, New York, 12246, no later than February 15, 1990.

Campuses will be advised as to when subsequent reports are due in the Central Office.

See Attachments AT5 and AT6 for examples of the Plan and Schedule for and Status Report on Internal Control Evaluations and Improvements and the Summary on Results of Internal Control Evaluation and Improvement Actions.

5/1/89
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Prepared by: 

Telephone: ( )

Title: 

Date: 

CAMPUS: 

PLAN AND SCHEDULE FOR AND STATUS REPORT ON INTERNAL CONTROL EVALUATIONS AND IMPROVEMENTS
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ATTACHMENT 1

RECOMMENDED ADMINISTRATIVE TASKS
IN IMPLEMENTING THE INTERNAL CONTROL PROGRAM
STATE UNIVERSITY CAMPUS AT APEX

RECOMMENDED ADMINISTRATIVE TASKS
IN IMPLEMENTING THE INTERNAL CONTROL PROGRAM

1. Campus President designates an individual to be the Campus Internal Control Officer.

2. Campus President names a Campus Internal Control Steering Committee with the Campus Internal Control Officer serving as a member (possibly Chair) of the Committee.

3. Campus President makes the campus's position and commitment to the Internal Control Program known initially to the Internal Control Steering Committee and at the appropriate time to the larger campus community.

4. Develop and implement campus internal control guidelines to include:
   * Campus-specific objectives
   * Campus-specific internal control evaluation and improvement process and mechanism for documenting each individual evaluation and improvement process
   * Status and progress reporting system

5. Identify a campus-wide compilation of activity areas that should be subject to an internal control evaluation and improvement effort. (See Attachment AT2.)

6. Designate an individual to conduct internal control training.

7. Develop and implement an internal control orientation program for senior campus management.

8. Develop and implement an internal control training program for other management and key staff.
ATTACHMENT 2

PARTIAL LISTING OF SUGGESTED ACTIVITY AREAS
SUBJECT TO CAMPUS INTERNAL CONTROL EVALUATION AND IMPROVEMENT EFFORTS
STATE UNIVERSITY CAMPUS AT APEX

PARTIAL LISTING OF SUGGESTED ACTIVITY AREAS
SUBJECT TO CAMPUS INTERNAL CONTROL EVALUATION AND IMPROVEMENT EFFORTS

1. Campus planning process
2. Campus budget development and execution process
3. Development, maintenance and administration of:
   * Academic programs and course offerings at the undergraduate, graduate and professional levels
   * Continuing education programs
   * International programs
   * Library services
   * Research programs
   * Public service programs
4. Hospital and clinical programs
5. Student recruitment and admissions programs including minorities and handicapped
6. Student class scheduling and student records
7. Student financial aid programs
8. Graduate/teaching assistantships
9. Tuition waiver/reimbursement programs
10. Sabbatical leave program
11. Dormitory operations
12. Student health services
13. Computer services
14. Buildings and grounds maintenance
15. Public safety
16. Audit resolution
17. Revenue and expenditure accounting systems

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18. Revenue generation cycle of activities including:
   * Billing
   * Cashiering
   * Individual account maintenance
   * Accounts receivable
   * Collections
   * Waiver and deferral of payments
   * Refunds

19. Personnel/Payroll transaction cycle of activities including:
   * Establishment/Deletion of positions
   * Job descriptions
   * Recruitments
   * Affirmative action
   * Appointments
   * Orientation
   * Training
   * Fringe benefit administration
   * Performance evaluations
   * Separations
   * Time and attendance reporting/recording
   * Payroll
   * Immigration Reform Control Act

20. Acquisition of goods/services cycle of activities including:
   * Requisitioning
   * Purchasing
   * M/WBE efforts
   * Encumbering
   * Receiving
   * Accounts payable

   — and where applicable:
   * Inventorying
   * Warehousing
   * Distributing
   * Petty cash payments

21. Campus support services including:
   * Mail
   * Printing
   * Telephone
   * Travel/Transportation

22. Toxic/Hazardous Waste Management, Right-to-Know Law

23. Ethics in Government
ATTACHMENT 3

ILLUSTRATION OF AN INTERNAL CONTROL VULNERABILITY ASSESSMENT
ILLUSTRATION
OF AN
INTERNAL CONTROL
VULNERABILITY ASSESSMENT
OF THE
CRITIC TEACHER TUITION WAIVER PROGRAM
VULNERABILITY ASSESSMENT

CAMPUSSUNY Campus at Apex

PROGRAM/FUNCTION:Teacher Education

ASSESSABLE UNIT:Critic Teacher Tuition Waivers

Prepared by: Perry Wrinkle Date: 5/25/89
Title: Coordinator, Student Teacher Program

Reviewed by: Stan A. Lane Date: 5/31/89
Title: Dean, School of Education

Reviewer's Comments: Concur with vulnerability assessment and recommendation for subsequent action.
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<td>Impact Outside of the University/Campus</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>Age and Life Expectancy of the Activity</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>Degree of Decentralization</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>Prior Reviews</td>
<td>4</td>
</tr>
<tr>
<td>(From Step 4C)</td>
<td>16</td>
<td>Preliminary Evaluation of Safeguards</td>
<td>2</td>
</tr>
<tr>
<td>Step 4D</td>
<td>17</td>
<td>Overall Vulnerability Ranking</td>
<td>2</td>
</tr>
<tr>
<td>Step 4E</td>
<td>18</td>
<td>Recommendation for Subsequent Action</td>
<td>3</td>
</tr>
</tbody>
</table>
ANALYZING THE GENERAL CONTROL ENVIRONMENT

CAMPUS: SURY Campus at Apex

PROGRAM/FUNCTION: Teacher Education

ASSESSABLE UNIT: Critic Teacher Tuition Waivers

MANAGEMENT ATTITUDE

1. Management is aware of the importance of internal controls as they relate to this assessable unit.
2. In the last year, management has reviewed internal controls to assure they are not being circumvented.
3. Management holds regular staff meetings.
4. Sufficient resources are provided to develop, maintain, and evaluate the internal control system.
5. Personnel have the authority needed to develop, maintain, and evaluate the internal control system.
6. Personnel are reinforced for their involvement with internal controls.
7. Audit/evaluation findings are resolved in a timely manner.
8. Other (Specify): __________________________

A. Enter totals for Columns 1 through 5

B. Rating value

C. Multiply A by B

D. Enter total of Line C across

E. Subtract # of NA (Column 6) entries from # of questions asked (7 or 8)

F. Divide Line D by Line E and round to nearest whole number

Conclusion: Management Attitude within this assessment unit may be creating vulnerability which is:

(Using Line F as a guide as well as other appropriate considerations, indicate overall conclusion here, and on Matrix Line 1)

* Particular attention should be given to "Disagree" and "Strongly Disagree" ratings.
ANALYZING THE GENERAL CONTROL ENVIRONMENT

**ORGANIZATIONAL STRUCTURE**

1. The organization chart is current.
2. The organizational structure helps rather than hinders work performance.
3. Sufficient flexibility exists in the unit's structure to deal with changing circumstances.
4. The structure provides adequate supervision.
5. Responsibilities of this unit are clearly defined so as to avoid duplication, overlap, or conflicts.
6. Managers have the decision-making authority necessary to operate effectively and efficiently.
7. Managers routinely follow up on all delegation of authority to employees.
8. Employees are held accountable for performance and results achieved.
9. Employees perceive top management to be interested in controls.
10. Other (Specify):

<table>
<thead>
<tr>
<th>1</th>
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<th>5</th>
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<tbody>
<tr>
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<td>4</td>
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<td>6</td>
<td>7</td>
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</tbody>
</table>

- **A.** Enter totals for Columns 1 through 5
- **B.** Rating value
- **C.** Multiply A by B
- **D.** Enter total of Line C across
- **E.** Subtract $\#$ of NA (Column 6) entries from $\#$ of questions asked (9 or 10)
- **F.** Divide Line D by Line E and round to nearest whole number

**Conclusion:** The Organizational Structure of this unit may be creating vulnerability which is:

(Using Line F as a guide as well as other appropriate considerations, indicate overall conclusion here, and on Matrix Line 2)

* Particular attention should be given to "Disagree" and "Strongly Disagree" ratings.
### ANALYZING THE GENERAL CONTROL ENVIRONMENT

**CAMPUS:** SUNY Campus at Albany  
**PROGRAM/FUNCTION:** Teacher Education  
**ASSESSABLE UNIT:** Critic Teacher Tuition Waivers

**PERSONNEL**

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</tr>
</tbody>
</table>

**PLEASE CIRCLE APPROPRIATE NUMBER(S)**

1. Competent personnel are recruited.  
2. Accurate and up-to-date position descriptions are available.  
3. Sufficient training opportunities to improve competency and update employees on new policies and procedures are available.  
4. The quality of supervision is periodically reviewed at all levels.  
5. Employees are adequately supervised to ensure that agency resources are safeguarded.  
6. Managers periodically review employees' performances and provide necessary counseling.  
7. Employees and managers are held accountable for satisfactory completion of performance elements.  
8. This unit has a low turnover rate.  
9. Other (Specify): 

<p>| |</p>
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</tbody>
</table>

**Conclusion:** Personnel practices within this unit may be creating vulnerability which is:

(Using Line F as a guide as well as other appropriate considerations, indicate overall conclusion here, and on Matrix Line 3)

* Particular attention should be given to "Disagree" and "Strongly Disagree" ratings.

5/1/89 - AT3.6 -
ANALYZING THE GENERAL CONTROL ENVIRONMENT

CAMPUS: SUNY Campus at Albany

PROGRAM/FUNCTION: Teacher Education

ASSESSABLE UNIT: Critic Teacher Tuition Waivers

DELEGATION OF AUTHORITY

1. Employees' job descriptions describe actual jobs.

2. Employees are aware of their individual responsibilities.

3. The delegations prevent overlapping, duplication, and conflicts of authority/responsibility.

4. The delegations grant sufficient authority to officials to carry out their responsibilities.

5. Responsibility is divided so that no single official controls all phases of a critical transaction.

6. Other (Specify):

A. Enter totals for Columns 1 through 5
B. Rating value
C. Multiply A by B
D. Enter total of Line C across
E. Subtract # of NA (Column 6) entries from # of questions asked (5 or 6)
F. Divide Line D by Line E and round to nearest whole number

Conclusion: Delegation of Authority within this unit may be creating vulnerability which is:

* Particular attention should be given to "Disagree" and "Strongly Disagree" ratings.

5/1/89
ANALYZING THE GENERAL CONTROL ENVIRONMENT

CAMPUS: SUNY Campus at Apex
PROGRAM/FUNCTION: Teacher Education
ASSESSABLE UNIT: Critic Teacher Tuition Waivers

POLICIES AND PROCEDURES

1. Procedures for this unit are in a manual which is kept current and readily available for examination.
2. Policies and procedures are consistent with statutory authority.
3. Policies and procedures are simple and easy to understand.
4. In the past year, the policies and procedures for this unit have been reviewed and revised.
5. There is sufficient communication between managers and employees on policies and procedures concerning this unit.
6. Other (Specify):

A. Enter totals for Columns 1 through 5
B. Rating value
C. Multiply A by B
D. Enter total of Line C across
E. Subtract of NA (Column 6) entries from of questions asked (5 or 6)
F. Divide Line D by Line E and round to nearest whole number

Conclusion: The Policies/Procedures of this assessment unit may be creating vulnerability which is:

(Using Line F as a guide as well as other appropriate considerations, indicate overall conclusion here, and on Matrix Line 5)

* Particular attention should be given to "Disagree" and "Strongly Disagree" ratings.
## Analyzing the General Control Environment

**Campus:** SUNY Campus at Apex  
**Program/Function:** Teacher Education  
**Assessable Unit:** Critic Teacher Tuition Waivers

### Budgeting and Reporting Practices

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The budget system is integrated with the planning process.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>2. The approved spending plan becomes the operating plan.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>3. Plans and budgets are effectively communicated throughout the organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>4. Progress or performance reports show comparisons with planned performance, budget allowances, and/or past performance.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>5. Reports are made in accordance with prescribed directives.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>6. Reports are timely, accurate, useful, and distributed to appropriate users.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>7. Problem areas are discovered and corrective action is taken promptly.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>8. Financial and program achievement reports are used as effective management tools.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>9. Budgets and management reports are scrutinized by third parties or a higher level of management.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>10. Budgeting and reporting practices support a system of internal control.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>11. Other (Specify):</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

**Conclusion:** Budgeting and Reporting Practices in this unit may be creating vulnerability which is:

(Using Line F as a guide as well as other appropriate considerations, indicate overall conclusion here, and on Matrix Line 6)

* Particular attention should be given to "Disagree" and "Strongly Disagree" ratings.
ANALYZING THE GENERAL CONTROL ENVIRONMENT

CAMPUS: SUNY Campus at Apex

PROGRAM/FUNCTION: Teacher Education

ASSESSABLE UNIT: Critic Teacher Tuition Waivers

**ORGANIZATIONAL CHECKS AND BALANCES**

<p>| | | | | | |</p>
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</thead>
<tbody>
<tr>
<td>1. Program evaluations/Management reviews are performed routinely.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. Audits are performed routinely.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. Audit/Review findings are corrected in a timely manner.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. This organizational unit has a system for tracking corrective actions.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. Objectives for internal controls have been identified and documented.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6. Reviews evaluate the internal controls at all levels of an operation.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>7. Other (Specify):</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**PLEASE CIRCLE APPROPRIATE NUMBER(S)**

<p>| | | | | | |</p>
<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>A. Enter totals for Columns 1 through 5</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>B. Rating value</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>C. Multiply A by B</td>
<td>0</td>
<td>4</td>
<td>1</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>D. Enter total of Line C across</td>
<td>18</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E. Subtract # of NA (Column 6) entries from # of questions asked (6 or 7)</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F. Divide Line D by Line E and round to nearest whole number</td>
<td>3</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Conclusion:** Organizational Checks and Balances of this assessable unit may be creating vulnerability which is:

(Using Line F as a guide as well as other appropriate considerations, indicate overall conclusion here, and on Matrix Line 7)

* Particular attention should be given to "Disagree" and "Strongly Disagree" ratings.

5/1/89 - AT3.10 -
### Analyzing the General Control Environment

**Campus:** SUNY Campus at Apex  
**Program/Function:** Teacher Education  
**Assessable Unit:** Critic Teacher Tuition Waivers

#### EDP Considerations

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Data is safeguarded to prevent unauthorized access, improper changes or loss.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>EDP applications are in accord with guidelines which provide for data and systems security.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>3</td>
<td>Computer systems' controls are reviewed and updated periodically.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>Input is reviewed promptly for authorization, completeness, accuracy and timeliness.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>5</td>
<td>Output is reviewed periodically for usefulness, completeness, accuracy and timeliness.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>Personnel are aware of control risks in EDP systems.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>7</td>
<td>Other (Specify):</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
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</tbody>
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- **A.** Enter totals for Columns 1 through 5  
- **B.** Rating value  
- **C.** Multiply A by 8000000000  
- **D.** Enter total of Line C across  
- **E.** Subtract # of NA (Column 6) entries from # of questions asked (6 or 7)  
- **F.** Divide Line D by Line E and round to nearest whole number

**Conclusion:** EDP Considerations within this assessment unit may be creating vulnerability which is:  
(Using Line F as a guide as well as other appropriate considerations, indicate overall conclusion here, and on Matrix Line 8)

*Particular attention should be given to "Disagree" and "Strongly Disagree" ratings.

---

5/1/99 - AT3.11 -
**ANALYZING INHERENT RISK**

**CAMPUSS:** SUNY Campus at Albany

**PROGRAM/FUNCTION:** Teacher Education

**ASSESSABLE UNIT:** Critic Teacher Tuition Waivers

### PURPOSE AND CHARACTERISTICS OF THE ACTIVITY

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</thead>
<tbody>
<tr>
<td>1. This activity has clear and concise mission statements, goals and objectives.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
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</tr>
<tr>
<td>2. Regulatory requirements for this function are reasonable and consistent with the function's activity.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>3. Administrative policies and procedures for this activity are reasonable and consistent with the function's activity.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. This activity does not involve a high degree of technical or administrative complexity.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>5. Administration of this activity does not involve passing funds/authorities through other organizations or individuals to third party recipients for further actions and/or benefits.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. There is normally sufficient time to satisfactorily accomplish this activity without taking shortcuts to meet severe time constraints.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. This activity does not involve the handling of cash receipts.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. This activity does not involve: Approval of Applications, Certification, Inspections, or Enforcement.</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>9. This activity is not influenced by a clientele and/or by public or private interest groups</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Other (Specify):</td>
<td>1 2 3 4 5</td>
<td>6 7</td>
<td></td>
<td></td>
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</tbody>
</table>

A. Enter totals for Columns 1 through 5

B. Rating value

C. Multiply A by 5

D. Enter total of Line C across

E. Subtract # of NA (Column 6) entries from # of questions asked (9 or 10)

F. Divide Line D by Line E and round to nearest whole number

**Conclusion:** The Purpose and Characteristics of this unit may be creating vulnerability which is:

(Using Line F as a guide as well as other appropriate considerations, indicate overall conclusion here, and on Matrix Line 9)

*Particular attention should be given to "Disagree" and "Strongly Disagree" ratings.*
ANALYZING INHERENT RISK

CAMPUS: SUNY Campus at Apex

PROGRAM/FUNCTION: Teacher Education

ASSESSABLE UNIT: Critic Teacher Tuition Waivers

BUDGET AND RESOURCE LEVEL

1. This assessable unit has a small budget as compared with other programs/functions within the organization.

2. This unit is not responsible for valuable property, supplies, equipment, or other resources that require safeguarding.

3. Other (Specify):

   A. Enter totals for Columns 1 through 5
   B. Rating value
   C. Multiply A by B
   D. Enter total of Line C across
   E. Subtract # of NA (Column 6) entries from # of questions asked (2 or 3)
   F. Divide Line D by Line E and round to nearest whole number

Conclusion: Budgeting and Resource Level for this activity may be creating vulnerability which is:

(Using Line F as a guide as well as other appropriate considerations, indicate overall conclusion here, and on Matrix Line 10)

* Particular attention should be given to "Disagree" and "Strongly Disagree" ratings.
ANALYZING INHERENT RISK

CAMPUS: SUNY Campus at Apex
PROGRAM/FUNCTION: Teacher Education
ASSESSABLE UNIT: Critic Teacher Tuition Waivers

PROCUREMENT OF GOODS OR SERVICES

1. Direct control over program executions is not reduced under service contracts.

2. The activity is not involved in single or limited source contracts.

3. Other (Specify): ____________________________________________________________________________

A. Enter totals for Columns 1 through 5

B. Rating value

C. Multiply A by B

D. Enter total of Line C across

E. Subtract # of NA (Column 6) entries from # of questions asked (2 or 3)

F. Divide Line D by Line E and round to nearest whole number

Conclusion: The Procurement of Goods or Services for this activity may be creating vulnerability which is:

(Using Line F as a guide as well as other appropriate considerations, indicate overall conclusion here, and on Matrix Line 11)

* Particular attention should be given to "Disagree" and "Strongly Disagree" ratings.
ANALYZING INHERENT RISK

CAMPUSS: SUNY Campus at Apex

PROGRAM/FUNCTION: Teacher Education

ASSESSABLE UNIT: Critic Teacher Tuition Waivers

IMPACT OUTSIDE OF THE UNIVERSITY/CAMPUS

1. This activity has little potential for external pressures aimed at obtaining management decisions favorable to special interests.

2. There is little special interest group activity in this area.

3. Few members of the public are directly impacted by changes in this activity.

4. Other (Specify): ____________________________

A. Enter totals for Columns 1 through 5

B. Rating value

C. Multiply A by B

D. Enter total of Line C across

E. Subtract # of NA (Column 6) entries from # of questions asked (3 or 4)

F. Divide Line D by Line E and round to nearest whole number

Conclusion: The Outside Impact on the University/campus may be creating vulnerability which is:

(Using Line F as a guide as well as other appropriate considerations, indicate overall conclusion here, and on Matrix Line 12)

* Particular attention should be given to "Disagree" and "Strongly Disagree" ratings.
**ANALYZING INHERENT RISK**

**CAMPUS:** SUNY Campus at Apex  
**PROGRAM/FUNCTION:** Teacher Education  
**ASSESSABLE UNIT:** Critic Teacher Tuition Waivers

<table>
<thead>
<tr>
<th>S</th>
<th>T</th>
<th>R</th>
<th>A</th>
<th>G</th>
<th>E</th>
<th>R</th>
<th>T</th>
<th>I</th>
<th>F</th>
</tr>
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<tbody>
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### Age and Life Expectancy of the Activity

1. It is expected that this activity will not experience significant change, decline or phase-out within the next two years.
2. This assessable unit has been in existence for more than two years.
3. This unit is a permanent function of the University/campus.
4. This unit has not undergone reorganization in the last two years.
5. Other (Specify): ________________

**PLEASE CIRCLE APPROPRIATE NUMBER(S)**

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**Conclusion:** The Age and Life Expectancy of this activity may be creating vulnerability which is:

(Using Line F as a guide as well as other appropriate considerations, indicate overall conclusion here, and on Matrix Line 13)

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* Particular attention should be given to "Disagree" and "Strongly Disagree" ratings.
ANALYZING INHERENT RISK

DEGREE OF DECENTRALIZATION

1. The major responsibility for control of this activity exists within the unit and not at a centralised organisational level, separate from the unit being assessed.

2. There is an appropriate amount of decentralization, paired with adequate delegation of authority, needed to manage and control.

3. The decentralization of resources does not cause inefficiencies.

4. Decentralization does not create a barrier to getting work done.

5. Other (Specify): ____________________________________________________________________

A. Enter totals for Columns 1 through 5

B. Rating value

C. Multiply A by B

D. Enter total of Line C across

E. Subtract # of NA (Column 6) entries from # of questions asked (4 or 5)

F. Divide Line D by Line E and round to nearest whole number

Conclusion: The Degree of Decentralization of this unit may be creating vulnerability which is:

(Using Line F as a guide as well as other appropriate considerations, indicate overall conclusion here, and on Matrix Line 14)

* Particular attention should be given to "Disagree" and "Strongly Disagree" ratings.
ANALYZING INHERENT RISK

STEP 4B

CAMPUS: SUNY Campus at Ave
PROGRAM/FUNCTION: Teacher Education
ASSESSABLE UNIT: Critic Teacher Tuition Waivers

1. The unit has been reviewed or audited within the past two years.
2. All findings of the above reviews were minor.
3. The audit or review findings disclosed that previously identified problems were corrected.
4. The scope or coverage of recent reviews has not been extremely limited.
5. Audits and reviews have not uncovered losses due to waste or abuse in the last two years.
6. Other (Specify):

A. Enter totals for Columns 1 through 5
B. Rating value
C. Multiply A by B
D. Enter total of Line C across
E. Subtract # of NA (Column 6) entries from # of questions asked (5 or 6)
F. Divide Line D by Line E and round to nearest whole number

Conclusion: Prior Reviews of this activity may be indicating vulnerability which is:

(Using Line F as a guide as well as other appropriate considerations, indicate overall conclusion here, and on Matrix Line 15)

* Particular attention should be given to "Disagree" and "Strongly Disagree" ratings.

5/1/89 - AT 3:18 -
PRELIMINARY EVALUATION OF SAFEGUARDS

CAMPUS: SUNY Campus at Apex
PROGRAM/FUNCTION: Teacher Education
ASSESSABLE UNIT: Critic Teacher Tuition Waivers

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1. REASONABLE ASSURANCE
   The internal control systems provide reasonable assurance that loss due to waste, abuse or mismanagement is being prevented or minimized.

2. SUPPORTIVE ATTITUDE
   The managers and employees demonstrate and maintain a positive/supportive attitude toward internal controls.

3. COMPETENT PERSONNEL
   The managers and employees have the skills, knowledge and an attitude needed for accomplishing work requirements and developing and implementing internal controls.

4. CONTROL OBJECTIVES
   Internal control objectives are identified or developed for each significant risk within this assessable unit and are logical, reasonable and complete.

5. CONTROL TECHNIQUES
   Internal control techniques are effective and efficient in accomplishing the control objectives.

6. CONTINUOUS MONITORING
   Internal control systems are reviewed periodically to determine if they are working as intended, are still needed and are cost effective.

\[ \text{A. Enter totals for Columns 1 through 5 (Page Total)} \]

(continues)
PRELIMINARY EVALUATION OF SAFEGUARDS

CAMPUS: SUNY Campus at Albany

PROGRAM/FUNCTION: Teacher Education

ASSESSABLE UNIT: Critical Teacher Tuition Waivers

PRELIMINARY EVALUATION OF SAFEGUARDS - (CONTINUED)

SPECIFIC STANDARDS

1. DOCUMENTATION
   Internal control systems are clearly documented and available for examination.

2. RECORDING OF TRANSACTIONS AND EVENTS
   Transactions and other significant events are promptly recorded and properly classified.

3. EXECUTION OF TRANSACTIONS AND EVENTS
   Transactions and other significant events are authorized and executed only by persons acting within the scope of their authority.

4. SEPARATION OF DUTIES
   Key duties and responsibilities in authorizing, processing, recording and reviewing transactions are separated among individuals.

5. SUPERVISION
   Qualified and continuous supervision is provided to ensure that internal control objectives are achieved.

6. ACCESS TO AND ACCOUNTABILITY FOR RESOURCES
   Access to resources and records is limited to authorized individuals, and accountability for the custody and use of resources is assigned and maintained. Periodic comparison between resources and records is made.

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A. ENTER TOTALS FOR COLUMNS 1 THROUGH 5
   FOR THIS PLUS PREVIOUS PAGE

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B. Rating value

|   | 1 | 2 | 3 | 4 | 5 |

C. Multiply A by B

|   | 0 | 9 | 2 | 0 | 1 |

D. Enter total of Line C across

|   | 29 |

E. Subtract # of NA (Column 6) entries from # of questions asked (12)

|   | 12 |

F. Divide Line D by Line E and round to nearest whole number

|   | 2 |

Conclusion: In general, Compliance with Standards for this assessable unit is: (Using Line F as a guide as well as other appropriate considerations, indicate overall conclusion here, and on Matrix Line 16)

* Particular attention should be given to "Disagree" and "Strongly Disagree" ratings.

5/1/89 - AT3.20 -
OVERALL VULNERABILITY RANKING

CAMPUS: SUNY Campus at Apex

PROGRAM/FUNCTION: Teacher Education

ASSESSABLE UNIT: Critic Teacher Tuition Waivers

The Overall Vulnerability Ranking is derived from consideration of the 16 factor conclusions reached.

Select an overall ranking from those listed below, and enter the corresponding number on Matrix Line 17.

Overall Vulnerability Ranking (Options)

1. Low
2. Moderately Low
3. Moderate
4. Moderately High
5. High
RECOMMENDATION FOR SUBSEQUENT ACTION

CAMPUS: SUNY Campus at Apex

PROGRAM/FUNCTION: Teacher Education

ASSESSABLE UNIT: Critic Teacher Tuition Waivers

The Recommendation for Subsequent Action is derived by your consideration of the conclusions reached in Steps 4A through 4D, and from your knowledge, experience and judgment of and concerning the vulnerability of your unit/activity.

Indicate your recommendation for subsequent action by entering the number that corresponds to your selection from the list below on Matrix Line 18.

Recommendation (Options) for Subsequent Action

1. Request no action at this time
2. Instruct or train personnel
3. Establish or modify procedures
4. Request an internal audit or management review
5. Conduct an internal control review

Note: In addition to selecting one of the above recommendation options, remarks may be attached if necessary.