

Andrew M. Cuomo
Governor



Darryl C. Towns
Chairperson

New York State Housing Trust Fund Corporation
Hampton Plaza
38-40 State St.
Albany, NY 12207

INTERNAL CONTROL REPORT
2011-2012

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Statement on Internal Control Report

The accompanying Internal Control Certification and Internal Control Summary 2011-2012 have been prepared and certified by the internal control staff and Executive Management of New York State Homes & Community Renewal (NYSHCR), which consists of seven state agencies and public benefit corporations including the Housing Trust Fund Corporation (the Corporation) and the Division of Housing & Community Renewal (DHCR). The Corporation is administered primarily by DHCR staff; accordingly, the Corporation's internal control functions are monitored and managed primarily by DHCR personnel, and the accompanying certification includes all aspects of the Corporation's procedures. The Certification has been signed by the Corporation's President of Professional Services and DHCR's Internal Control Officer, who functions in the same capacity for the Corporation.

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2011-12 INTERNAL CONTROL SUMMARY & CERTIFICATION FORM

The Internal Control Summary and Certification Form provides supporting justification for an agency's level of compliance with the requirements of the Internal Control Act (the Act) as outlined below.

This form requests information regarding specific actions taken, or needed to be taken, by agencies to comply with each of the Act's requirements as described in Budget Policy and Reporting Manual (BPRM) Item B-350.

A completed and signed Internal Control Summary and Certification Form should be submitted on or before **April 30, 2012**, via e-mail as an attached PDF file to the Division of the Budget's internal control reporting mailbox at dob.sm.icreporting@budget.ny.gov

NYS Homes And Community Renewal DHCR	April 30, 2012	John Battle	518-473-0355
Agency Name	Date	Completed by (Name)	Phone

A. **Establish and maintain guidelines for a system of internal controls for the agency.** Internal control guidelines communicate an organization's management and programmatic objectives to its employees and provide the methods and procedures used to assess the effectiveness of its internal controls in supporting those objectives. Internal control guidelines should:

1. State the agency head's support of internal controls to provide staff with an understanding of the benefits of effective controls;
2. Identify the agency's primary responsibilities and the objectives;
3. Explain how internal controls are organized and managed;
4. Define responsibilities of agency management and supervisors and agency staff;
5. Acknowledge that internal controls adhere to accepted standards; and,
6. Describe the organization's process for evaluating internal controls.

For this requirement, the agency is:

Fully Compliant **Partially Compliant** **Not Compliant**

Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement.

The Internal Control Act requires each State agency to establish and maintain guidelines for a system of internal controls. The Commissioner at DHCR supports and requires these guidelines to be followed. The guidelines describe internal controls and how they relate to each employee. The guidelines also explain the Division of Housing and Community Renewal's internal control system, including the process for periodic internal control reviews.

The Division of Housing and Community Renewal is responsible for the supervision, maintenance and development of affordable low and moderate income housing in New York State. The Division performs a number of activities in fulfillment of this mission including: Housing Operations, Community Development & Renewal and Rent Administration.

The components of DHCR's internal controls systems are included and described in a number of documents:

- The Agency's Employee Handbook.
- Procedures developed by each Program Area for those activities of responsibility.

From The HCR Intranet Page:

- Managers Guide for Testing Compliance with Internal Control Requirements
- Internal Control Guidelines
- Employee & Supervisory Responsibilities related to Internal Controls
- Annual completion of Internal Control Review Forms for DHCR Managers

Internal Control Review Process

The Office of Internal Audit coordinates the annual Internal Control Review process. The Office of Internal Audit distributes to the units detailed instructions on how to review internal controls:

- The units review the most recent assessment of unit strengths and weaknesses, comparing it to current practices to identify any changes or potential weaknesses;

- The units test the procedures contained in the various budget manuals and those specific to the unit to identify whether they achieve desired results and to determine the potential consequences of procedures not working as intended. The units also determine if procedures are properly followed and develop recommendations for improvement;
- The units submit to the Office of Internal Audit suggested amendments to common policies contained in their own unit policies and procedures as needed;
- The Office of Internal Audit coordinates the review of suggested changes to common procedures, circulates amended items for comment and clears and issues amended manual items; and
- The Office of Internal Audit coordinates any follow-up actions needed to implement the results of the internal control review process to resolve any further issue.

B. Establish and maintain a system of internal controls and a program of internal control review for the agency. The system of internal control should be developed using the COSO (Committee of Sponsoring Organizations of the Treadway Commission) conceptual framework adopted in the *Standards for Internal Controls in New York State Government*, and should incorporate COSO's five basic components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring.

The program of internal control review shall be a structured, continuing and well documented system designed to identify internal control weaknesses, identify actions that are needed to correct these weaknesses, monitor the implementation of necessary corrective actions and periodically assess the adequacy of the agency's internal controls.

Organizations can adopt a system of internal control review tailored to their needs, size and degree of centralization. The procedures for evaluating the adequacy of that system also vary, but at a minimum should:

1. Identify and clearly document the primary operating responsibilities (functions) of the agency.
2. Define the objectives of these functions so they are easily understood by staff accountable for carrying out the functions.
3. Identify/document the policies and procedures used to execute functions.
4. Identify the major functions of each of the agency's assessable units.
5. Develop a process or cycle to assess risk and review controls for major functions. (*Describe the process used to review the agency's internal*

controls and list all high-risk activities and indicate which were reviewed during 2011-12.)

6. Assess the risks and consequences associated with controls failing to promote the objectives of major functions. *(Identify the significant deficiencies revealed during the 2011-12 review process. Outline the actions taken, or planned, to eliminate deficiencies, highlighting the most important improvements made during the year.)*
7. Test controls to ensure they are working as intended (see the Manager's Testing Guide) which can be downloaded from BPRM Item B-350). *(Summarize specific actions the agency has taken to install a compliance testing program. Describe actions taken during 2011-12 to verify test results and expand the testing program.)*
8. Institute a centrally monitored process to document, monitor and report deficiencies and corrective actions. *(Describe the monitoring system installed to verify that corrective actions are taken. Discuss the extent to which IT systems are used to track actions.)*

For this requirement, the agency is:

Fully Compliant Partially Compliant Not Compliant

In addition to providing a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement, please describe briefly your agency's process for reviewing and testing controls and monitoring corrective actions. Also list all high-risk activities which were reviewed during the past year, and the results of those reviews.

The Division of Housing & Community Renewal performed the following steps in evaluating their internal controls during 2011-12:

- Primary functions performed in support of each unit's stated mission and program objective were identified and documented. All functions have clear and documented policies and procedures.
- Managers of functions identified their function's risks and associated controls using a standardized format, the Internal Control Review Form for DHCR Managers. They were also required to test controls and report on testing results.
- Corrective action was put in place by managers in areas where weaknesses were identified.
- A vulnerability risk assessment survey was performed on agency functions to determine which areas were of highest concern. Functions were ranked based on criteria such as: funding, revenue collection, staffing, data security and past audits/reviews.

The major program areas and functions listed below are subject to the annual internal control review process and vulnerability risk assessment survey.

Office of Administration

- Budget
- Support Services
- Finance
- Human Resources
- Housing Information Systems
- Housing Trust Fund

Office of Housing

- Statewide Section 8
- Section 8 Contract Administration
- Project Monitoring
- Housing Audits & Accounts
- Architecture & Engineering

Office of Community Development

- Energy and Weatherization
- Capital Programs
- Monitoring

Office of Legal Affairs

- Legal Counsel & Advice

Office of Fair Housing and Equal Opportunity

- Contract Compliance
- Fair Housing

Office of Rent Administration

- Rent Information
- Property Management
- Overcharge/Luxury Decontrol
- Rent Control/ETPA

Training

- Office of Training & Professional Development

Inter-government Affairs

- Consolidated Plan

Policy

- Policy & Research

Public Information

- Public Information

- During 2011, the executive staff met on a regular basis with the Commissioner. It is during these meetings that updates were given on areas within the agency identified as needing improvement.
- The Internal Audit unit maintained automated tracking of audits and reviews. This database is periodically monitored and updated to include results of post-audit reviews and inquiries.
- The Internal Audit unit considers results from the Internal Control Managers forms when conducting audit planning.
- In conjunction with the internal control review, managers were required to test at least one control identified in their review and document testing results. Managers were encouraged to use sampling as a testing method. Instructions and examples of sampling, testing, and evaluation were provided in classroom training and written format. DHCR staff has access to the Manager's guide via the intranet.
- The Office of the State Comptroller's "*Standards for Internal Controls in New York State Government*" is integrated and included as part of our Internal controls training and internal controls implementation.
- Information is communicated within the organization verbally, utilizing technology and in writing. The information travels in all directions to ensure all staff and management of the agency are informed.
- One of the high-risk activities reviewed this year was Cash Management policies and procedures. An external and internal review is being conducted to identify internal control weaknesses in the collection of revenue throughout the DHCR agency. Both reviews are currently ongoing and being conducted by separate consultants.

The external review of the Section 8 Housing Choice Voucher (HCV) program concentrated on the repayment agreement process. Preliminary findings include risk areas related to efficiency and compliance. The internal review is concentrating on cash management policies and procedures of DHCR program areas responsible for collection of funds. Preliminary findings include the need for centralizing payments received and improving communications between the program areas billing and receivable functions.

Corrective actions have taken place for both reviews. External and Internal functions have been instructed to forward payments to a central location, with the installation of P.O. boxes and lockboxes. Final reports will include recommendations to strengthen internal control weaknesses.

We feel the agency is fully compliant in establishing and maintaining a system of internal controls in four of the five COSO areas; control environment, risk assessment, control activities, information and communication.

We feel the ability to monitor and conduct a continuous program of compliance testing and corrective action has been duly affected by our staff size, leaving us partially compliant to this requirement.

Over the past year our staff was reduced to two persons, which included the retirement of the Internal Audit Director. Also, the Internal Audit unit is responsible for administering the agency's Records Management and Retention function. The documentation, records and processes to conduct a continuous compliance and monitoring program have always been in place, but time and staff restraints have affected improvement in this area. Within the last month we have hired a Sr. Internal Auditor to our staff; and will be filling the Director of Internal Audit position soon. This will improve our position in being fully compliant with this requirement.

- 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 shall be expected to comply, along with detailed policies and procedures the employees are expected to adhere to in completing their work. The statement should set an appropriate and ethical tone at the top. It should be issued periodically and emphasize the importance of effective internal controls to the agency and the responsibility of each officer and employee for effective internal controls.**

Managerial policies and procedures for the performance of specific functions are articulated in administrative manuals, employee handbooks, job descriptions and applicable policy and procedure manuals. While it is not necessary for all employees to possess all manuals, employees should be provided with, or have access to, applicable policies and procedures for their position.

For this requirement, the agency is:

Fully Compliant **Partially Compliant** **Not Compliant**

Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement.

The components of the Agency's internal controls systems are described in a number of documents including:

The Agency's Employee Handbook outlines employee responsibilities, agency policy, time & attendance and leave policies, employee benefits, travel regulations, training and development, career mobility as well as employee management relations, separation, and physical security.

Procedures developed by each unit for those activities limited to the unit for a particular budget formulation, execution, or other special function, are maintained within the respective unit.

- D. **Designate an Internal Control Officer (ICO), who shall report to the head of the agency or to their designee within the executive office, to implement and review the internal control responsibilities established pursuant to this Item. The designation of the ICO should be communicated to all employees.**

The ICO works with appropriate personnel within the agency to coordinate the internal control activities and to help ensure that the internal control program meets the requirements established by BPRM Item B-350. Although the ICO evaluates the adequacy of the internal control reviews performed by agency staff, program and line managers are primarily responsible for conducting reviews to assure adherence to controls and analyzing and improving control systems. The ICO should be an individual with sufficient authority to act on behalf of the agency head in implementing and reviewing the agency's internal control program. This individual should have a broad knowledge of agency operations, personnel and policy objectives.

For this requirement, the agency is:

Fully Compliant Partially Compliant Not Compliant

Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement.

The responsibility for maintaining an Internal Control Review Program and providing internal control education to staff falls to the Internal Control Officer. DHCR also has an Information Security Officer. The director of Internal Audit works with these individuals to insure that internal control and security issues are identified and addressed during the course of audits. OIA recommends and promotes internal control and a security enhancement based on audit findings, but does not become involved in the design, installation, and creation of draft procedures or operation of management systems or processes.

The agency has always been fully compliant with this requirement. In December 2011 the Internal Audit Director, who also served as the Internal Control Officer retired. Currently, both positions are in the process of being filled soon. Once these positions are filled we will be fully compliant.

- E. **Implement education and training efforts to ensure that officers and employees have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques.** Agencies should identify staff requiring internal control training and the depth and content of that training. Such education and training should be on-going with specific courses directed at line staff, middle managers and executive management. For organizations that have established internal audit functions, training and education should be offered on the appropriate role of the internal auditor within the organization's internal control system.

For this requirement, the agency is:

Fully Compliant Partially Compliant Not Compliant

Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement.

- Through the HCR Intranet internal control information, responsibilities and standards continue to be distributed to DHCR employees during the 2011-12 period. The roles of the Office of Internal Audit and Internal Control Officer in respect to internal controls and other information and guides reiterating DHCR email controls, policies and procedures are continually posted.

Every three year period managers and supervisors will be required to attend a training session on internal controls; identifying risk factors and testing control methods. This was structured around the Internal Control Review Form. In conjunction with this session a detailed training booklet was created and distributed for future reference.

- F. **Periodically evaluate the need for an internal audit (IA) function. If an IA function exists, it should be maintained in compliance with generally accepted professional auditing standards.** Agencies on the Division of the Budget's list of agencies required to establish IA functions – and those choosing to have an IA function – are required to comply with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (see BPRM Item B-350 Section III "IA Responsibilities").

As outlined in BPRM Item B-350, agencies are required to periodically evaluate the need to establish, maintain or modify an IA function utilizing the *Internal Audit Evaluation Criteria (Attachment C)*.

Agencies concluding that an IA function is warranted should submit their evaluation to the Division of the Budget (DOB) as outlined in BPRM Item B-350. Periodically thereafter, agencies with IA functions should review current operations to determine whether the function should be altered or maintained.

Agencies concluding an IA function is not warranted should periodically reevaluate the need for such a function using Attachment C, especially when organizational, operating, fiscal, program, legal or personnel changes occur which affect the agency's exposure to risk or which could otherwise change the results of the initial assessment.

Pursuant to BPRM Item B-350, agencies required to have – and those entities choosing to have – an internal audit unit should comply with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. Therefore, the IA function should comply with the guidance outlined below regarding organizational placement, independence and reporting.

1. Directors of Internal Audit (DIA) should report functionally to the agency head or audit committee and may report administratively to the designated executive deputy (or equivalent position). If the executive deputy has line or staff duties, the DIA should report directly to the agency head.
2. A current organizational chart should be available that identifies the placement of the IA function, the individual that has responsibility for overseeing the internal audit activity and other organizations/activities under its purview.
3. The IA function should be independent of the ICO, but should work closely with the ICO. Limitations should be established on IC activities where those duties overlap. Agencies should identify impairments to the independence of the DIA that may be created where the DIA is performing the ICO function. Furthermore, IA functions should not assume operating responsibilities, perform management functions, make management decisions or assume other monitoring roles (e.g., Information Security Officer).
4. IA staff should complete an annual independence statement identifying actual/potential impairments to independence and notifying the DIA whenever a new actual/potential impairment arises.
5. The IA function should develop an annual risk-based audit plan, track the extent to which audit plans are achieved, and monitor implementation of audit recommendations.
6. At a minimum, DIAs should hold quarterly meetings with agency executive management and the audit committee, where applicable, to report on audit activities and results. Final reports should be distributed to the agency head, executive deputy, auditee, ICO and the audit committee.
7. The DIA should assure that agency audit staff have the skills, knowledge and ability to perform the audit work required, and should take steps to assure that the size of the audit staff is appropriate given the size and complexity of the organization.
8. The IA function should take appropriate steps to assure sufficient audit resources are available given the size and complexity of the organization. This can be accomplished by exploring in-sourcing, outsourcing and sharing audit services.

Agencies should specifically provide the following information when presenting their explanation:

1. A current organizational chart identifying the placement of the IA function, the name and title of the IA director, other organizations/activities under the IA function's purview and the name and title of the person to whom the IA director reports.

2. A description of how the internal audit director's credentials, education and experience meets the minimum qualifications established in BPRM Item B-350.
3. A description of how continuing professional education requirements are met by the director and each staff member.
4. A description of how quality assurance review requirements are being met.
5. A description of how the IA function ensures that it does not compromise its independence if it is also responsible for other functions (i.e., internal control, information security or other duties).
6. A copy of your 2012-13 internal audit plan.
7. Documentation pertaining to the risk-assessment utilized in formulating the 2012-13 audit plan.
8. An indication of which audits in the audit plan for FY 2011-12 were not conducted, and an explanation as to why they were not conducted.
9. An estimate of the cost savings to be achieved by virtue of implementing the recommendations contained in each conducted audit described in the FY 2011-12 audit plans and any audits that were conducted during that time period that were not in the audit plan. If it is not feasible to provide a cost estimate for savings, please identify process improvements, risk mitigation, fraud prevention or cost avoidance measures that result from implementation of such recommendations.
10. Identify the recommendations contained in the audits described in the FY 2011-12 audit plans that were not implemented, if any, and provide a full explanation why they were not implemented.
11. Identify the recommendations contained in final audits issued by the Office of State Comptroller between April 1, 2011 and March 31, 2012 that were not implemented, if any, and provide a full explanation why they were not implemented.

For this requirement, the agency is:

- Not Applicable – This agency does not have an IA function.**
- Fully Compliant** **Partially Compliant** **Not Compliant**

Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement.

- The current organizational chart has the Office of Internal Audit reporting to the Executive Deputy Commissioner. Currently, the position of Internal Audit Director is vacant, but will be filled soon.

- A description of how continuing professional education requirements are met by the director and each staff member:

The director and staff attend continuing professional education training sessions throughout the year. Training sessions are provided by organizations including New York State Internal Control Association, Association of Government Accountants, Information Systems and Control Association.

- A description of how quality assurance review requirements are being met:

A quality assurance review was conducted on the Office of Internal Audit (OIA) during 2006. The report dated October 6, 2006 expressed the opinion that OIA generally conforms to standards. Currently, DHCR OIA is on the list for the next round of Peer Reviews.

- A description of how the IA function ensures that it does not compromise its independence if it is also responsible for other functions (i.e., internal control, information security or other duties).

The responsibility for maintaining an Internal Control Review Program and providing internal control education to staff falls to the Internal Control Officer. DHCR also has an Information Security Officer. The director of Internal Audit works with these individuals to insure that internal control and security issues are identified and addressed during the course of audits. OIA recommends and promotes internal control and security enhancements based on audit findings, but do not become involved in the design, installation, and creation of draft procedures or operation of management systems or processes.

- ***A copy of your 2012-13 internal audit plan:***

A ***Draft Copy*** of the audit plan was completed. We are awaiting the appointment of the new Director of Internal Audit before the Plan is finalized. This should occur very soon.

New York State Homes and Community Renewal (HCR) has many processes and programs that interact with the public for providing funds to promote affordable housing. There is a risk that some of these processes may be outdated and less efficient and/or effective. Therefore, oversight and monitoring activities are critical to delivering services and programs in meeting the HCR mission. The Office of Internal Audit has planned their

2012-13 audit work with this in mind, focusing on identification of opportunities for oversight and monitoring improvement. We have also taken into consideration the amount of recent audit coverage a unit/area has received either internally or from oversight agencies and priorities identified by executive management.

Using a combination of these factors, the following list of audit activities is proposed for 2012-13.

**New York State Homes and Community Renewal
DHCR Office of Internal Audit (OIA)
Proposed 2012-13 Audit Plan**

New York State Homes and Community Renewal (HCR) has many processes and programs that interact with the public for providing funds to promote affordable housing. There is a risk that some of these processes may be outdated and less efficient and/or effective. Therefore, oversight and monitoring activities are critical to delivering services and programs in meeting the HCR mission. Receiving and the close-out of over 600 million dollars in federal stimulus ARRA funding only heightens the importance of oversight and monitoring. The Office of Internal Audit has planned their 2012-13 audit work with this in mind, focusing on identification of opportunities for oversight, monitoring and risk improvement. We have also taken into consideration the amount of recent audit coverage a unit/area has received either internally or from external oversight agencies; and special assignments identified by executive management.

Using a combination of these factors, the following list of audit activities is proposed for 2012-13.

Executive Management Initiatives

Upon Request

Required Assignments

A) Cash Management Consultant Review (internal)

Purpose: To identify the cash management policies throughout the DHCR agency. Identify the program areas that are responsible for collection of funds/revenues. Review those program areas policies and procedures for how funds are collected, documented and reconciled. Determine if segregation of duties and internal controls are in place and adequate. Determine the amount of funds collected by the agency over the review period.

Audit Scope: Assess the overall internal controls related to policies and procedures for handling collection of funds throughout the agency. Determine the amount of funds collected by the program areas for the review period. A time

period for review will be established with the assistance of the consultant team. Areas within the scope of this review will include:

- Identify cash management policies in the agency;
- Identify the program areas within the agency that are responsible for the collection of funds;
- Conduct interviews with program area managers and staff to identify personnel responsible for handling collection of funds.
- Determine if those program areas have formal written policies and procedures for intake, documenting, forwarding and reconciling of the funds they are responsible for collecting;
- Determine whether adequate segregation of duties exist in the collection of funds process; and whether internal controls are in place and working as intended;
- Review documentation and IT systems to determine the amount of funds collected in the program areas;
- Determine whether reconciliation procedures are being conducted to verify funds collected are the correct amount;
- Determine the audit testing necessary for this review.

B) G212 – Procurement Audit 2012

The purpose of this audit is to assess the agency's procurement process and to determine if the process is effective. By obtaining sufficient understanding of the agency's internal controls over the procurement process and evaluating the effectiveness of those controls will provide assurance that agency management is identifying and managing procurement risks.

Audit Scope:

- Identify/Evaluate controls over procurement process to ensure they are adequate.
- Perform testing to evaluate effectiveness of controls.
- Audit time period is 4/1/09 thru 5/31/12.

Planned Audits

1) Review of Agency Monitoring Activities

As a follow-up to OIA's review of agency audit functions, we will review the monitoring activities of program areas responsible for oversight of agency's funds through programs administered by Office of Community Development, Office of Community Renewal, Section 8 and Housing Management. Areas of review include, but are not limited to review of program:

- Policies, procedures and requirements
- Site visit and monitoring reports
- Technical assistance provided & corrective actions taken
- Financial & Compliance reporting requirements

- Past audit coverage
- Assess internal controls & risks

2) ARRA Compliance/Close-Out Reviews

This process will include OIA performing compliance reviews to ensure adherence to all agreements for use of ARRA funds. The increase of program funds will create a greater need for monitoring activities by program areas. OIA conducted reviews of the ARRA related Tax Credit Assistance Program (TCAP) in 2010-11. In 2012 a review will be conducted on the ARRA related Community Development Block Grant program funds (CDBG) to ensure:

- Adherence to required guidelines and timelines for use of ARRA funds
- Review CDBG project files for completeness
- Monitoring and oversight of project activities
- Review the ARRA 1512 quarterly reporting process
- Selection process and criteria for funded projects

3) Business Continuity & Disaster Recovery Planning

This is an area that OIA feels the agency needs to address. All program areas are responsible for identifying critical business operations and the agency needs to know what actions have been taken, if any. Areas of review will include but not be limited to:

- Identifying who has ownership of this initiative
- Identify program area contacts
- Program areas identifying critical business operations
- Identify critical agency systems
- Identify alternate work site locations
- Identify emergency personnel
- HIS data recovery operations

Other Audit Activities

4) Periodic Internal Control & Risk Assessment Surveys

This process can be built into the overall Audit Plan to occur more frequently throughout the year. This process along with the Annual Internal Control Certification will allow OIA to identify:

- Changes in program areas
- Changes in program areas responsibilities & staffing
- Increased risks
- Increased funding
- Cash management policies
- Previous audits/reviews/evaluations
- Internal Control weaknesses

5) **Periodic Procurement, Expenditure & Revenue Assessments**

This process will assist OIA in reassuring that internal controls governing our procurement, expenditures and revenue processes are in place and adequate. Internal Controls Bulletin G-212 calls for agencies to assess their procurement function and submit a report to OSC at least every three years; and encourages more frequent audits or reviews. Reviews of expenditures and revenues should also be conducted. This process will allow OIA, on a more frequent basis to:

- Review contract payments
 - Review purchases
 - Assess justifications/documentation for purchases & payments
 - Review travel card expenses
 - Test controls for purchases & payments
 - Review & test controls for revenues
 - Review transactions in KFMS, SFS and Revenue Tracking Systems
-
- Documentation pertaining to the risk-assessment utilized in formulating the 2012-13 audit plans.

An agency wide risk assessment survey was distributed to program areas for information gathering purposes. The survey gathered information on funding; staffing levels and changes; information security; functions performed and past audits and reviews. Responses to these surveys were used to provide a ranking of program areas according to risk using a weighted scoring system.

A risk assessment was also conducted on the program areas receiving ARRA funds. Program areas were asked to list their program objectives; risks associated with those objectives; the potential impact if those risks were to occur; and the controls in place to mitigate those risks.

Both risk assessments were used in determining areas of review for our audit plan, but were not the deciding factor. Other factors including, but not limited to, compliance with ARRA requirements; findings from external reviews and Executive Management request were also a factor.

- An indication of which audits in the audit plan for FY 2011-12 were not conducted, and an explanation as to why they were not conducted.

Planned audits of *Review of Agency Monitoring Activities & Business Continuity & Disaster Recovery Planning* were not conducted due to other priorities. Compliance reviews were completed for the TCAP program as part of the ARRA close out process. The need for DHCR to establish Emergency Disaster Recovery Centers (DRCs) in the wake of the flooding and storms that occurred in September 2011, limited access to personnel throughout the agency. Internal Audit staff also participated in providing coverage at the DRCs.

- An estimate of the cost savings to be achieved by virtue of implementing the recommendations contained in each conducted audit described in the FY 2011-12 audit plans and any audits that were conducted during that time period that were not in the audit plan. If it is not feasible to provide a cost estimate for savings, please identify process improvements, risk mitigation, fraud prevention or cost avoidance measures that result from implementation of such recommendations.

The review of DHCR's cash management policies and procedures has allowed the agency to take immediate corrective action in centralizing collection of funds processes. This new process will immensely reduce the risk and number of employees handling cash, checks and money orders.

Finalizing the reviews for the TCAP tax credit program established a baseline for conducting future ARRA program close-out compliance reviews.

Coordination of external audits with program areas led to reviewing corrective action plans to address any recommendations by external audits. A follow-up process is necessary.

- Identify the recommendations contained in the audits described in the FY 2011-12 audit plans that were not implemented, if any, and provide a full explanation why they were not implemented.

No recommendations were issued.

- Identify the recommendations contained in final audits issued by the Office of State Comptroller between April 1, 2011 and March 31, 2012 that were not implemented, if any, and provide a full explanation why they were not implemented.

A response to the recommendations for OSC Audit 2010-S-42 was issued in August 2011. Follow-up for implementation is needed within the year.

The Governor's Office of Taxpayer Accountability (OTA) and the Division of the Budget (DOB) will be conducting a review of these State agency and authority internal and contract audit plans and audit recommendations to assess (i) whether the audit plans are based on a documented risk assessment which captures areas for review that have the greatest risk exposure, (ii) the percentage of audits identified in each audit plan that were conducted, (iii) whether recommendations contained in audits were implemented, and any reasons for non-implementation, and (iv) cost savings and other benefits attributable to the audits. In addition, the OTA and DOB will assess whether recommendations contained in audits conducted by the Office of the State Comptroller were implemented, and any reasons for non-implementation.

