



MEMORANDUM

June 17, 2014

TO: Members of the Board of Trustees

FROM: Nancy L. Zimpher, Chancellor

**SUBJECT: Approval of Revisions to the State University of New York
Internal Control Program**

On behalf of the Audit Committee, I recommend that the Board of Trustees adopt the following resolution:

Whereas by Resolution 89-48, adopted March 22, 1989, the State University established an internal control program in conformance with the provisions of the New York State Government Accountability, Audit and Internal Control Act, Chapter 814 of the Laws of 1987 ("Internal Control Act"); and

Whereas by Resolution 96-45, adopted March 26, 1996, the State University of New York Board of Trustees approved revisions to the internal control program policy document on internal control; and

Whereas the continuous review and assessment of internal controls is an essential element of any internal control program to ensure the adequacy of the controls over time and in light of a changing operational environment; and

Whereas the Division of the Budget, in furtherance of its responsibility under the Internal Control Act to ensure the Act is appropriately implemented, has directed all State agencies to include testing procedures in their internal control programs; and

Whereas the Audit Committee has reviewed the needs of the State University internal control program and the requirements of the Internal Control Act, and recommends that the internal control program be revised accordingly; now, therefore, be it

Resolved that the revisions to the State University of New York internal control program set forth in the document entitled "Internal Control Program," dated June 17, 2014 (copy on file in the Office of the Secretary of the Board) be, and hereby are, approved; and, be it further

Resolved that the document entitled "Internal Control Program," dated June 17, 2014 be, and hereby is, adopted as the State University's policy document on internal controls; and, be it further

Resolved that the Chancellor, or designee, be and hereby is authorized, in consultation with the Chair of the Audit Committee, to develop and issue, from time to time, supplemental guidelines to the internal control procedures, as may be necessary, consistent with the policy for internal controls adopted by this Resolution.

Background

Internal controls are a system of operating practices, reporting relationships, and procedures that have been established for an organization to achieve its objectives and to avoid the misuse or loss of its assets. The State University's internal control program encompasses the internal control procedures of the State-operated colleges, the University hospitals and related health care facilities, the statutory colleges at Alfred and Cornell, and System Administration.

Principal responsibility for the implementation of the State University's internal control program rests with the campuses. System Administration assists the campuses in the fulfillment of these responsibilities, and coordinates and facilitates campus compliance with the requirements of the internal control program. To that end, the University has identified the following eight areas to be of significant risk to campus operations which require monitoring to ensure operational efficiency in conformance with campus objectives, as well as all applicable laws and procedures: revenue and cash management, property control, procurement, personnel and payroll practices, computer operations and information security, financial aid, disaster planning and recovery, and the general control environment. In addition, each campus/hospital should conduct a risk assessment to identify additional high risk areas.

The document, entitled "State University of New York Internal Control Program," is based on the framework outlined in the report entitled "Internal Control-Integrated Framework" issued by the Committee on Sponsoring Organizations ("COSO") of the Treadway Commission, and thus includes the most extensive and comprehensive research available on the subject of internal

controls. Furthermore, the University's internal control program conforms with a directive to all State agencies by the Division of the Budget pursuant to its authority under the New York State Governmental Accountability, Audit, and Internal Control Act ("Internal Control Act").

In addition, the revised internal control program includes integration of recent updates to the five elements of the COSO internal control framework (control environment, risk assessment, control activities, information and communication, and monitoring activities). The internal control program also incorporates an internal control testing program, as required under the Internal Control Act, to ensure that the internal controls are functioning as intended.

Furthermore, recognizing that the review and approval of internal controls is a continuous process and that existing applications need to be refined to ensure that control objectives are being obtained, this resolution authorizes the Chancellor, or designee, in consultation with the Chair of the Audit Committee, to develop and issue supplemental guidelines to the internal control procedures as may be necessary, from time to time, consistent with the policy for internal controls adopted by this Resolution.

Attachment

Policy Title: Internal Control Program
Document Number: 7500
Effective Date: June 17, 2014

Summary

Pursuant to the New York State Government Accountability, Audit and Internal Control Act (Act) this policy outlines the State University of New York's (University) formalized program of internal control, which is designed to ensure that the University has a system of accountability for and oversight of its operations and to assist the University in achieving its goals and objectives.

Policy

I. Purpose

The New York State Government Accountability, Audit and Internal Control Act (Act) requires that all state agencies institute a formal internal control program. This system of internal controls is designed to ensure that the University and its campuses meet their mission, promote performance leading to the effective accomplishment of goals and objectives, safeguard assets, provide for the accuracy and reliability of financial and other key data, promote operational efficiency and effectiveness, and encourage adherence to applicable laws, regulations and prescribed policies and practices.

II. Requirements

The Act requires that all state agencies institute a formal internal control program as outlined in the Division of Budget (DOB) Budget Policy and Reporting Manual Item B-350. The University is required to annually certify compliance with the provisions of the Act to DOB.

III. Design

The University's internal control program and guidelines incorporate concepts set forth by The Office of the State Comptroller's Standards for Internal Control in New York State Government, and the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) updated version of its report titled *Internal Control – Integrated Framework*. The COSO framework consists of five basic components to internal controls. Each component should be present and functioning throughout the system of internal control and referred to when conducting risk assessments. These components are as follows:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring activities

Other Related Information

COSO Internal Control - Integrated Framework (May 2013)

Standards for Internal Control in New York State Government

Procedures

Internal Control Guidelines, Document #7501

Forms

Evaluation templates are available as part of the Internal Control Program Guidelines.

Authority

New York State Governmental Accountability, Audit and Internal Control Act, Chapter 814, Laws of 1987, as amended by Chapter 510, Laws of 1999.

State University of New York Board of Trustee Resolutions, No. 96-45, adopted March 25, 1996, No. 89-45, adopted March 22, 1989, and No. 88-80, adopted May 24, 1988.

History

- May 14, 2013 – Committee of Sponsoring Organizations of the Treadway Commission (COSO) released an updated version of the Internal Control – Integrated Framework segmenting the five components of internal control into principles and points of focus.
- April 20, 1999 – Chapter 510, Laws of 1999, effective January 1, 1999 amending the provisions of the New York State Governmental Accountability, Audit and Internal Control Act of 1987
- March 25 and 26, 1996 - Board of Trustee Resolution No. 96-45, Approval of Revisions to State University of New York Internal Control Program
- March 22, 1989 – Board of Trustee Resolution No. 89-48, Implementation of the New York State Governmental Accountability, Audit and Internal Control Act of 1987 as it relates to Internal Audit
- May 24, 1988 – Board of Trustee Resolution No. 88-80, Establishment of the Audit Committee of the Board of Trustees
- July 2, 1987 – New York State Governmental Accountability, Audit and Internal Control Act, Chapter 814, Laws of 1987