

**Compliance Roadmap**  
**For**  
**Internal Control Officers**  
**Directors of Internal Audit**  
**And Other Stakeholders**

**INTERNAL CONTROL PROGRAM  
COORDINATION AND IMPLEMENTATION**

<b>Recommendations</b>	<b>Status</b>	<b>Required Modifications</b>	<b>Page</b>
1. Each Agency/Authority Head should provide a communication to all staff in support of its internal control program, including the importance of assessing internal controls.			4
2. Internal control programs should include a preliminary risk self-assessment by function.			4
3. Internal control programs should include an in-depth assessment of each function and should include the identification of inherent risks and internal controls for each function.			4
4. Internal control programs should establish the frequency of reporting cycles for each risk assessment, internal control review, and other internal control reporting documents.			4
5. Internal control programs should establish an approval or independent review process of the preliminary risk assessments and the more in-depth internal control reviews.			5
6. Internal control programs should establish minimum and maximum timeframes for periodically reviewing its organizational structure and its inventory of functions.			5
7. Internal control programs should establish a process for identifying improvement areas, corresponding corrective actions, and implementation status of all corrective actions.			5
8. Internal control programs should establish and maintain documentation standards (what needs to be kept; by whom; where; and for how long).			5

**INTERNAL CONTROL EDUCATION AND TRAINING**

<b>Recommendations</b>	<b>Status</b>	<b>Required Modifications</b>	<b>Page</b>
1. Agency management should assign staff to one of three training levels: Line Staff, Middle Managers, and Executive Management.			37
2. Agency management should identify training objectives and key concepts (see Appendix), for each level.			38
3. Agency management should identify methods of delivery and frequency following the recommended framework of quick hitters, instruction-based learning, and executive meetings.			39
4. NYSICA should establish a centralized resource library.	Complete	Maintain Updates	40

**INTERNAL AUDIT ORGANIZATION AND STAFFING:  
ORGANIZATIONAL PLACEMENT AND INDEPENDENCE**

Recommendations	Status	Required Modifications	Page
<p>1. The Division of the Budget (DOB) should expand BPRM Item B-350 to:</p> <ul style="list-style-type: none"> <li>a. Require Directors of Internal Audit (DIA) to report on the <i>results</i> of the unit’s work to the agency head and the audit committee.</li> <li>b. Require that DIAs report <i>administratively</i> to the agency head or 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.</li> <li>c. Establish a goal of quarterly meetings between the internal auditor and agency executive management/audit committee.</li> <li>d. Require the DIAs to distribute final reports to the agency head/executive deputy, audit committee, auditee and Internal Control Officer (ICO).</li> <li>e. Emphasize the relevance and importance of audit committees.</li> <li>f. Endorse the independence of the internal audit and ICO functions. Establish limitations on internal control activities where those duties overlap. Require agencies to identify any impairments to the independence of the internal auditor/ICO as part of the agency’s internal control certification.</li> <li>g. Provide guidance to internal auditors/units regarding the assumption of operating responsibilities, performance of management functions or decision-making, or assumption of other monitoring roles (e.g. ICO or Information Security Officer (ISO)).</li> </ul>	<p>Revised B-350 to Be Released in Fall 2006</p>	<p>BPRM Item B-350</p>	<p>60-61</p>

<p>h. DOB should expand BPRM Item B-350 to require internal auditors to complete an annual independence statement that identifies actual/potential impairments to independence and requires they notify the internal audit director whenever a new actual/potential impairment arises. Similar direction should be included in any other guidance developed for internal auditing in New York State government.</p>			
<p>2. DOB should expand the annual internal control certification process to require information on:</p> <ul style="list-style-type: none"> <li>a. A current agency organizational chart that identifies the placement of the internal audit unit, the individual that has responsibility for overseeing the internal audit activity, and any other organizations/activities that may be under the purview of the internal audit director.</li> <li>b. Information on the existence and composition of an audit committee.</li> <li>c. Identifies any overlap between the duties of the DIA and other responsibilities.</li> <li>d. Details when the last independent review of the agency’s internal control certification process was completed and, if applicable, the results of that review.</li> <li>e. Whether internal auditors are required to complete an annual independence statement and, if so, the date those statements were last collected.</li> <li>f. The frequency of meetings held between the internal auditor and agency executive management and the audit committee.</li> <li>g. Agency protocols for the distribution of internal audit reports.</li> </ul>		<p>BPRM Item B-350</p>	<p>60-61</p>

<p>3. The Office of the State Comptroller (OSC) should provide guidance on the concepts in the recommendation above into its Internal Control Standards or any other publications developed for internal controls or internal auditing in New York State government.</p>		<p>OSC's IC Standards</p>	<p>60</p>
<p>4. The ICTF should work with the Department of Civil Service to review the classification of internal audit positions to ensure all internal auditors are sufficiently removed from political pressures and are under a personnel system in which compensation, training, job tenure, and advancement are based on merit.</p>			<p>61</p>

**INTERNAL AUDIT ORGANIZATION AND STAFFING:  
AUDIT DIRECTOR QUALIFICATIONS**

<b>Recommendations</b>	<b>Status</b>	<b>Required Modifications</b>	<b>Page</b>
1. DOB should adopt minimum and preferred qualifications in BPRM Item B-350 for for Director of Internal Audit positions.		BPRM Item B-350	71
2. DOB should clarify its role in approving individuals as Directors of Internal Audit.			71

**INTERNAL AUDIT ORGANIZATION AND STAFFING:  
AUDIT STAFFING**

<b>Recommendations</b>	<b>Status</b>	<b>Required Modifications</b>	<b>Page</b>
<p>1. The Internal Control Task Force (ICTF) should:</p> <ul style="list-style-type: none"> <li>a. Work with agencies identified in the table in this section to assess their internal audit staffing needs and identify plans to meet those needs.</li> <li>b. Publish guidance on using risk assessments to estimate total staffing needs.</li> <li>c. Identify methods for providing audit coverage at other agencies, including:               <ul style="list-style-type: none"> <li>• Coordinate the efforts of internal audit units statewide;</li> <li>• Host an internal audit website; and</li> <li>• Help agencies improve staff productivity by providing assistance in the procurement, deployment and use of databased audit management tools and Computer Assisted Audit Techniques (CAATs).</li> </ul> </li> <li>d. Encourage professional certifications by:               <ul style="list-style-type: none"> <li>• Working with the Department of Civil Service to recognize certifications in examination processes; and</li> <li>• Obtaining/subsidizing review materials/courses.</li> </ul> </li> <li>e. Work with the Department of Civil Service to:               <ul style="list-style-type: none"> <li>• Classify internal audit as management confidential positions statewide;</li> <li>• Create a traineeship for the internal audit title series. Consider establishing an internship program for internal auditing;</li> <li>• Evaluate the potential for transferability between accounting/audit series positions and the internal audit title series.</li> <li>• Develop a compensation scheme and career ladder that is competitive with other accounting and auditing careers in New York State; and</li> <li>• Encourage internal audit units to use the internal audit title series.</li> </ul> </li> </ul>			91

<p>2. Agencies should:</p> <ul style="list-style-type: none"> <li>a. Maintain an inventory of recurring audit projects.</li> <li>b. Report on internal audit staffing as part of an annual internal audit report to agency management (discussed in the independence section of this report).</li> <li>c. Review internal audit staffing levels annually and discuss with agency management the need for any additional internal audit staff.</li> </ul>		<p>OSC I/C Standards</p>	<p>91</p>

**INTERNAL AUDIT ORGANIZATION AND STAFFING  
OUTSOURCING, INSOURCING AND SHARED SERVICES**

Recommendations	Status	Required Modifications	Page
1. Agency Management should consider outsourcing, insourcing, or shared services as a means of providing audit coverage or securing specialized expertise.			106
2. The ICTF should further study agency use of outsourcing to identify opportunities for improving the options currently available, minimizing contract management overhead costs, and developing multi-agency contracts for commonly needed audits.			106
3. The ICTF should further study the feasibility of establishing a collective audit approach to provide internal audit coverage for smaller agencies that do not maintain an internal audit unit.			106

## INTERNAL AUDIT PROCESS

Recommendations	Status	Required Modifications	Page
1. The Director of Internal Audit (DIA) in each State agency should periodically develop a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organization's goals.		OSC I/C Standards	116
2. The internal audit activity's plan of engagements should be primarily based on a risk assessment, updated at least annually. The input of senior management and the board (if applicable) should be considered in the process.		OSC I/C Standards	116
3. In developing the audit plan the DIA should share information and coordinate activities with other internal and external providers of relevant assurance and consulting services to ensure proper coverage and minimize duplication of efforts.		OSC I/C Standards	116
4. The DIA should communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and to the board for review and approval. The Director should also communicate the impact of resource limitations.		OSC I/C Standards	116
5. The DIA should ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.		OSC I/C Standards	116
6. The DIA should establish policies and procedures to guide the internal audit activity.		OSC I/C Standards	116
7. The DIA should establish and maintain a system to monitor the disposition of audit		OSC I/C Standards	116

recommendations communicated timely to management.			
8. The DIA should document the rationale used by internal audit units in deciding which audit recommendations should be followed up on and when, as opposed to recommendations where no follow up will be conducted.		OSC I/C Standards	116
9. The DIA should follow up with management to document that audit recommendations have been effectively implemented, or that senior management has accepted the risk of not implementing the recommendations.		OSC I/C Standards	116
10. The DIA should monitor the disposition of recommendations of consulting engagements to the extent agreed upon with the client.		OSC I/C Standards	116
11. The DIA should require each internal audit unit establish a written policy for security and control of audit work papers that, at a minimum, address the following topics: physical control, storage, retention, and release to internal and external parties.		OSC I/C Standards	116
12. Internal audit units should maintain work paper documentation for each audit and follow-up.		OSC I/C Standards	117
13. Internal audit units should establish a written policy governing work paper review and approval.		OSC I/C Standards	117
14. The ICTF should develop a mechanism for internal audit units to create and share standard work paper elements to meet minimum requirements and incorporate best practices.			118
15. The ICTF should explore licensing an electronic work paper package (such as TeamMate) on a statewide basis for use by all agencies.			118

**INTERNAL AUDIT CONTINUING PROFESSIONAL EDUCATION**

<b>Recommendations</b>	<b>Status</b>	<b>Required Modifications</b>	<b>Page</b>
1. Agencies should implement a continuing education program which includes all the elements of the New York State Internal Auditor Continuing Education Guidance document.			126
2. DOB and OSC should help to facilitate continuing education and CPE tracking services for NYS Internal Audit Units.			126
3. DOB should facilitate a NYS Internal Auditor web page to share information.			126
4. Agencies should share best practices for in-house systems for tracking CPEs.			126

**INTERNAL AUDIT PEER REVIEW**

<b>Recommendations</b>	<b>Status</b>	<b>Required Modifications</b>	<b>Page</b>
DOB should coordinate a cooperative, interagency external assessment approach for peer review.			148