

STATE OF NEW YORK  
DIVISION OF THE BUDGET

Internal Control Report

October 1, 2014 through September 30, 2015

# DIVISION OF THE BUDGET

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INDEPENDENT ACCOUNTANTS' REPORT

Director of the Budget  
Division of the Budget  
State of New York:

We have examined management's assertion included in its representation letter dated April 29, 2016 that the New York State Division of the Budget's internal controls maintained during the period October 1, 2014 through September 30, 2015, are adequate to meet the criteria for maintaining internal control as established in the "New York State Governmental Accountability, Audit and Internal Control Act." The New York State Division of the Budget's management is responsible for maintaining internal controls. Our responsibility is to express an opinion on whether internal control is adequate to meet such criteria based on our examination. The significant objectives and relevant controls supporting management's assertion are in the accompanying Appendix A.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Government Auditing Standards, issued by the Comptroller General of the United States and, accordingly, included obtaining an understanding of internal control over accounting and administrative operations, testing, and examining the design and operating effectiveness of the internal controls, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination did not constitute an audit of any financial statement prepared by the New York State Division of the Budget, nor did it constitute an economy and efficiency or program audit described by the Government Auditing Standards.

Because of inherent limitations in any internal control, misstatements due to errors or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over administrative operations to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We understand that the New York State Division of the Budget considers the controls referred to in the first paragraph of this report that meet the criteria for maintaining internal control as established by the "New York State Governmental Accountability, Audit and Internal Control Act." In our opinion, based on this understanding and on our examination, the New York State Division of the Budget's internal controls maintained during the period October 1, 2014 through September 30, 2015, are adequate, in all material respects, to meet the criteria established by the "New York State Governmental Accountability, Audit and Internal Control Act," based upon such criteria.

This report is intended for the information of the New York State Division of the Budget and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Toski & Co., CPAs, P.C.

Williamsville, New York  
April 29, 2016

DIVISION OF THE BUDGET  
INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

**BUDGET EXECUTION AND MONITORING**

SIGNIFICANT OBJECTIVES

To approve certificates of allocation/budget journals which allocate funds in accordance with the enacted budget, the State's Financial Plan, and the purpose for which the funds were appropriated, as defined by law and appropriation language.

RELEVANT CONTROLS

- Agency prepares and submits a certificate of allocation/budget journal.
- A log of all certificates of allocation/budget journals is maintained and reviewed periodically.
- Examiner reviews the certificate of allocation/budget journal of allocation and prepares recommendation.
- In certain cases, the Agency will request that a budget journal be rejected for a technical correction. If rejected, the budget journal does not go to the supervising examiner.
- Supervising examiner reviews the recommendation and approves (rejects) or modifies the certificate of allocation/budget journal.
- Section head or unit chief approves (rejects) or modifies the certificate of allocation/budget journal.

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DIVISION OF THE BUDGET  
INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

**BUDGET EXECUTION AND MONITORING**

SIGNIFICANT OBJECTIVES

To identify significant variations between actual cash receipts and disbursements and the estimates included in the Financial Plan.

RELEVANT CONTROLS

- Examiner and section head compare actual receipts and disbursements to projections on a monthly basis and identify significant variations.
- Examiner and section head analyze and obtain explanations for the variations.
- On a daily basis, examiners send the previous business day's receipts to the unit financial plan coordinator, who then provides a daily cash flow summary both to the unit's revenue staff and chief, and to the Expenditure Debt Unit. During the last few business days of each month, examiners also provide the coordinator with the projected monthly variance for each revenue source along with any relevant or necessary comments pertaining to each variance.
- The monthly cash flow report is submitted by the unit financial plan coordinator to the unit chief for review and from the unit chief to the budget director.
- Monthly cash flows for the general fund are maintained and revised quarterly in conjunction with Financial Plan updates.

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DIVISION OF THE BUDGET  
INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

**BUDGET EXECUTION AND MONITORING**

SIGNIFICANT OBJECTIVES

To monitor debt issuance/bonding consistent with the requirements of capital disbursements.

RELEVANT CONTROLS

- Examiner reviews estimates of capital disbursements submitted by State agencies, authorities, and public benefit corporations, and, with representatives of the Office of the State Comptroller (OSC) and the bonding entity, sets up the bonding schedule.
- Examiner ensures that the bonding plan is on schedule to be presented to the Board of Directors of the Public Authority and the Public Authorities Control Board for their approval or disapproval.
- Examiner prepares or revises material to be in the Official Statement. Source documents used include the State's Financial Plan, State's annual report, previous Official Statements, and New York City reports, if applicable.
- Section head reviews Official Statement support and with the examiner meets with OSC staff, bond underwriters, bond counsel and rating agencies to understand and confirm the specific bonding requirements.
- The Official Statement is sent to the rating agencies. The rating agencies release the ratings for the bonds, which cannot be sold without ratings.
- Examiner revises and updates the Official Statement draft as circumstances warrant and prepares the bond certificates.
- Examiner prepares disclosure certificates and related contracts for the signature of the budget director. Documents are reviewed by the team leader, section head and unit head.
- Budget director signs the corresponding bond deal contracts.

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DIVISION OF THE BUDGET  
INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

**BUDGET EXECUTION AND MONITORING**

SIGNIFICANT OBJECTIVES

To evaluate State plans, promulgated rates and related allocations for health, mental health and social services programs to ensure consistency with Federal requirements, and State policies, statutes and regulations to the extent that the Division of the Budget is statutorily required to review such plans.

RELEVANT CONTROLS

State Plans

- A log of plans received and processed is maintained.
- Examiner reviews proposed plans or amendments to determine if they meet Federal requirements and whether it reflects agreements reached by the State.
- Examiner reviews program plans or amendments, and researches statute and regulation, to determine if the plan is in conformity with State legislative intent, regulations, and policies.
- Examiner analyzes the plan to determine potential fiscal impact and whether State financial or administrative responsibilities can be accommodated within the Financial Plan and Federal fund limits.
- Examiner assesses and considers coordination with other programs and funding streams and identifies issues of interest to other agencies.
- Examiner confers with section head (and unit head, when necessary) and makes recommendation on the plan or amendment to the agency.
- For certain plans, examiner, section head and unit head approve the plan for the Governor's signature, if applicable, and submission to the Federal government.



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INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

**BUDGET EXECUTION AND MONITORING**

SIGNIFICANT OBJECTIVES

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RELEVANT CONTROLS

Reimbursement Rates

- Agency submits request for a rate adjustment to the Division of the Budget. For local Medicaid rates, requests are submitted by the Department of Health to the Division of the Budget.
- A log is maintained and requests are date stamped and forwarded to the appropriate examiner. For local Medicaid rate adjustment requests from a non-Department of Health agency, the package is reviewed by both the Health Unit and the requesting agency's relevant unit.
- Examiner evaluates the request for conformity with relevant statutes, regulations, or administrative policies or guidelines and analyzes the potential fiscal impact on the State Financial Plan.
- Examiner prepares a preliminary recommendation for review by supervisors and the unit head.
- Supervising examiner initials the recommendation indicating approval and forwards to unit head for final review.
- Unit head reviews and approves the staff recommendation, and in cases where the budget director approval has been delegated to the unit head, approves the request. For local Medicaid rate adjustment requests from a non-Department of Health agency, the unit head of the relevant unit will give final approval upon the completion of the Health Unit's review and recommendation.

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DIVISION OF THE BUDGET  
INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

**BUDGET EXECUTION AND MONITORING**

SIGNIFICANT OBJECTIVES

To develop and promulgate statewide fringe benefit and indirect cost billing rates to ensure proper funding of overhead cost.

RELEVANT CONTROLS

- The examiner reviews the fringe benefit and indirect cost plan support, assures that all assumptions regarding cost and benefits are accurate, and recommends approval or rejection of the rates and plans.
- The supervising examiner reviews the fringe benefit and indirect cost plan support for accuracy and clarity, discusses with the examiner the appropriateness of the rates and plan, and recommends approval or rejection of the rates and plan.
- Unit head reviews the fringe benefit and indirect cost plan support, discusses with the supervising examiner and examiner the appropriateness of the rates and cost plan, and makes a final determination for approval of the rates and plan.
- The approved rates and plan are transmitted by the unit chief to OSC which bills the “other funds” based on the approved rates.
- The approved rates and plan are submitted to the Federal Government, where applicable, for their review and approval.

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DIVISION OF THE BUDGET  
INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

**BUDGET EXECUTION AND MONITORING**

SIGNIFICANT OBJECTIVES

To approve capital construction programs/projects consistent with appropriation language, compatible with agency expenditure plans and program goals, and other appropriate requirements.

RELEVANT CONTROLS

- Agency prepares and submits a budget journal in the Statewide Financial System (SFS) for the capital construction program/project to be awarded for proper funding source, amount and consistency with the program/project request as submitted.
- A log of all SFS budget journals is maintained and reviewed periodically.
- Examiner reviews the budget journal in SFS, and if properly prepared, the examiner submits the journal for approval to the supervising examiner and then section head.
- Supervising examiner and section head reviews the budget journal and approves or rejects the request.

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DIVISION OF THE BUDGET  
INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

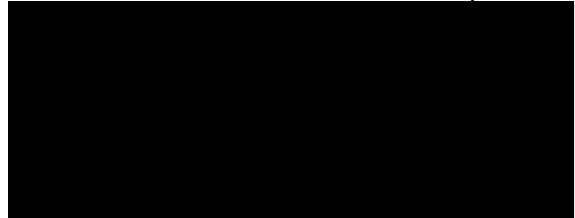
**BUDGET EXECUTION AND MONITORING**

SIGNIFICANT OBJECTIVES

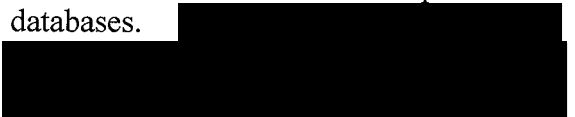
Access to significant computer system data files is appropriately restricted to authorized users and programs.

RELEVANT CONTROLS

- Application access changes are submitted to the HELP desk on a user change request form.
- The HELP Desk maintains a log of such requests and submits them to system support staff for processing.
- Written procedures identify the various steps used to add, modify or delete users for whom standard access is requested.



- Written procedures also describe the process used to grant non-standard access to DOB's applications and network, including granting of administrator rights and access to the non-production databases.



- [Redacted]

- [Redacted]

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DIVISION OF THE BUDGET  
INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

**BUDGET EXECUTION AND MONITORING**

SIGNIFICANT OBJECTIVES

To ensure that data received by the Division of the Budget is received completely and accurately from other state information technology systems.

RELEVANT CONTROLS

- Developers and business analysts are responsible for data integrity and maintain documentation on procedures followed and results obtained when information is imported.

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DIVISION OF THE BUDGET  
INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

**BUDGET EXECUTION AND MONITORING**

SIGNIFICANT OBJECTIVES

To monitor non-General Fund revenues (Medicaid, third-party receipts, tuition, and user fees) in order to reduce the amount of general State revenue needed to fund these activities.

RELEVANT CONTROLS

- During the year, monthly meetings are held to review agency revenues and projections, and to access any guidance to be given to agencies on their claims and management of revenue reserves.
- Towards the end of the state fiscal year, more frequent meetings are held to manage the closeout of revenues among the agencies of the Department of Mental Hygiene to ensure a balance of both avails to carry over into the next year and that revenues claimed in the current years are sufficient to support operations.
- The agencies send the examiners updates of actual and projections of revenues by source.
- During the year an examiner reviews the potential impact of special bills and disbursement/expenditure controls on receipt and disbursement estimates.
- The examiner monitors actual receipts and disbursements against the projections and makes any needed revisions to the annual estimates in conjunction with updates to the State Financial Plan.

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