

Internal Control Program

New York State Fair

Internal Controls help safeguard funds, provide efficient & effective management of assets, & permit accurate financial accounting.

Background

For over twenty years, New York State law has required state agencies and public authorities to maintain a system of internal control to help safeguard public assets and promote accountability in government.

In 1987, the Legislature passed the New York State Governmental Accountability, Audit and Internal Control Act (Act) requiring each State agency to institute a comprehensive system of internal controls over its operations. The Division of the Budget's (DOB's) Budget Policy and Reporting Manual Bulletin B-350 requires the head of each covered agency to certify compliance with the Act by April 30 of each year by submitting a Certification and Internal Control Summary describing the internal control activities undertaken during the previous year.

Introduction

Internal controls are the integration of the activities, plans, attitudes, policies, and efforts of the people of the State Fair working together to provide reasonable assurance that the State Fair will achieve its mission. While the overall purpose of internal control is to help the State Fair achieve its mission, internal control also helps the State Fair to promote orderly, efficient and effective operations, and produce quality services consistent with the State Fair's mission; safeguard resources against loss due to abuse, mismanagement, errors and fraud; promote adherence to laws, regulations, contracts and management directives; and develop and maintain valid and timely financial and management data.

Internal controls are much more than a set of procedures we put in place to safeguard assets. Rather, they are the cumulative sum of all the things we do as public servants to identify, monitor and manage risk at the State Fair. This comprehensive view of internal controls is critical to ensuring that New York State citizens receive the level of public integrity, accountability and ethical behavior that they expect and deserve.

Reasonable Assurance

All internal control systems must provide *reasonable* assurance that the mission of the State Fair will be met in a cost effective manner. Reasonable assurance provides sufficient confidence that internal controls are functioning to ensure the State Fair will meet its mission, vision, goals, and objectives.

Internal Controls help accomplish the following:

- Effective and successful implementation and operation of State Fair programs and initiatives.
- Assuring that State Fair programs strictly adhere to relevant laws and regulations.
- Safeguarding State Fair resources.
- Addressing potential risks and preventing negative consequences that would result from State Fair program or operational failures.

Examples of Internal Controls:

- External (federal, state) laws, regulations, policies, and procedures
- Public Officers Law
 - <http://public.leginfo.state.ny.us/menugetf.cgi?COMMONQUERY=LAWS>
- NY State Joint Commission on Public Ethics – Interim Guidance on Gifts
 - http://www.jcope.ny.gov/training/Interim%20Guidance%20on%20Gifts%20w%20Addendum%2011_29_12.pdf
- Employee Handbook
- Effective Communication Systems
- Financial Management Policies & Procedures
 - Authorizing payments
 - Verifying transactions
 - Separation of duties
- Human Resources Policies & Procedures
 - Time and Attendance reporting
 - Employee supervision, performance programs and evaluations
 - Bargaining Contracts
- Financial and operational audits
- Inventory Control Systems
- Safety and Security Systems (Environmental and Employee)
- Electronic data and network security
- State Fair Advisory Board
 - <http://www.nysfair.org/advisory-board/>

Principles of Internal Control Program (ICP)

The State Fair's ICP is based upon existing internal controls which are part of our everyday operations. The State Fair ICP provides a formal mechanism to help identify existing controls and evaluate their effectiveness.

- Promote orderly, economical, efficient and effective operations, and produce quality services consistent with the State Fair's mission.
- Maintaining internal control systems which provide the necessary documentation, checks and balances, and quality assurance activities, too ensure the effectiveness of operations and integrity of funds, information, and security.
- State Fair Director, managers and supervisors, with assistance from the Internal Control Officer, are primarily responsible for establishing and reviewing internal controls. However, all employees are expected to be aware of internal controls.
- Safeguard resources against loss due to waste, abuse, mismanagement, errors and fraud.
- Promote adherence to laws, regulations, contracts and management directives.
- Develop and maintain reliable financial and management data, and accurately present that data in timely reports.

Internal Control Program Steps/Guidelines

The State Fair ICP establishes processes for the identification of risks, areas needing improvement, corresponding corrective action plans and status reporting of those corrective action plans.

The State Fair will regularly communicate the importance of internal controls to employees and encourage employee participation in the identification of internal controls weaknesses and development of corrective actions.

The State Fair Internal Control Officer (ICO) will establish a process for internal control reviews and other internal control activities.

Each State Fair manager or supervisor will take an active role in internal control activities for their areas and functions of responsibility

State Fair Director will conduct at least annually, a risk self assessment of their State Fairs' significant functions. Internal control activities will be based on the annual risk self assessment of each primary function, including the identification of inherent risks and needed internal controls for each function.

Responsibilities

Every State Fair employee plays a part in internal controls. Managers, along with non-managerial staff, are expected to have personal and professional integrity, to demonstrate job competence and to perform their work efficiently. State employees are expected to adhere to all applicable laws, rules and regulations, as well as agency specific policies and procedures.

In addition to the responsibilities that all State Fair staff have in common, different levels of State Fair management play different roles in the system of internal controls. Executive management sets the tone at the top, while mid-level managers are responsible for implementing and maintaining internal controls for the portion of operations they oversee. Staff performing day-to-day operations is responsible for completing control activities and reporting back the results. Lastly, the Internal Control Officer (ICO) is responsible for coordinating and monitoring the system of internal controls.

Requirements

The New York State Internal Control Act requires that all state agencies establish and maintain a system of internal controls and a program of internal control review. The program of internal control review is designed to identify internal control weaknesses, identify actions that are needed to correct those weaknesses, monitor the implementation of necessary corrective actions and periodically assess the adequacy of the agency's ongoing internal control system.

State Fair's Internal Control Review Process

The task in evaluating the State Fair's system of internal controls is to identify all programs (and responsible staff) necessary for the agency to carry out its mission. The State Fair Director then uses the following four (4) steps to complete an internal control review of the State Fair.

- **Identification of functions:** State Fair Director identifies the primary operating responsibilities and functions of the State Fair.
- **Risk assessments:** State Fair Director completes a risk assessment for each primary function identified within the State Fair. This is a quick, preliminary judgment about the adequacy of existing internal control techniques to minimize or detect vulnerabilities.
- **Testing of Internal Controls:** Controls over the most vulnerable (risky) functions are tested to detect potential weaknesses. Testing of Internal controls can take a variety of forms such as:
 - Observing whether staff perform the function;
 - Discussing with staff how the function is performed and whether those steps are reasonable;
 - Examining documents and procedures followed by staff to determine whether they are adequate and complete; and
 - Evaluating and testing actual work products to confirm procedures are being followed and results are consistent with planned program outcomes.

Corrective Action Plans: A plan of corrective action should assign responsibility, establish time frames for implementing improvements, and report on progress toward these improvements. Management may want to seek assistance from the State Fair's Internal Control Officer or Internal Auditor to monitor adherence to the plan and/or to offer recommendations on appropriate corrective actions. Some corrective actions may be implemented immediately. However, more time may be needed for those actions which require State Fair changes, redeployment of resources, or a fundamental rethinking of the function's objectives.