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COMPTROLLER'S MEMORANDUM

TO: Heads of Agencies, Authorities, Boards, Commissions, and Corporations

FROM: H. Tina Kim, Deputy Comptroller *JKR*  
Elizabeth Weinstein, Director, Mayor's Office of Operations *EWeinstein*

SUBJECT: Filing of Comptroller's "Directive #1"  
Financial Integrity Statement for 2013

DATE: November 25, 2013

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Both the Comptroller and the Mayor are committed to ensuring the integrity of the City's management and fiscal systems. The fiscal integrity of the programs you administer is critical to this objective. The Comptroller's "Directive #1: Principals of Internal Control," dated January 18, 2005 is an effective mechanism for assisting you in assessing the fiscal integrity of your agency.

The Financial Integrity Statement which is part of Directive # 1 is intended to help you and your managers determine with reasonable assurance whether your internal controls are adequate and to identify any serious weaknesses that should be corrected. Weaknesses in internal controls can create a climate for fraud, inefficiency, and inaccurate financial reporting. The Statement should also help your agency prepare for the citywide audit and Charter mandated internal control statements. We ask that you and your managers complete the Statement's Checklist (attached) in an appropriate and conscientious manner so that your agency may fully realize these benefits. In light of the dramatically enhanced reporting requirements and heightened scrutiny expected with respect to funds provided pursuant to the American Recovery and Reinvestment Act of 2009 ("stimulus funds") and anticipated oversight regarding "Hurricane Sandy" related funding, agencies are reminded to fully consider all grant accountability requirements associated with these issues and assure that appropriate systems, policies and procedures are in place with respect to such funding. Moreover, agencies should be vigilant in assuring that all requirements are met fully and that documentation of compliance is maintained.

The Comptroller considers the Checklist questions to be criteria agencies should follow in maintaining effective internal control systems and may therefore audit agencies' responses (including the Checklist, any required documents, and supporting documentation that would be available at agency sites).

The signed Statement for calendar year 2013, in PDF format, completed Checklist and additional accompanying documentation (e.g., explanations for disclosed control weaknesses, follow-up status of unimplemented previous audit recommendations, and requested lists of information technology systems)

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should be electronically filed with the Office of the Comptroller and copies electronically sent to the Mayor's Office of Operations by **March 28, 2014**. Instructions for completing the Statement and submitting the electronic filing follow.

"Directive #1" requires that the Comptroller's Office issue an internal control Checklist each year. The Checklist for the calendar year ending **December 31, 2013** is attached. This Checklist should be used as a basis for conducting reviews of your agency's internal control structure. Your review should be of sufficient depth to identify significant control weaknesses. As part of our process we have checked the various citations and updated references as needed.

An electronic version of the Checklist is included. The Checklist is in Microsoft Excel. Each Checklist section is a separate worksheet within the Excel workbook. Each Checklist section has automatic counters that will total the number of "Yes," "No," "Partial Compliance," and "Not Applicable" answers for that section. The "Results of Evaluation" section provides grand totals for the entire Checklist. Most of the Checklist questions have been phrased so that a "No" or "Partial Compliance" answer could indicate a potential control weakness. Explanations for any "No" or "Partial Compliance" or "Not Applicable" responses should therefore be included, as applicable, as part of the Checklist in the section "Agency's Explanation of No, Partial Compliance and Not Applicable Responses."

Your Financial Integrity Statement should contain each of the following elements:

- A scope paragraph, which outlines the areas reviewed, affirms that all areas described on the Checklist have been reviewed, and states the nature and extent of the work performed and the date of the completion of the review.
- An opinion paragraph which describes the results of your evaluation of internal controls, in a format similar to either of the following:

- a) If no material weakness has been identified during the evaluation:

"In our opinion the (name of agency)'s present internal control structure, taken as a whole, is sufficient to meet internal control objectives that pertain to the prevention and detection of errors or irregularities that would be material to the agency."

or

- b) If material weaknesses have been identified and some or all control objectives are not being achieved:

"The (name of agency)'s present structure has several weaknesses which may prevent (some or) all internal control objectives from being achieved.

"These weaknesses include (identify the weaknesses, e.g., failure to segregate responsibilities of cash collection, reconciliation, and deposit; failure to maintain records over inventory of supplies and property, etc.). The (name of the agency) intends to take action to correct these problems.

"Except for (or due to) those areas mentioned above, the present internal control structure is (or is not) sufficient to meet internal control objectives that pertain to the prevention and detection of errors and irregularities that would be material to the agency as a whole."

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- A written description of corrective actions to be taken for any of the areas of the Checklist where weaknesses have been identified, the date you expect the action to be completed, and the name and telephone number of the person responsible for insuring the action is completed.
- A statement on the current status of any unresolved recommendations, made in previous audit reports issued by the City Comptroller's Office and other oversight groups, regarding internal controls.
- A progress statement on the implementation of actions taken to correct internal control problems identified in previous Financial Integrity Statements that remain unresolved.
- A fully completed copy of the Checklist that should include the requested: lists of critical mainframe and LAN systems and computer systems being developed; MIS audits conducted within the past four years, applications accredited by the Citywide Chief Information Security Officer (CISO); data classification assessment, and incident response procedure (refer to Parts H, I, J, K, and L). These may be included as part of the Checklist in the section "Agency's Explanation of No, Partial Compliance and Not Applicable Responses," or as part of the Financial Integrity Statement, which should be submitted as a PDF.
- The name, title, and telephone number of the agency representative responsible for preparing the statement.
- Signature of agency head.

The completed, signed Financial Integrity Statement should be addressed to H. Tina Kim, Deputy Comptroller for Audit, and e-mailed to the Comptroller's Office at [Directive1@comptroller.nyc.gov](mailto:Directive1@comptroller.nyc.gov) and the Mayor's Office of Operations at [Directive1@cityhall.nyc.gov](mailto:Directive1@cityhall.nyc.gov). The e-mail subject should include your agency name. The Statement should be converted to a PDF so that it may be electronically transmitted with the completed Checklist. E-mail transmissions will therefore include the PDF Financial Integrity Statement and the Excel Checklist. Please be advised that e-mail transmissions must be less than 10 mb.

Should you have any questions, need assistance, or have any suggestions for making the Financial Integrity Statement more useful or easier to complete, please contact Dennis J. Hochbaum, Director, Quality Assurance, Bureau of Audit at (212) 669-8887 or at [dhochba@comptroler.nyc.gov](mailto:dhochba@comptroler.nyc.gov).

The checklist cites both the Comptroller's Directives and the Procurement Policy Board Rules. These documents can be downloaded from <http://comptroller.nyc.gov/general-information/comptroller-directives> and from <http://www.nyc.gov/html/mocs/ppb/html/rules/rules.shtml>. Specific questions regarding Directive # 1 may be addressed to Mr. Hochbaum or to Ms. Ernestine Rivers-Merritt, Manager, Quality Assurance, Bureau of Audit at (212) 669-8847 or at [erivers@comptroller.nyc.gov](mailto:erivers@comptroller.nyc.gov). Specific questions regarding the Procurement Policy Board Rules should be addressed to the Procurement Policy Board, 253 Broadway, 9<sup>th</sup> Floor, New York, N.Y. 10007, (212) 788-0010

cc: Audit Coordinators and Fiscal Officers