



CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
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DEPUTY COMPTROLLER FOR  
AUDIT

BUREAU OF AUDIT

COMPTROLLER'S MEMORANDUM

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

FROM: Marjorie Landa, Deputy Comptroller for Audit   
Jeff Thamkittikasem, Director, Mayor's Office of Operations 

SUBJECT: Filing of Comptroller's Directive #1  
Financial Integrity Statement for 2018

DATE: January 28, 2019

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The Comptroller and the Mayor of the City of New York are both committed to the integrity of the City's management and financial systems. Comptroller's Directive #1: Principals of Internal Control, is an important tool for assisting you in the assessment of the fiscal integrity of your agency. Directive # 1's Financial Integrity Statement (the "Statement") is specifically designed to help you and your managers determine with reasonable assurance whether your internal controls are adequate and to identify any serious weaknesses that need to 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 carefully and accurately complete the Statement's Checklist (the "Checklist") attached to this memorandum so that your agency may fully realize its benefits. In addition, while completing the Checklist, be mindful of the enhanced reporting requirements required for funds that have been provided pursuant to the American Recovery and Reinvestment Act of 2009 ("stimulus funds") and provided in connection with Hurricane Sandy. With regard to those funds, please fully consider all grant accountability requirements and ensure that appropriate systems, policies, and procedures are in place related to such funding. Agencies should be vigilant in ensuring that all of these requirements are met fully and that documentation of compliance is maintained.

The Comptroller considers the Checklist questions to be criteria that agencies must follow to maintain effective internal control systems and may therefore audit agencies' Directive # 1 responses, including the Checklist responses and supporting documentation.

Specific instructions for completing the Statement and submitting the electronic filing follow below.

### **Instructions**

The signed Statement for Calendar Year 2018, 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) should be electronically filed with the Office of the Comptroller and copies electronically sent to the Mayor's Office of Operations by **March 29, 2019**.

The attached 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.

The Checklist is in Microsoft Excel. Each Checklist section is a separate worksheet within the Excel workbook and 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 must therefore be included as part of the Checklist in the section "Agency's Explanation of No, Partial Compliance, and Not Applicable Responses."

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

- A scope paragraph that 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 that 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."

- 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 includes the requested: lists of all applications and systems in use; documentation with respect to externally accessible, public facing applications and internally accessible, multi-agency applications; DMZ migration plans; documentation with respect to Cloud professional services; Mobile Computing BYOD policy; incident response/management procedures; and a copy of your Disaster Recovery Plan and Continuity of Operation Plan. 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 Marjorie Landa, 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*. The e-mail subject should include your agency's name. The Statement should be converted to a PDF so that it may be electronically transmitted with the completed Checklist. E-mail transmissions should, therefore, include both the PDF Financial Integrity Statement and the Excel Checklist. Please be advised that e-mail transmissions must be less than 10 mb.

If you have any questions, need assistance, or have any suggestions about how to make the Financial Integrity Statement more useful or easier to complete, please contact either Ms. Faige Hornung, Assistant Comptroller, Financial Audit & Special Reports, Bureau of Audit at (212) 669-8483 or at [fhornun@comptroller.nyc.gov](mailto:fhornun@comptroller.nyc.gov), or Ms. Ernestine Rivers, Manager, Bureau of Audit at (212) 669-8847 or [erivers@comptroller.nyc.gov](mailto:erivers@comptroller.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/services/for-city-agencies/comptrollers-directives-and-memoranda/directives-and-memoranda/> and from <http://www.nyc.gov/html/mocs/ppb/html/rules/rules.shtml>. Specific questions regarding Directive #1 may be addressed to Ms. Hornung or to Ms. Rivers. Specific questions regarding the Procurement Policy Board Rules should be addressed to the Procurement Policy Board, 253 Broadway, 9th Floor, New York, N.Y. 10007, (212) 788-0010.

cc: Audit Coordinators and Fiscal Officers