

STATE UNIVERSITY OF NEW YORK
PLAN FOR COMPLYING WITH THE REQUIREMENTS OF THE NEW YORK STATE
GOVERNMENTAL ACCOUNTABILITY, AUDIT AND INTERNAL
CONTROL ACT OF 1987
RELATING TO THE INTERNAL AUDIT FUNCTION

I. BACKGROUND

§7 of The Act (Chapter 814 of the Laws of 1987) amends the Executive Law by adding a new Article 45 which among its provisions contains the following requirements relating to internal audit functions:

1. The head of each state agency shall periodically evaluate the need for an internal audit function.
2. The director of the division of the budget, after reviewing the evaluation of the head of each state agency as to the need for an internal audit function, shall issue and at his discretion, periodically revise a schedule of state agencies which are required to establish and maintain an internal audit function.
3. The head of each state agency listed in the budget director's schedule, shall establish an internal audit function which operates in accordance with generally accepted professional standards for internal auditing.
4. The internal audit function shall be directed by an internal auditor who shall be appointed by and report directly to the head of such state agency.

II. ACTIONS TAKEN TO DATE

1. Evaluation of the Need for an Internal Audit Function.

The Director of the Budget on May 18, 1988 issued Budget Bulletin B-1084 to all agency heads for the purpose of providing guidelines and procedures state agencies should use in evaluating their need for an internal audit function.

Utilizing these guidelines and procedures, SUNY performed the required evaluation which was provided to the Director of the Budget on June 15, 1988. The University's conclusion, as a result of this evaluation, was stated as follows:

Given the size of State University operations, the volume of transactions, the multi-campus environment and the Flexibility Legislation of 1985, the University has committed resources to provide University-wide internal audit coverage. The University believes that a comprehensive University-wide audit program includes external audit coverage, such as an annual audit of the University's financial statements by an independent CPA firm and reviews conducted by the Office of the State Comptroller, complemented by an enhanced internal audit function. To this end, such a comprehensive program provides for maximum utilization of audit resources and audit coverage to University operations that have been identified as priority audit areas.

By that statement, SUNY set forth its commitment to maintaining a strong effective internal audit function.

2. Schedule of State Agencies Requiring Internal Audit Function.

On December 28, 1988, the Director of the Budget issued Budget Bulletin B-1090 which promulgates the list of State agencies which the Director determined must establish and maintain an internal audit function. Attachment A of the bulletin identifies SUNY as one of 12 state agencies in Phase I of the State-wide implementation plan which are required to have an internal audit function operating by the end of the 1989-90 State fiscal year.

3. Establishment of an Internal Audit Function.

SUNY has supported an internal audit program since 1970 as part of its commitment to sound management practices and public accountability. In addition, with the establishment of the Audit Committee of the Board of Trustees in May, 1988, it has extended its commitment in this regard.

SUNY's internal audit function consists of Central Administration's Office of the University Auditor and several Campus-based Internal Audit Departments at our larger campuses.

III. ADDITIONAL NECESSARY STEPS

SUNY is currently in substantial compliance with the internal audit requirements of the Act. However, there are several additional steps that need to be taken to enhance the internal audit function and assure adherence to the Act. These steps are as follows:

1. Charter.

Generally accepted professional standards for internal auditing require that the internal audit function have a formal charter which establishes its purpose, authority and responsibility. The Chairman of the SUNY Board of Trustees, Chairman of the Audit Committee and the Chancellor will approve the Charter for the Office of the University Auditor. See Exhibit I. Charters for the Campus-based Internal Audit Departments have been or will be approved by the campus presidents prior to April 1, 1990.

2. Consolidated Annual Audit Plan.

A consolidated audit plan for the internal audit function, including the Office of the University Auditor and the Campus-based Internal Audit Departments, will be provided annually to the Audit Committee of the Board of Trustees and other appropriate SUNY officials.

3. Annual Report.

An annual report covering the results of the University's internal audit activities, including the Office of the University Auditor and the Campus-based Internal Audit Departments, will be provided to the Audit Committee of the Board of Trustees and other appropriate SUNY officials.

4. Internal Audit Function Reporting Relationships.

The Act specifically requires that the director of internal audit report directly to the head of the agency. To comply with the requirements of the Act, the reporting relationships of the internal audit function are as follows:

- a. The University Auditor will report directly to the Chancellor and have access to the Audit Committee of the Board. See Exhibit 11.
- b. The Campus-based Directors of Internal Audit will report directly to the Campus President and have access to the University Auditor. See Exhibit III.

5. Appointments Related to the Internal Audit Function.

Given the unique aspects of SUNY's internal audit function, the process for appointments is as follows:

- a. The Board of Trustees will appoint the University Auditor in accordance with the applicable provisions of Chapters 552-555 of the Laws of 1985 and Chapter 814 of the Laws of 1987.
- b. Each affected Campus President will make the appointment of their Director of Internal Audit and submit such appointment to the Chancellor.

March, 1989

Exhibit I
Exhibit II
Exhibit III

CHARTER
STATE UNIVERSITY OF NEW YORK
OFFICE OF THE UNIVERSITY AUDITOR

This Charter identifies the purpose, authority, and responsibilities of the Office of the University Auditor.

PURPOSE

The Office of the University Auditor conducts independent reviews of operations and procedures and reports observations and recommendations to State University of New York management. The objective of the Office of the University Auditor is to assist members of State University of New York management in the effective discharge of their responsibilities, promoting effective control at reasonable costs.

Audit activities are conducted in compliance with the Standards for the Professional Practice of Internal Auditing promulgated by The Institute of Internal Auditors, Inc.

In conducting these activities, the internal audit function has no direct responsibility for, nor authority over, any of the operations or activities which are reviewed. The Office of the University Auditor shall neither develop nor implement procedures, prepare records or engage in any other operational capacity.

AUTHORITY

The Office of the University Auditor reports to the Chancellor and to the Audit Committee of the Board of Trustees. These reporting relationships ensure independence, promote comprehensive audit coverage and assure adequate consideration of audit recommendations.

Office of the University Auditor personnel, in the performance of audits and with stringent accountabilities of safekeeping and confidentiality, will be granted unlimited accessibility to all State University of New York records, property and employees.

RESPONSIBILITIES

The Office of the University Auditor is responsible for assessing the various functions and control systems of State University of New York and for advising management concerning their conditions. The fulfillment of these responsibilities is not confined to but includes:

- Appraising the effectiveness and application of administrative and financial controls and reliability of data.
- Evaluating adherence to State University of New York plans, policies and procedures and compliance with appropriate governmental laws and regulations.
- Ascertaining the adequacy of controls for safeguarding State University of New York assets and, when appropriate, verifying the existence of such assets.
- Performing special reviews requested by State University of New York management and/or the Board of Trustees.
- Conducting appraisals of economy and efficiency in the use of State University of New York resources and making appropriate recommendations to management.
- Coordinating audit planning with campus-based internal audit departments, State of New York auditors, federal auditors and independent auditors.

Approved this 22nd day of March, 1989

Chancellor

Chairman of the Audit Committee of the Board of Trustees

Chairman of the Board of Trustees