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Internal Controls Proposal (Draft)

New York City Charter Revision Commission

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Internal Controls

Proposal

DRAFT

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Goals

- A. Enhance the efficiency and effectiveness of the city's agencies and programs.
- B. Minimize the city's vulnerability to fraud, waste, abuse, error, and corruption.
- C. Clarify the missions and procedures of the city agencies most concerned with the internal control system.
- D. Bring the Charter more into line with the actual practice of internal controls.

Proposal

- A. Formalize Executive Responsibility for Internal Controls.
 1. Assign to the Mayor general responsibility to establish and maintain a system of internal controls for all city agencies.
 2. Require the Mayor to include in the Mayor's Management Report a summary of the vulnerability assessments conducted by agencies and the follow-up corrective actions taken and projected.
 3. Assign to each agency head responsibility to establish and maintain a system of internal controls for the agency. Require each agency head to report annually to the Mayor on the status of the system, the results of vulnerability assessments, and the follow-up corrective actions taken and projected.
- B. Clarify the Relationship Between Internal Auditing and Investigatory Functions.
 1. Separate the two functions, with investigatory powers and duties given to the DOI and internal auditing to the Auditor General.
 2. Establish the Office of the Auditor General in the Charter, reporting directly to the Mayor, and with the following powers and duties.

- (a) Promulgate guidelines for agency internal audit budgets and comment on agency internal audit budget requests.
 - (b) Promulgate standards to determine which city agencies require their own internal auditing units.
 - (c) Create a 'pool' of internal auditors to be assigned to those agencies not deemed to require their own internal auditors.
 - (d) Conduct training programs for, and certify, agency internal auditors.
3. Assign DOI the responsibility for investigations (including background checks on city employees) with the following powers and duties.
- i. Provide ongoing training programs for agency IGs.
 - ii. Require independent peer review of IGs every 3 years.
 - iii. Require DOI to promulgate standards for IGs by a specific date.
4. Establish a Commissioner/Coordinator/Special Mayoral Advisor for Internal Auditing and Investigation with the responsibility to manage/coordinate the two functions and agencies.
- C. Strengthen the External Auditing Function.
1. Comptroller
- (a) Require the Comptroller to issue an annual summary of the audits conducted by his office including any internal control weaknesses uncovered and follow-up actions prescribed and taken.
 - (b) Require the Comptroller to publish an annual summary of any external audit of city agencies/operations, including follow-up actions taken.
2. Independent Audit Committee
- (a) Establish the Committee in the Charter with the duty to review 'significant' internal control weaknesses.

(b) Provide the Committee with an independent staff (1-3).

3. Charter Section 95

Change this section, regarding the annual external audit, to require that the audit conform to Generally Accepted Auditing Standards (GAAS) and Generally Accepted Accounting Principles (GAAP).