Stony Brook Medicine
Administrative Policy and Procedures

Subject: ELD0067 Internal Control Standards	**Published Date:** 08/21/2023
Leadership	**Next Review Date:** 08/21/2026
Scope: SBM Eastern Long Island Campus	**Original Creation Date:** 05/16/2019

Responsible Department/Division/Committee:

Office of Compliance and Audit Services

Policy:

Stony Brook University Hospital and its campuses (collectively "SBUH") recognize that a fundamental aspect of management's stewardship is to provide reasonable assurance that business operations are being adequately controlled and financial reporting (patient billing, financial statements and the Institutional Cost Report) and regulatory filings are correct. In compliance with SBUH policies and procedures, and federal and state laws, rules and regulations, SBUH ensures resources are used efficiently and effectively to help mitigate potential fraud, waste and abuse. Stewardship of SBUH resources is a fundamental responsibility of managers and staff; therefore, all levels of SBUH management are responsible to establish and maintain adequate systems of internal controls.

Definitions:

Internal Control: A process that integrates the activities, plans, attitudes, policies, systems, resources and efforts of the people of an organization working together, and that is designed to provide reasonable assurance that the organization will achieve its objectives and mission. The objectives of an internal control system include, but are not limited to: the safeguarding of assets; checking the accuracy and reliability of accounting data and financial reporting; promoting the effectiveness and efficiency of operations; ensuring compliance with applicable laws and regulations; and encouraging adherence to prescribed managerial policies. Internal control review processes are used periodically to evaluate the ongoing internal control system and to assess and monitor the implementation of necessary corrective actions.

Procedures:

1. Managers design management structures to ensure accountability for results, taking systematic and proactive measures to develop and implement appropriate, cost-effective controls. To help ensure that controls are appropriate and cost-effective, managers consider the extent and cost of controls relative to the importance and risk associated with a given process.

2. Managers ensure that internal controls are an integral part of the entire cycle of planning, budgeting, managing, accounting, and monitoring. Controls should support the effectiveness and the integrity of every step of the process and provide continual feedback to management.

3. Managers are responsible for the quality and timeliness of operating performance, increasing productivity, controlling costs and mitigating adverse aspects of operations, and assuring that processes are managed with integrity and in compliance with policies and procedures and applicable laws.

4. Managers perform reviews to identify and correct problems resulting from inadequate, excessive, or poorly designed controls, and build appropriate controls into new programs and processes.

5. Managers must carefully consider the appropriate balance of controls in their programs and operations to maintain efficient and effective operations.

6. Managers ensure that appropriate controls are integrated into each system to direct and guide its operations.

7. Managers identify and implement the specific procedures necessary to ensure good internal controls and determine how to evaluate the effectiveness of those controls.

8. Managers incorporate basic internal controls in the strategies, plans, guidance and procedures that govern their operations and processes, including:
   a. *Integrity, Competence and Attitude* – Managers and employees have personal integrity and are obligated to comply with the Corporate Compliance Code of Conduct. Managers develop and implement effective internal controls and maintain a level of competence that allows them to accomplish their assigned duties. Effective communication within and between departments is encouraged.
   b. *Reasonable Assurance and Safeguards* – Internal controls provide reasonable assurance that assets are safeguarded against fraud, waste, and abuse. The controls should be logical, applicable, reasonably complete and effective and efficient in accomplishing management objectives.
   c. *Compliance with Laws and Regulations* – All operations, obligations and

costs must comply with applicable laws and regulations. Resources should be efficiently and effectively allocated for duly authorized purposes.

9. Specific internal controls include:
    a. *Delegation of Authority and Organization* – Managers ensure that appropriate authority, responsibility and accountability are defined and delegated to accomplish the mission of the organization, and that an appropriate organizational structure is established to effectively carry out their responsibilities. To the extent possible, Management is responsible for controls and related decision-making authority.
    b. *Separation of Duties and Supervision* – Managers separate key duties and responsibilities in authorizing, processing, recording and reviewing transactions among individuals, and exercise appropriate oversight to ensure individuals do not exceed or abuse their assigned authorities.
    c. *Access to and Accountability of Resources* – Managers limit access to resources and records to authorized individuals, and assign and maintain accountability for the custody and use of resources.
    d. *Recording and Documentation* – Managers ensure transactions are promptly recorded, properly classified and accounted for in order to prepare timely and reliable financial and other reports. The documentation for transactions, internal controls and other significant events must be clear, complete and readily available for examination.

10. Management monitors controls to determine whether they are functioning as prescribed or need to be modified. Managers continuously monitor and improve the effectiveness of internal controls associated with their processes.

11. Management continually evaluates the effectiveness of internal controls, paying particular attention to the impact on controls of any changes in operations. When changes or moves are contemplated, managers should give due consideration to its impact on the overall system of internal controls.

12. Managers and staff identify deficiencies in internal controls and report the deficiency to the next level of management to allow the chain of command structure to determine the relative importance. Managers and staff are encouraged to identify and report deficiencies, as this reflects positively on SBUH's commitment to recognizing and addressing internal control problems.

13. Managers carefully consider whether systemic problems exist that adversely affect internal controls across organizational or departmental lines. Managers should involve colleagues of other functional areas in identifying and ensuring correction of systemic deficiencies relating to their respective functions.

14. Managers are responsible for implementing timely and effective action to correct identified deficiencies. Managers and their supervisors share responsibility for ensuring that control deficiencies are corrected.

15. Internal and External Audits:
    a. Periodic audits are a necessary check on the adequacy and effectiveness of a control system. Therefore, audits are conducted periodically by internal and external auditors to review the adequacy of the organization's controls. These audits assist management by independently providing information concerning the effectiveness of control systems and the quality of performance in carrying out assigned responsibilities. Appropriate action plans to correct deficiencies identified during the audit process are established by management from the responsible area(s).
    b. Managers promptly evaluate and determine proper actions in response to known deficiencies, reported audit and other findings, and related recommendations. Managers complete, within established timeframes, all actions that correct or otherwise resolve the appropriate matters brought to management's attention.
    c. OCAS periodically provide Management with reports pertaining to their area(s) of responsibility which summarize open findings and exposures identified during internal audits or as part of the Internal Control Assessment Program (ICAP). Management institutes procedures to follow up on deficiencies disclosed in such reports and provide written status updates to the Director of Internal Audit addressing unresolved identified internal control deficiencies, the status of corrective actions being taken and any major changes to the corrective action plan(s).

16. Internal Control Assessment Program (ICAP):
    a. Annually, management from areas which have completed the ICAP Training Program furnish the Director of Internal Audit with a written representation of the adequacy of internal controls over key risk areas in their department.
    b. Management performs documented test procedures to obtain sufficient evidence to support the assessment of the effectiveness of their internal controls over key risk areas. Management must retain and make available appropriate evidentiary documentation for review by OCAS or others.
    c. OCAS analyzes the self-assessment responses and determines the level of vulnerability. Resulting actions may include recommendations for additional controls, as well as an in-depth control review. A formal response to the internal control assessment is communicated to management indicating the results of the assessment and subsequent actions, if necessary. OCAS presents the results at the Compliance and Audit Committee of the Governing Body.
    d. SBUH reports to the State University of New York (SUNY) annually in conjunction with their certification the status of specific, significant internal control activities, testing, and resolution of findings contained

in pertinent audits of SBUH activities or programs. Significant deficiencies identified during internal control reviews are noted, as well as actions taken or planned to address any deficiencies.

Forms: (Ctrl-Click form name to view)

None

Policy Cross Reference: (Ctrl-Click policy name to view)

ELD0070 Responsibilities for Preventing and Detecting Fraud, Waste and Abuse Related to Federal and State Funded Health Care Programs

ELD0039 Corporate Compliance Code of Conduct

Relevant Standards/Codes/Rules/Regulations/Statutes:

New York State Internal Control Act

New York State Internal Control Act Implementation Guide: Strengthening Compliance with the Act and Standards

Standards for Internal Control in New York State Government

Internal Control - Integrated Framework (COSO)

Institute of Internal Auditors (IIA)

New York State Internal Control Association (NYSICA)

Office of Management and Budget - OMB A-123 Management Accountability and Control

New York State Guide to Financial Operation: Section XI.11.F - Contract Monitoring

New York State Guide to Financial Operation: Section XII.4.D - Certification of Internal Controls over the Payment Process

References and Resources:

None