



A Location of Stony Brook University Hospital

Stony Brook Medicine Administrative Policy and Procedures

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Policy:

Stony Brook University Hospital (including all campus locations, collectively SBUH) recognizes 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 Hospital representatives; therefore, all levels of SBUH management are responsible to establish and maintain adequate systems of internal controls.

Definitions:

Hospital Representative: Employees; volunteers; trainees; medical staff members, including state, research foundation, professional employer organization, personnel employed through contracted agencies; the governing body; contracted or subcontracted agents; vendors or consultants who furnish products or services on behalf of SBUH; and other individuals affiliated with SBUH regardless of whether the individual is paid by SBUH.

Internal Control: A process that integrates the activities, plans, attitudes, policies, systems, resources and efforts of the people of an organization working together and is designed to provide reasonable assurance that the organization achieves 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.

Stony Brook University Hospital campus locations:

- Stony Brook University Hospital, Main Campus (SBUH Main Campus)
- Stony Brook Eastern Long Island Hospital (SBELIH)
- Stony Brook Southampton Hospital (SBSH)
- Stony Brook Children’s Hospital (SBCH)

Procedures:

1. Hospital representatives 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, hospital representatives consider the extent and cost of controls relative to the importance and risk associated with a given process.
2. Hospital representatives ensure that internal controls are an integral part of the entire cycle of planning, budgeting, managing, accounting, and monitoring. Controls support the effectiveness and the integrity of every step of the process and provide continual feedback to management.
3. Hospital representatives 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. Hospital representatives 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. Hospital representatives carefully consider the appropriate balance of controls in their programs and operations to maintain efficient and effective operations.
6. Hospital representatives ensure that appropriate controls are integrated into each system to direct and guide its operations.
7. Hospital representatives identify and implement the specific procedures necessary to ensure good internal controls and determine how to evaluate the effectiveness of those controls.
8. Hospital representatives incorporate basic internal controls in the

strategies, plans, guidance and procedures that govern their operations and processes, including:

- a. *Integrity, Competence and Attitude* – All hospital representatives have personal integrity and are obligated to comply with the Corporate Compliance Code of Conduct. Hospital representatives 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 are logical, applicable, reasonably complete, effective and efficient in accomplishing management objectives.
- c. *Compliance with Laws and Regulations* – All operations, obligations and costs comply with applicable laws and regulations. Resources are efficiently and effectively allocated for duly authorized purposes.

9. Specific internal controls include:

- a. *Delegation of Authority and Organization* – Hospital representatives 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, hospital representatives are responsible for controls and related decision-making authority.
- b. *Separation of Duties and Supervision* – Hospital representatives 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* – Hospital representatives 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* – Hospital representatives 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 are clear, complete and readily available for examination.

10. Hospital representatives monitor controls to determine whether they are functioning as prescribed or need to be modified. Hospital

representatives continuously monitor and improve the effectiveness of internal controls associated with their processes.

11. Hospital representatives 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, hospital representatives give due consideration to its impact on the overall system of internal controls.
12. Hospital representatives 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. Hospital representatives are encouraged to identify and report deficiencies, as this reflects positively on the SBUH commitment in recognizing and addressing internal control problems.
13. Hospital representatives carefully consider whether systemic problems exist that adversely affect internal controls across organizational or departmental lines. Hospital representatives involve colleagues of other functional areas in identifying and ensuring correction of systemic deficiencies relating to their respective functions.
14. Hospital representatives are responsible for implementing timely and effective action to correct identified deficiencies. Hospital representatives 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 hospital representatives 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 the responsible area(s).
 - b. Hospital representatives promptly evaluate and determine proper actions in response to known deficiencies, reported audit and other findings, and related recommendations. Hospital representatives complete, within established timeframes, all actions that correct or otherwise resolve the appropriate matters brought to hospital representatives attention.
 - c. Office of Compliance, Audit, and Privacy Services (OCAPS)

periodically provides 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). Hospital representatives institute procedures to follow up on deficiencies disclosed in such reports and provides 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, hospital representatives 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. Hospital representatives perform documented test procedures to obtain sufficient evidence to support the assessment of the effectiveness of their internal controls over key risk areas and submits available appropriate evidentiary documentation for review by OCAPS or others.
 - c. OCAPS 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 indicating the results of the assessment and subsequent actions, if necessary. OCAPS 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)

[SBUH Self Assessment on Internal Controls](#)

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

[HLD0070 Responsibilities for Preventing and Detecting Fraud, Waste and Abuse Related to Federal and State Funded Health Care Programs](#)

[HLD0039 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:

The Committee of Sponsoring Organizations (COSO) Model