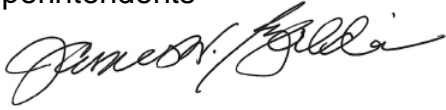




Senior Deputy Commissioner
Office of Education Policy

To: BOCES District Superintendents

From: James N. Baldwin 

Date: November 4, 2021

Subject: **Internal Audit Function Exemption**

In accordance with section 2116-b of Education Law and section 170.12(b) of the Regulations of the Commissioner of Education, all non-exempt school districts and all BOCES were required to establish an internal audit function by no later than December 31, 2006. The purpose of this memorandum is to clarify that the BOCES are subject to this internal audit requirement.

The internal audit function is required to include, at a minimum: (i) the development of a risk assessment of district or BOCES operations; (ii) an annual review and update of such risk assessment; (iii) annual testing and evaluation of one or more areas of the district or BOCES's internal controls; and (iv) preparation of reports, at least annually or more frequently as the trustees or board may direct, which analyze significant risk assessment findings, recommend changes for strengthening controls and reducing identified risks, and specify timeframes for implementation of such recommendations. With the exception of certain school districts which are exempt from the internal audit function requirements, the corresponding internal control reports and related board approved corrective action plans are required to be submitted to the [NYSED Application Business Portal](#) (Business Portal) annually by April 30th for the proceeding school year.

Pursuant to section 2116-b(2) of Education Law, school districts employing fewer than eight teachers, with actual general fund expenditures totaling less than five million dollars in the previous school year, or with actual enrollment of less than 1,500 students in the previous school year are exempt from the internal audit function requirements. Although the Department previously allowed BOCES to utilize this exemption, it does not fit within any of the exceptions identified in law.

Consequently, **BOCES will no longer be allowed to claim the internal audit function exemption in the Business Portal starting with the 2022 annual survey cycle.**

In anticipation of the time needed for those BOCES who have yet to establish an internal audit function to make budgetary adjustments, establish this function and perform the required duties, as outlined in law/regulation, the NYSED Office of Audit Services will be amending the applicable surveys in the Business Portal for the 2022 annual survey

cycle to allow BOCES to report the implementation status of their internal audit function for the 2021-22 school year.

As the internal audit function and development and implementation of corrective actions are intended to improve your entity's financial management and to help ensure the safeguarding of assets, it is imperative that each BOCES establish an internal audit function, if it has not done so already.

Requests for technical assistance or questions regarding this memo can be sent to the NYSED Office of Audit Services via email to FSandSingleAudit@nysed.gov. Thank you for your cooperation.

c: Commissioner Betty A. Rosa
Sharon Cates-Williams
Kim Wilkins
James Kampf