Improve Internal Controls Through Effective Policies

Have you ever read a policy or procedure and had no idea how to comply with it? If you have experienced this, you have a weakness in your internal control system. For policies and procedures to be effective, they need to be clearly written and establish what should be done, how it should be done, and who can do it.

Well-designed policies and procedures help strengthen internal controls, reduce the risk of loss, ensure compliance with relevant laws and regulations, and ensure the reliability of financial reporting. They also help with succession and continuity of operations planning by documenting the primary actions that make up the business process. Agency policies can even document the record retention schedule for all data expected to be collected throughout the process. This makes users aware of how long they need to retain documentation used in the process described.

Having a standardized process for policy and procedure writing is an important part of effective policymaking. It will help ensure all agency policies are clear, concise, well organized, written in plain language, and fully accessible for all potential users. A good process will also confirm the necessary approvals take place before finalizing policies.

Another way to make a policy more effective is to call out the key internal controls it contains. Controls are established by management to respond to risk and help the agency achieve its objectives. One way to document these in policy is to add a section in your policies which lists the key internal controls and who is responsible for them.

This will make it easy to determine what steps absolutely must be followed in a process and helps remind users to avoid internal control weaknesses if someone changes the policy in the future.

Once you have crafted your policy and received all the necessary approvals, it is equally important to make sure everyone affected is aware of the policy and knows how to comply with it. Too often, organizations make huge efforts to create and update policies, but do not spend equal effort communicating the results. Don’t let your good efforts go to waste! Communicate, communicate, communicate!

Action Items

- Review agency policies for accuracy and effectiveness
- Revise outdated and unclear policies
- Identify key controls contained in agency policies
- Add a section in the agency policy template to document key internal controls
- Communicate new and revised policies and procedures
- Put policies in a visible place where employees can find them
- Ensure policies stay up to date by periodically reviewing and revising them

Questions?
Contact Josh Botnen, Internal Control Specialist