Internal controls lead to achievement of goals

**Highlights**

- A strong system of internal control makes goals possible.

- The internal control framework made up of five core components applies to every state agency.

- The five core components build on each other to reinforce the internal control system.

The Internal Control and Accountability Unit recently updated its strategic goals. We explored what drives us to achieve, our mission, vision, and values – and the “why” behind what we do as a unit. The unit’s why is the opportunity to minimize fraud, waste, and abuse in state government. Minimizing fraud waste and abuse is a goal we share with every state agency. A strong system of internal control makes this and other agency goals possible. The internal control framework applies to every state agency and is a roadmap for success using five core components.

**Control Environment.** When agencies prioritize integrity and ethical values, commit to competence, and operate with a clear organizational structure, the control environment paves the road for the other core components of internal control.

**Risk Assessment.** All agencies encounter risks. Risks will never be zero, but proactive identification and analysis of risk coupled with the other four internal control components provides reasonable assurance the agency can meet its goals. Management must focus on risks at all levels of the agency and act to manage them.

**Control Activities.** These are the policies and procedures to put management’s directives into action. Control activities include approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties. The design and implementation of control activities manage internal control gaps or weaknesses identified during risk assessment. Identifying risk is a good step, but without analysis, corrective action planning, and implementation, risk assessment fails.

**Information and Communication.** Agencies need information and communication at all levels to achieve its goals. To be effective, information and communication must flow down, across, and up in the agency. Information and communication should be accurate, timely, and complete for employees to understand their role in the internal control system, as well as how individual activities they do, relate to others.

**Monitoring.** Internal control systems change over time and require monitoring. Ongoing monitoring occurs in the ordinary course of agency operations. Management and supervisory activities, comparisons, reconciliations, and other routine actions give important feedback on the effectiveness of control components. Separate evaluations take a fresh look from time to time to consider the effectiveness of the internal control system.

**Suggested Action Steps:** The five internal control components work together to achieve a strong internal control system. Try one or more of the following in a staff meeting:

1. **Control Environment** – Discuss how agency values inform agency work.
2. **Risk Assessment** – Pick an agency procedure or process and brainstorm the risks that would interfere with the procedure or process.
3. **Control Activities** – Using the same procedure or process used in the risk assessment, identify what control activities are in place for each risk. Are there risks without control activities that are too high?
4. **Information and Communication** – Discuss where and how information is communicated in your agency and whether it is effective.
5. **Monitoring** – Identify and discuss what your agency uses to monitor internal processes.

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