Maintaining internal controls during disruption

- Agencies must be able to maintain key internal control activities in the event of a disruption.
- Make sure documentation exists and employees are cross-trained to perform key control activities if normal routines are disrupted.

Knowing how you will maintain priority services after a disruptive event is critical to an agency’s internal control system. These disruptions might include periods of employee absence or other events, like a weather emergency or pandemic. Control activities, such as independent reviews and approvals, segregation of duties, verifications and reconciliations, will become more difficult if experienced employees are absent. The ability to maintain not only the critical services, but also the related key control activities, is integral to an effective system of internal controls.

The best way to maintain adequate internal controls during disruption is to plan ahead. Once you have identified your most important processes, recognize what could go wrong in them, especially if regular routines are interrupted. Identify what specific procedures (or control activities) you have in place to mitigate risks and cross-train backup employees to perform these procedures. If you decide in advance which procedures must be maintained, based on the potential for damage and the likelihood of occurrence, these activities can be given priority. It is never appropriate to discontinue key control activities simply because an employee is unavailable. As a result, staff may need to be shifted to make sure that necessary activities continue, but remember to initiate mitigating controls if staff must temporarily perform incompatible duties.

Having written policies and procedures that are up-to-date and reflect actual routines are essential. In the event of employee absence, process documentation ensures business continuity. Written procedures also satisfy the statutory requirement for documentation of internal controls.

Cross-training is also an important practice to ensure priority operations and the related independent verification and review procedures continue if normal routines are disrupted. It is important to consider not only the staff needed to carry out the priority services, but also who will perform vital control activities related to these services. Therefore, other employees must be trained and prepared to review, approve, or verify transactions in the case of a disruptive event. An added benefit to cross-training is that it lowers the likelihood of fraud, as it becomes more difficult to hide fraudulent actions when other employees train for and periodically perform the key control activities.

Suggested Action Steps: Identify what could go wrong within your priority services, especially in times of disruption, and the control activities you have in place to mitigate those risks. Make sure documentation exists and employees are cross-trained to perform key control activities during disruption.

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