Blind trust undermines internal controls

- Excessive faith and the absence of professional skepticism leads to blind trust.
- Blind trust weakens an organization by undermining its internal controls.
- Trust itself is not an internal control.

You have read the stories and asked the questions: “How was he able to get away with the embezzlement for so long?” “Why didn’t someone see that the documents were obvious forgeries?” Sometimes the answer is distressingly simple—one person in the chain of command undermined the existing internal controls by placing blind trust in the errant employee.

Blind trust is the complete abdication of responsibility for the operation of an internal control activity because of excessive faith in a person subject to that control. It can also be viewed as a form of unsupervised delegation, with a total absence of professional skepticism by the reviewer or approver.

There are many circumstances that allow blind trust to flourish. At the top of the list is familiarity between the reviewer or approver and the person subject to the control. Unlike an automated control which operates in the same manner over and over again indefinitely, an employee may find it hard to be professionally skeptical of a colleague who over time has become a friend, and has performed an activity many times without fault. It is human nature to lower one’s guard especially when the control rarely produces an exception.

A second common circumstance is time pressure. Like workers everywhere, state employees are increasingly being asked to do more within a limited amount of time. Routine control activities such as the review of vendor payments, expense reports, or time sheets are easily pushed aside by other demands. It can be tempting to save time by suspending a thorough review because the person subject to the control is “trusted.”

Finally, there is the common misconception that trust itself is an internal control. It is not. While it is true that no organization can function without trust, it is also true that no organization can function effectively based on trust alone. Internal controls must operate for the organization to achieve its goals. Blind trust weakens an organization by undermining its internal controls.

Suggested Action Steps: For all transactions you review, approve, or authorize, apply professional skepticism by asking yourself:

- How can I prove to myself that this transaction is what it claims to be?
- Does this transaction make sense in the context of other things I know?
- Do I have all the information I need to make an informed decision?

If you have questions, please contact John Nyanjom, Internal Control Specialist, at (651) 201-8174 or John.Nyanjom@state.mn.us