

? Points to Ponder

- ✓ At every layer of your agency, do employees know their role in internal controls?
- ✓ Are there regular meetings to discuss program and policy adherence?
- ✓ Are we all on the same page?

Monitoring

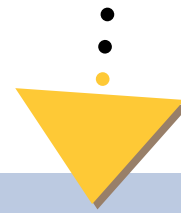
Ongoing evaluations, built into business processes; and separate evaluations, conducted periodically, are used to monitor the existing internal controls.

Findings should be evaluated, deficiencies communicated to the appropriate management level and controls modified as necessary.



? Points to Ponder

- ✓ Have we built checks and balances into workflows?
- ✓ Have controls become outdated, redundant or obsolete?
- ✓ Do the controls operate as intended?



"It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."

- Warren Buffett

"There are risks and costs to a program of action. But they are far less than the long-range risks and costs of comfortable inaction."

- John F. Kennedy



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State of Alaska

Internal Controls



Department of Administration
Division of Finance

Internal Control

Is a process of on-going tasks effected by people at every level of our organization. It provides reasonable, *not absolute*, assurance to management, through five components that are geared toward achieving these objectives:

- **Operations** effectiveness and efficiency
- **Reliability** of reporting
- **Compliance** with laws and regulations

Control Environment



Senior management establishes the tone regarding the importance of internal control and the expected standards of conduct:

- **Management is committed** to integrity, ethical values; attracting, developing and retaining competent staff
- **Management will** establish structure, authority and be responsible
- **Management must** exercise oversight responsibility

? Points to Ponder

- ✓ Has everyone in your organization committed to core set of values, honesty, and accountability?
- ✓ Do you manage to these values?

Risk Assessment

Risk is defined as the possibility that an internal or external event will occur and adversely affect the achievement of the State's objectives.



Risk assessment is a dynamic process, where we analyze risks for the likelihood of occurrence

and make a plan for managing these events!

Risks can be, but are not limited to, events such as staffing changes, new systems, natural disasters, regulatory changes, and changes in economic conditions.

? Points to Ponder

- ✓ What is the likelihood of occurrence and impact if the risk does occur?
- ✓ What can we do to prevent or reduce the risk?

Control Activities

Control activities help ensure management's directives to mitigate risk are achieved.

Control activities should be performed at all levels of the State, and may be preventative or detective in nature, and manual or automated activities.



Control activities include activities that we traditionally associate with the concept of internal control:

- Authorizations and approvals
- Verifications and reconciliations
- Separation of duties
- Business performance reviews

We deploy control activities through the State's policies and procedures.

? Points to Ponder

- ✓ Are policies and procedures appropriate and understandable?
- ✓ Do we comply with existing internal procedures and requirements?

Information and Communication

Management obtains or generates relevant information for the support of all components of internal control. Information can come from both internal and external sources.



Communication, also both internal and external, is a continual process of providing, sharing and obtaining information.

- ✓ Effective information and communication systems enable employees to exchange the information needed to conduct, manage and control the State's operations.