



## **DOCUMENTING INTERNAL CONTROL PROCEDURES**

### **A. INTRODUCTION**

As a manager, you need to know, *in detail*, what **procedures** your unit employs to meet each of its major functional responsibilities effectively, efficiently, and legally.

For the purposes of the Internal Control Act, we need to document procedures that touch on staff responsibility and accountability, accuracy of records, chain of command in the decision process, protection of assets and management oversight of each major function.

It does take time to review, document, and update these procedures, but the ultimate beneficiary of this effort is your own organization. Well-documented procedures have considerable value in training new staff, cross-training current staff, establishing work plans, devising annual budgets to keep pace with workload responsibilities, and identifying new ways to meet those responsibilities in a changing world.

A well-documented set of internal control procedures should also prove invaluable in communicating problems outside your organization, where other bureaus or agencies need to become involved in rectifying a problem or improving an operation.

The procedures you document for each major function should address the following questions:

- Who or what gave you the **authority** to conduct this function?  
(*e.g. State law, executive order, agency policy, administrative directive*)
- What **activities** or transactions need to occur to meet the function's objectives?
- Is there a mandated **timetable** for completing key elements of this activity?  
(*e.g. quarterly billing, monthly reconciliation, annual report, prompt payment legislation*)
- What system of **checks and balances** is employed to prevent fraud or abuse?  
(*e.g. separations of duties, prior approval for travel/purchasing, outside review*)
- What **documentation** is maintained for each transaction, and who maintains these records?  
(*e.g. shift logs, ledgers, computer entries, monthly reports, statements*)
- Do you **test your system** periodically? If so, how??  
(*e.g. sampling, inspection, testing, outside audit*)

The procedures should reflect key steps from beginning to end, noting any interim reports, files created, supervisory authorization, and individuals or units involved at each step. This information should help you manage your operation by determining where accountability lies for each component of the overall function.



## Internal Control – More Than a Good Idea – It’s Also the Law!



**NOTE:** From an audit standpoint, it is evident that **documentation** of activities mandated in Law, policy, or rules and regulations is **vital**. It is standard practice for OSC auditors to criticize an agency's function by making the assumption that *"if it is not documented, it did not happen"*.

### B. SAMPLE INTERNAL CONTROL PROCEDURES

In our earlier example of **Perform Fiscal Audits of Agency-Operated Programs/Services**, we noted two major objectives - ensuring that programs/services operate in accordance with policy & procedures; and assisting management in compliance through analysis, appraisal and recommendation concerning activities audited. Internal Audit meets these objectives through a number of procedures:

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- a) The Audit Director and Assistant Director develop an annual Audit Plan.
- b) Executive request audits are scheduled as received by the Audit Director.
- c) Audit request procedures and protocols are outlined in the Internal Audit Procedures Manual, including the following phases:

**Pre-On Site** - This phase is characterized by the identification of specific audit projects, assignment of audit staff, development of audit purpose and scope, preparation of audit instruments, review of background information and coordination of audit logistics (travel/scheduling of field work).

**On-Site** - This phase includes entrance meeting, on-site data collection, daily debriefings and phone contact with Central Office supervision, and exit meeting with facility director.

**Post On-Site** - This phase includes debriefings with Central Office units, pre-release meeting with Central Office units, and preparation/transmittal of the audit report to the facility director and appropriate Deputies.

**Follow-Up** - This phase involves on-site verification of implementation of the facility's action plans, including on-site interviews, daily debriefing meetings, exit meeting, and preparation/distribution of follow-up audit report to the facility director and appropriate Deputies.

Procedures developed in greater detail can be used for such management purposes as new employee orientation and training, as well as performance standards for employee evaluations.