



HOW TO BE A BETTER MANAGER

How can I improve productivity, accuracy, integrity and effectiveness of my operations? Can **internal control** techniques make a difference? Am I just making more work for myself? Besides, is anyone really **enforcing** the Internal Control Act?

Okay, all reasonable questions. In order to respond, let’s start at the beginning, and discuss the **Control Environment**. Sounds fancy, but it just means - what is the reality of your program/function operation?

- Do you handle dangerous drugs or chemicals – or just sales tax forms?
- Is it a 9-to-5 office or a 24/7 residential facility?
- Is your operation centralized or far-flung?
- Do you deal directly with the public (in office or residential settings), or local government/elected officials?
- Are you responsible for expensive inventory (computer parts, medical supplies, sides of beef, power tools or firearms), or more routine office supplies (paper clips, pens, pads, binders, rubber bands)?
- Are you the gate-keeper for confidential records (computer or paper)?
- Are your staff seasoned, trained and reliable? *Or*
- Have you had a lot of turnover (due to illness, retirement, indictment) - and there is a hiring freeze?
- Are your policies and procedures up-to-date? *Or*
- Are you hamstrung by out-of-date regulations, hidebound legacy computer systems, or management indecision? (*“Is that what’s troubling you, bunky?”*)
- Are you being held accountable for something over which you have no authority?

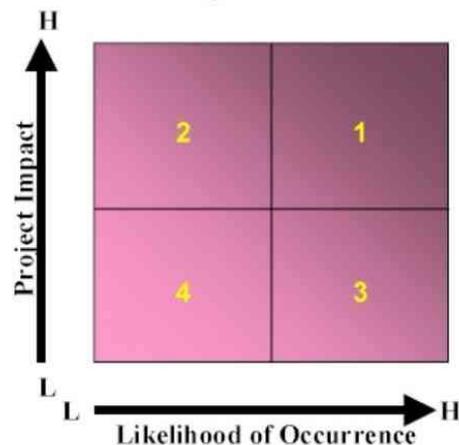
- Do you have a hundred or a thousand employees doing your bidding, or just a favored few?
- Are you involved in purchases/expenditures/contracts in the millions, or are your expenses limited to an occasional Amtrak run to New York City?
- Has your program had a track record of success, or a history of negative press, grand jury investigations and scathing audit reports?

I think you get the picture. Control environment refers to the set of circumstances you and your program are in at all times. The answers to each of these questions form a baseline of “**inherent risk**” against which you must consider the wisdom of enforcing some internal controls (a/k/a management controls). Before you jump to conclusions, you need to conduct a...

RISK ASSESSMENT

If you’ve answered the preceding questions fully, and have taken into consideration unique factors relevant to your specific operation, you are ready to assess your risk (or “vulnerability”). Fraud, waste and mismanagement are the issues of greatest concern in most of our operations, but public safety, environmental health, susceptibility to litigation, scandal or satire in a future *Dilbert* cartoon may also be at the back of your mind (along with that April 15 filing date).

Analyze Risks





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



We tend to procrastinate regarding unpleasant realities. You may also have leadership that does not encourage or even welcome questions, yet you are the one who will be held accountable. Clearly you can’t afford any further delay in assessing your risk.

The best place to begin is with a baseline review of each element of your operation, sample some data, interview some staff (and clients), and ask some questions. Common sense and logic come in handy here – even if they deviate from the “conventional wisdom” that was followed historically.

Is any one person (staff or public) in a position to take advantage of weak management controls? For example, does the person in charge of petty cash also reconcile the account every month? Do your staff accept information submitted by the public without question, in effect rubber-stamping their applications, be it for a license, public assistance, employment, or student loan?

Are you under pressure to purchase only from selected vendors? Are you constantly splitting orders to keep under the competitive bidding threshold? If you are fortunate enough to be able to hire replacement staff, are heroic measures being taken to circumvent the “rule of three”?

Imagine **your worst case scenario**:

- A major embezzlement.
- A bridge collapse.
- A patient abuse scandal.
- Bid rigging.
- A bribery investigation.
- A three-car pileup.
- Tainted vaccine.
- A diploma mill.
- Asbestos.
- Polluted drinking water.

All of these have occurred somewhere in the past, and will continue to do so in the future. What would bring Mike Wallace to your door with a video camera? What is the potential

damage in dollars or lives lost, illness or litigation? What would be the impact on your agency’s reputation and continued funding?

Now imagine the likelihood of occurrence of any of these calamities. It may sound cold-hearted, but we cannot protect against all potential risks. We must establish priorities, weigh the economic feasibility of each control, the availability of staff to enforce such controls, and consider what role such risk would play in interfering with your mission. We are looking for a **“reasonable assurance”** that bad things won’t happen.

“Reasonable”, but not “absolute”.

For example, a warehouse or mailroom may keep its laptop computers in locked storage, but leave mailing envelopes and copier paper out in the open. You have to use a password to send e-mail via computer, but the fax machine does your bidding without further ado. Keys for the company car are kept secure, but staff are trusted to use the copier without a keycard.

UNIVERSAL PRECAUTIONS

In health care settings, medical professionals are required to follow universal precautions for their own protection, and that of their patients. It’s not just about AIDS. We are becoming one world, and TB from Zimbabwe, bird flu from Saigon, or encephalitis from Belgium can show up in Schenectady without warning.

Dental hygienists wear gloves (maybe even masks). Red Cross workers are very careful when collecting your pints of AB+ or O-.



barbers now sterilize their scissors between customers.

In business and government, there are certain “universal precautions” taken by financial officers, account clerks, stock-room staff, data entry clerks – to protect assets and to protect their individual reputations.



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



If you work in an office where individuals are given considerable latitude, they may also be susceptible to allegations of abuse of such power. There are also countless regulations affecting various facets of daily life, which require periodic compliance procedures.

We are all familiar with the following health, safety and compliance procedures: that annual vehicle inspection; the April 15 tax filing deadline; winter flu shots (if you are eligible). We also need to make sure we pay our fire insurance premiums on time. Phone companies and utilities may be patient waiting for payment, but they are not going to wait indefinitely.

We also expect our restaurants to be clean; produce in the supermarket to be fresh; poultry inspected; milk to be tuberculin-free; kosher foods receive proper rabbinical supervision; toddlers’ toys to be safe from choking hazards. The list goes on and on.

These are all reasonable expectations for consumers. Likewise, we in government have reasonable expectations from one another (within and between agencies), and the public have reasonable expectations from government (state/local/federal).

When a child dies in a day care center, the public look first at the provider. Then they look at the licensing agency.

When a city bus hits a bystander, the police check the driver’s blood-alcohol content. Then they check the brakes. Then they review the maintenance records at the garage.

When \$14 is missing from petty cash, it doesn’t get much press. But when BOCES is missing a million or two, and their treasurer just retired, buying a new car, boat and summer house, all kinds of people take notice.

When a prisoner escapes from custody, issues under review include facility (or transport) procedures, staff qualifications and training;

physical security measures and legal requirements. Investigators may also check into staff finances and phone records.

INTERNAL CONTROL PROCEDURES

All of the foregoing examples are comparable to locking the barn door after the horses escape. It may also be difficult to get the toothpaste back into the tube (and still meet OSHA regulations). To avoid these nightmares (and bad press) some common sense procedures are in order.

It’s harder to fix **traffic tickets** these days because citations are numbered, and the Comptroller insists they all be accounted for. This was probably instituted as a revenue measure, but has also had a positive impact on local government integrity.

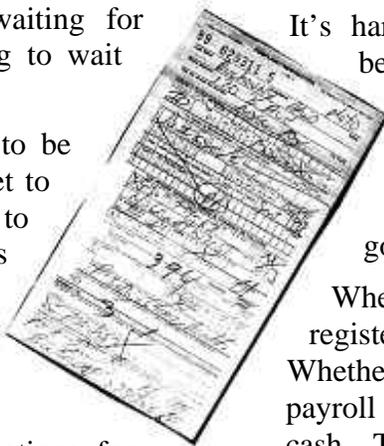
When accepting cash payments, cash registers keep track of (and issue) receipts. Whether it’s a charity’s collection plate or payroll at least two people should count the cash. The person who signs the checks should not be the person who reconciles the account.

You may have “read only” access to computer files, to protect them from tampering or accidental deletion. Employment in some sensitive positions may require a criminal record check. Review the driving records of staff who transport clients, BEFORE tragedy strikes.

Progressive discipline is required for employees with chronic attendance problems. This is especially critical in 24/7 environments where other staff must work involuntary overtime to fill a post.

Technically speaking, when a warehouse or stockroom receives supplies and materials, staff should check the quantity received. If it’s an order of staples from Staples, this may not be critical. But a pallet full of PCs from DELL? Count them twice.

There is an old adage that “history teaches us that no one learns from history”. Not true. If





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



your methadone clinic has been going through a case of syringes every week, and suddenly that volume has doubled, either there is a growth trend in services provided, or someone is sidelining supplies.

If you are used to \$35 phone bills each month and suddenly get a \$495 bill, read it carefully before you rush to your checkbook.

(Note: “The way things have always been” is part of your control environment.)

When considering what kind of control procedures are necessary, consider the likelihood of risk, the significance of failure, and those three words from all those Law & Order episodes: “means, motive, and opportunity”. Along with motive, you can add “rationalization”. Was a long-term employee passed over for promotion time and again? Is he/she in a position to get even? Has a disgruntled worker just given his/her two-weeks notice? Wouldn’t it be wise to change the computer system password BEFORE they are out the door?

If you have ever shopped on the Internet, you know those bargains may be risky. Windows XP for \$29.95? Not likely. Gutenberg Bible for sale on E-Bay? Sure. You may have had reliable experience with L.L. Bean and Land’s End, but this cannot be applied to www.fly-by-nite.com. When you spend your own money, you like to know who you are dealing with. When you are spending the State’s money, it is also wise to know your suppliers.

You may have a sophisticated/computerized purchasing system to ride herd on purchase orders and vouchers, but such a system could be compromised by unscrupulous staff. Can anybody add a vendor to your database? Or do

you funnel all such entries through authorized staff? Do you find a dozen DBAs all sharing the same Federal Employer Identification Number? Do you check those numbers against employee Social Security Numbers? How about P.O. Box addresses or Suite addresses (they can be a precursor of a bogus business).

How do you guard against paying the same bill twice? If it’s the Phone Company or electric utility, they will likely credit you for the overpayment against next month’s bill. But there are those happy to make use of your money until you notice the overpayment. With delays in internal processing of vouchers, double-billing is not just the province of unscrupulous healthcare providers.

For that matter, how do you ensure vouchers are processed in a timely fashion? Prompt payment legislation may not affect smaller transactions, but it is best to eliminate billing confusion at any price.

MONITORING

If the South had won the war, this would be called “**Merrimacking**”. You know the old adage “If you can’t measure it, you can’t manage it.” Monitoring is an ongoing process that involves measuring outcome against expectation. On an assembly line, we expect

the drill presses to bore so many holes per hour, fill so many ounces per bottle, and pack so many bottles per case. In some cases monitoring can be automated, but even then, manual inspection is called for on a sampling basis. If your paper mill turned out less than 1,000 sheets per roll, the Federal Trade Commission would find out eventually (someone out there would have enough time on their hands to check the count).

If your laboratory is responsible for testing rabid bats, you can be sure there are procedures in place to make sure that staff follow safety rules, file reports promptly, and destroy the carcasses





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



conclusions about malingerers. Check your calendar – maybe it’s a holiday.

And if everybody is gathering around the water cooler, locked in animated conversation, it might involve vital information. By design, managers are usually the last to know. That’s why they are kept in private offices, secretaries screen their calls, and in some cases they eat in separate dining rooms.

This is where we segue whimsically to our next element of better management:

INFORMATION & COMMUNICATION

“Everybody’s talkin’ at me...but I can’t hear a word they’re saying....” The opening lyrics from the theme from **Midnight Cowboy** may be your work reality, but probably not. Like most of us, you probably have fallen prey to the status quo of hierarchical decision-making and pecking order communication. “Right to know” and “need to know” are phrases that apply to more than the CIA and Homeland Security. If you are responsible for an operation, you need all the available information to bolster productivity – which includes both efficiency AND effectiveness.



The military talk about the 3 C’s – **command, control, and communication**. We civilians talk about horizontal and vertical two-way communication. Your subordinates need to bring things to your attention. You need to confer with them, fielding questions and concerns, passing on vital information from above. You need to keep your bosses in the loop concerning issues that affect the agency or program. And you need to compare notes with your peers in other parts of the agency – to make sure you are not working at cross-purposes, duplicating each other’s work, and pick up information that missed your desk. Knowledge is power, only if it is shared. And the more people who share the knowledge, the more productive your agency can be.