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Lane Community College
Internal Controls Accounting
Roles in Internal Controls

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Introduction to Internal Controls:

Good internal controls are valued by management and staff alike because they provide structure for financial practices to create auditable financial records readily understood by other parties including management and auditors. They also afford protection for process users who follow predefined and approved financial processes. Internal Controls are an integral part of any organization's financial and business policies and procedures. Internal Controls consist of all the measures taken by the organization for the purposes of:

1. Protecting its resources against waste, fraud, and inefficiency,
2. Ensuring accuracy and reliability in accounting and reporting data,
3. Securing compliance with the policies of the organization, and
4. Enhancing accountability to the auditors, the public, and other vested parties.

A summary of the components of internal controls:

1. Design/Plan: Control-related policies and procedures are designed to address the needs and mission of the organization, and the staff who perform financial tasks.
2. Implementation/Do: Ensure control related policies and procedures are actually installed as designed.
3. Monitoring/Check: Confirm controls continue to function as intended after installation, and modify or enhanced as needed to conform to changes in the operating environment.
4. Reporting/Act: Keep vested parties appraised of how internal controls are functioning and serving the needs of the organization.

For more additional learning frequent www.lanecc.edu/ic.

Roles in Internal Controls:

Every financial process participant within the College has a role in internal controls. The roles vary depending upon the level of responsibility and the nature of involvement by the individual.

1. The Board of Directors serves as the audit committee, and is ultimately accountable for the effectiveness and efficiency of internal controls.
2. The President and Executive Team establish the tone of integrity, ethics, and competence to create a positive control environment, and advocate the importance of internal controls to all employees.
3. Directors and Department Managers have oversight responsibility for internal controls within their units.
   a. **Establish the Infrastructure**: Per the Federal Managers' Financial Integrity Act of 1982, the GAO's role is to "provide the overall framework to establish and maintain internal controls and identify and address major performance and management challenges and areas at greatest risk of fraud, waste, abuse and mismanagement." [1] To the GAO, the term Internal Controls is synonymous in with Management Controls.
   b. **Set the tone**: "If management views internal controls as unrelated to achieving its objectives, or even as an obstacle, it is all but certain that this attitude will be communicated to staff at all levels, despite official statements or policies to the contrary. In such an environment, employees readily come to see internal

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controls as 'red tape' that they can 'cut through', as needed, to 'get the job done'." [2]

    c. **Behavior modeling**: Identify the benefits of good internal controls to your financial process users. For example: to employ processes that protect private student or employee information, or that achieve stated grant objectives, while identifying and reducing redundancies in financial processes. Compliance with state and federal regulations or reporting requirements may be an objective of internal controls.

4. Managers and Supervisors are responsible for implementing and monitoring control policies and procedures at the detail level within their specific unit to ensure that financial processes continue to operate as designed.

5. Each financial Process User is to be cognizant of proper internal control procedures associated with their specific job responsibilities, to follow agreed upon procedures, and to provide feedback to process developers as to efficiency and effectiveness of emplaced internal controls.

6. Internal Controls Accounting compares process controls to best practices and makes recommendations, while assisting with implementation of agreed upon procedures. We recommend processes patterned after the standards set by regulatory bodies, professional organizations and the Board. We strive to add value to controls by exploring process efficiency gains that save you time, money and reduce the stress that comes with process uncertainty.

7. **All participants are charged with the responsibility to improve accountability.** This is where Sentinels are most effective. Sentinels, as opposed to "whistle blowers", proactively and positively look for preventative actions to take before processes deteriorate to the point of misuse of organizational assets and violations of the public trust. Sentinels and Whistle Blowers are encouraged to communicate any knowledge of any process weakness or misuse to Internal Controls Accounting personnel at internalcontrolsfeedback@lanecc.edu.

General and Specific Financial Process Assistance: We also can assist you with
    a. Identifying redundancies,
    b. Segregation or rearrangement of duties,
    c. Skill enhancement, and
    d. Finding alternate resources.

We want to do whatever we can to get your financial processes to perform the job you need them to do, so that you can get back to doing yours.

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[1] United States Accounting Office http://www.gao.gov/archive/2000/ai00021p.pdf Standards for Internal Control in the Federal Government, Nov 1999

[2] Gauthier, Stephen J., *Evaluating Internal Controls, A Local Government Manager's Guide,* Government Finance Officers Association 1996, page 13.

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