

State Agencies' Management Role in Applying Standards for Internal Control

Short-Term Responsibilities (Goals)

Management of each State Agency is responsible for:

- Hiring, developing, training and retaining competent employees in alignment with Agency objectives.
- Making management policies and guidelines available to all employees.
- Designating an internal control officer (per SB 162) who shall act as primary state agency contact for internal control .

State Agencies' Management Role in Applying Standards for Internal Control (Cont)

Long-Term responsibilities (Goals)

Management of each State Agency is responsible for:

- Implementing and complying with Internal Control guidelines and standards issued by the State Board of Internal Control.
- Understanding internal control frameworks (objectives, components, principles, and attributes or points of focus.)
- Establishing and employing an effective internal control system that provides reasonable assurance that an agency's objectives will be achieved.

Components of Internal Control Framework

- **Control Environment**
 - Demonstrate a commitment to integrity and ethical values.
 - Oversee its internal control system.
 - Establish an organizational structure, assign responsibility, and delegate authority to achieve its objectives.
 - Demonstrate a commitment to recruit, develop, and retain competent individuals.
 - Evaluate performance and hold individuals accountable for their internal control responsibilities.
- **Risk Assessment**
 - Define objectives clearly to enable the identification of risks and define risk tolerances.
 - Identify, analyze, and respond to risks related to achieving the defined objectives.
 - Consider the potential for fraud when identifying, analyzing, and responding to risks.
 - Identify, analyze, and respond to significant changes that could impact its internal control system.
- **Control Activities**
 - Design control activities to achieve objectives and respond to risks.
 - Design its information system and related controls activities to achieve objectives and respond to risks.
 - Implement control activities through agency specific policies.
- **Information and Communication**
 - Use quality information to achieve its objectives.
 - Internally communicate the necessary quality information to achieve its objectives
 - Externally communicate the necessary quality information to achieve its objectives.
- **Monitoring**
 - Use, establish and operate monitoring activities to monitor the information system and evaluate the results.
 - Remediate identified information system deficiencies on a timely basis.