Learning Objectives

At the end of this session, you will be able to

- Recall two of the frameworks for internal control
- Identify the definition of internal control
- Recognize the five components of internal control
What Is Internal Control
2 Internal Control Models

Both organized around 5 components and 17 principles

Committee of Sponsoring Organizations (COSO)

Internal Control(s) Defined

COSO
A process, effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance

GREEN BOOK
A process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved...within three broad categories:

- Operations
- Reporting
- Compliance
COSO Model

- **5 Components**
- **17 Principles**
- **Points of Focus**

**Objectives**
- Prerequisite to internal control
- Objective-setting not a part of internal control

Green Book Model

- **5 Components**
- **17 Principles**
- **Attributes**
Definition Concepts

Achievement of objectives directs internal control activities

Objectives
- Operations
- Reporting
- Compliance

Polling Question

Internal control is a

a) process
b) set of policy and procedures
c) a plan for communication
d) reporting objective
Control Environment Defined

Control environment is defined as:

- Tone at the top
- Organizational attitude toward internal control
Principles of Control Environment

- Integrity and ethical values
- Oversight by governing body
- Organizational structure, roles and responsibilities
- Commitment to attract develop and retain qualified employees
- Accountability for actions

Polling Question

Which of the control environment principle(s) was violated in the opening scenario

a) Ethics and integrity
b) Attract, train and retain competent individuals
c) Accountability for internal control responsibilities
d) All of the above
Risk Assessment

Risk Assessment Defined

- Component of internal control system
- Risk is possibility that an event will occur and adversely affect the achievement of objectives
- Risk assessment is the process for identifying and assessing risks that could affect the achievement of objectives
Risk Assessment Defined

Risk affects organization’s
   Ability to succeed
   Financial strength
   Positive reputation
   Overall quality of people and services
No way to reduce risk to zero

Risk Assessment Principles

Specific objectives to allow risk assessment
Identification and analysis of the risks to the objectives
Considers potential for fraud
Reviews changes that can affect internal control
Risk Response

Accept
Avoid
Reduce
Share

Control Activities
Control Activities Defined

Third component of framework
Actions put into place by management to reduce risk of not achieving objectives
Mechanisms for managing risk to achievement of objectives

Control Activities Principles

Develop control activities to mitigate the risk
Develop general control activities over technology to support the achievement of objectives
Deployment of policies and procedures
Polling

What is a control activity to lessen the risk associated with the objective to hire competent employees?

a) Require the chair of the board to approve all hires
b) Require trained hiring committees make employment decisions
c) Allow departments to make all hiring decisions

Information and Communication
**Information and Communication**

Component of Internal Control System

Information = data combined and summarized based on needed requirements and used to support internal control system

Communication = enables organization to share relevant and quality information internally and externally

---

**Principles**

Relevant and quality information

Internal communication

External communication
Monitoring Activities

Fifth component of Internal Control System

Assess whether all components of internal control and relevant principles are present and functioning

Sometimes difficult to determine if monitoring is control activity or monitoring activity
**Monitoring Activities Principles**

Development and performance of ongoing and/or separate evaluations to determine internal control is present and functioning

Evaluation and communication of internal control deficiencies so corrective action can be taken by responsible parties

---

**Polling Question**

What kind of monitoring activities could be used to ensure the hiring practices of a government are consistently followed?

a) Periodic internal audit for a sample of positions filled  
b) Final hire decision is reviewed by HR director  
c) Violators required to submit corrective action plan  
d) All of the above
Roles and Responsibilities

• Every individual has a role in internal controls
• Management is primarily responsible for internal controls
• Governing body is ultimately responsible for internal controls
Other roles

Senior management
Employees
Internal auditors
External parties
Independent auditor

Online Internal Control
Online Internal Control details

- 100% self-study
- 12 CPE
  - NASBA approved
- Cost $339
  - $299 in-state price if purchased by May 7
- 30 days to complete

https://t.uga.edu/5Tt

Internal Control Course Content

13 lessons
- COSO model is presented separately from Green Book
- Animated scenarios to introduce content
- Activities to assess learning include
  - Drag and drop interactions
  - Hangman designed for testing terminology
  - Risk assessment activity for planning a river trip
- Each lesson has a quiz
- Final objective question exam
Alternate Certificate Program

Four Course Internal Control Certificate

- Each course focuses on a transaction cycle
  - Accounts Receivable and Cash Receipts
  - Accounts Payable and Cash Disbursements
  - Capital Assets
  - Payroll
- Each course is $259
- 6 hours of CPE for each course
- University of Georgia certificate at completion of all four courses

Other Online Self-Study Courses

Governmental Accounting Certificate Program

3 courses
- Introductory Governmental Accounting Part I
- Introductory Governmental Accounting Part II
- Intermediate Governmental Accounting
- 84 CPE
- Three months to complete each course
- Total cost $1,700
Join us for our Next Webinar

June 23, 2020, 2:00 P.M. (EDT).

Fundamentals of Purchasing
Presented by Dave Lakly

https://t.uga.edu/5F5

QUESTIONS?
Thank You!

Since 1932, the Carl Vinson Institute of Government has been an integral part of the University of Georgia. A public service and outreach unit of the university, the Institute of Government is the largest and most comprehensive university-based organization serving governments in the United States through research services, customized assistance, training and development, and the application of technology.

The University of Georgia Center for Continuing Education & Hotel is the campus hub for noncredit professional courses for lifelong learners in a wide variety of fields and industries. As a unit of Public Service & Outreach at UGA, the Georgia Center enriches the lives of generations of learners and produces lasting impact through outstanding educational programs and services. The full-service hotel features 200 renovated rooms and suites, restaurants, banquet areas, conference rooms, auditoriums, a fitness center, and a computer lab — all under one roof.

The University of Georgia, Carl Vinson Institute of Government is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted through the NCEA Registration Process. www.NASBARegistry.org

Connect With Us!

facebook.com/VinsonInstitute
/UGAGeorgiaCenter

@CVIOG_UGA

@GeorgiaCenter

www.cviog.uga.edu www.GeorgiaCenter.uga.edu