



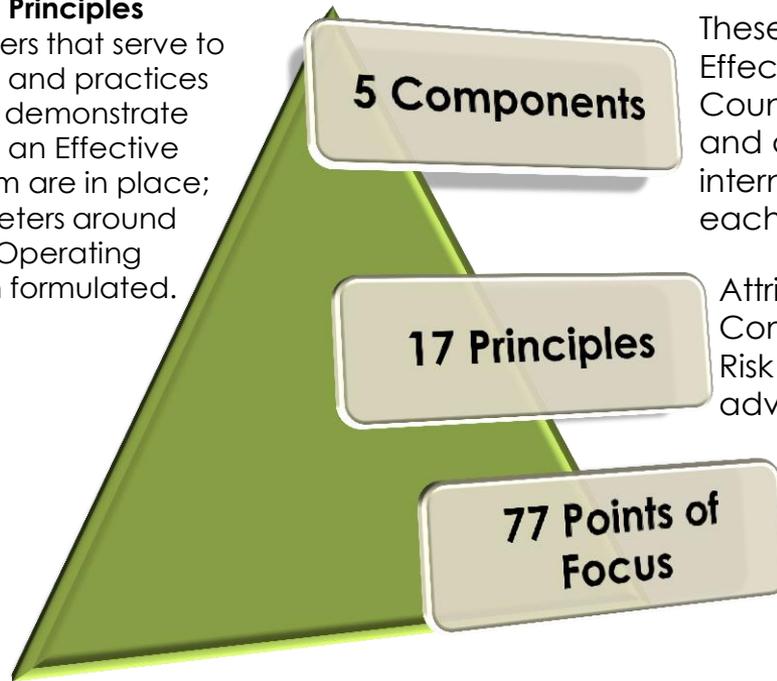
County Internal Control Framework



County Internal Control Framework

Purpose of the Framework...to assist in the design and guide the development of an **Effective System of Internal Control**, which **can only occur when all 5 Components and 17 Principles are present, functioning and operating together**

The **Components** and **Principles** outlined are parameters that serve to help shape behaviors and practices in a manner that can demonstrate that key elements of an Effective Internal Control System are in place; these are also parameters around which Management Operating Standards have been formulated.



These serve to establish the foundation for an Effective System of Internal Control within the County through directed leadership, shared values and a culture that emphasizes accountability for internal control. These provide a foundation for each of the 5 Management Operating Standards

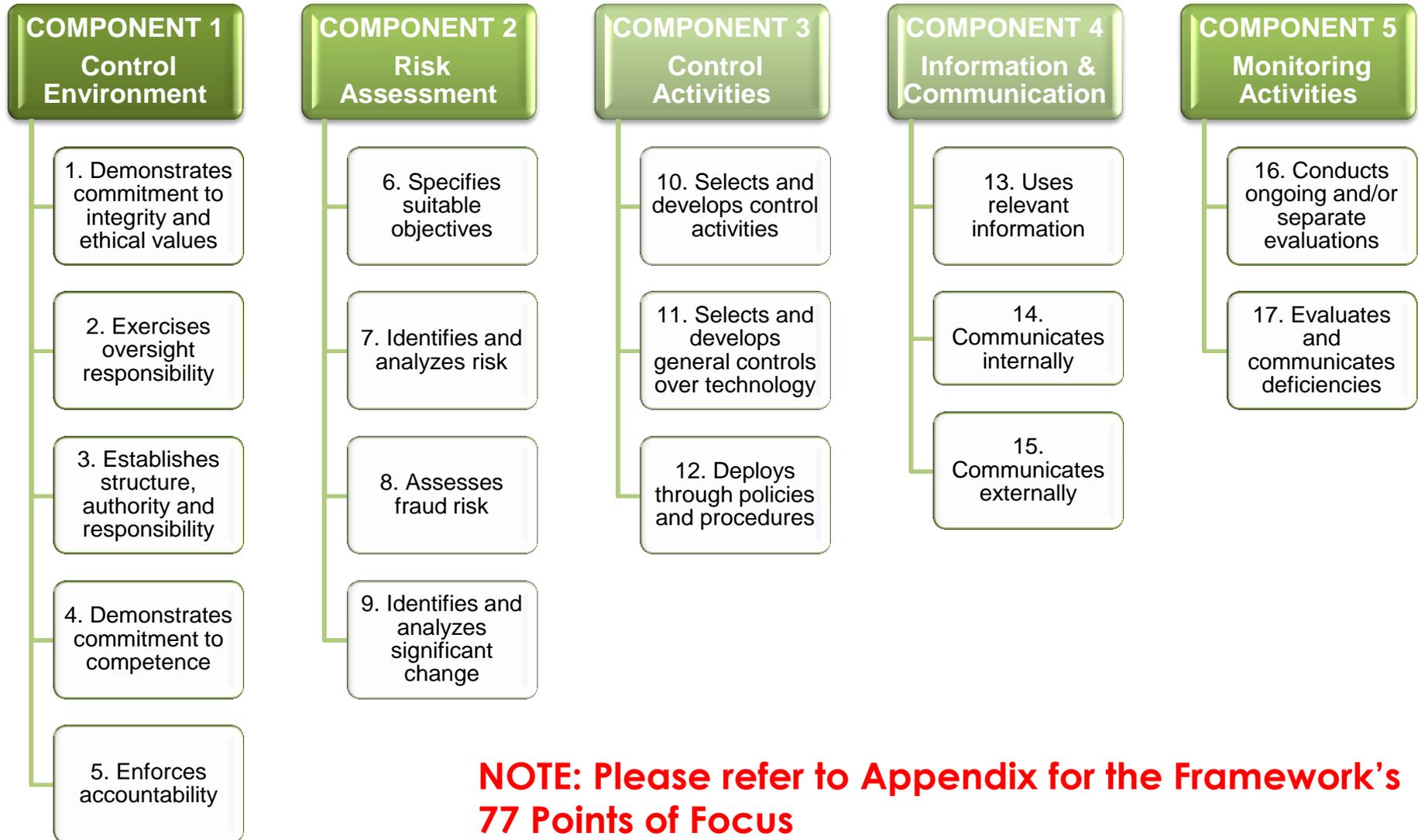
Attribute domains associated with the 5 Components; these can be thought of as clusters of Risk which, if not adequately managed, can adversely impact achieving objectives

Points that provide general, actionable guidance to meet a given Principle

Refresh: The Objective of Internal Control Policy...to help strengthen County efforts with respect its duties of Public Accountability



5 Components and 17 Principles



NOTE: Please refer to Appendix for the Framework's 77 Points of Focus



Management Operating Standards and corresponding Internal Control Framework Components

Management
Operating
Standard 1

Control Environment

Management
Operating
Standard 2

Risk Assessment

Management
Operating
Standard 3

Control Activities

Management
Operating
Standard 4

Information & Communication

Management
Operating
Standard 5

Monitoring Activities



Points of Focus and Guidance



COSB Components, Principles and Points of Focus

Control Environment

**Principle 1:
Demonstrates commitment to integrity and ethical values**

Points of Focus			
Sets the Tone at the Top	Establishes Standards of Conduct	Evaluates adherence to Standards of Conduct	Address Deviations in a timely manner
The Board and Management at all levels demonstrate through directives, actions and behavior the importance of integrity and ethical values to support the functioning of an Effective System of Internal Control	The expectation of the Board and Management concerning integrity and ethical values are defined in Standards of Conduct and understood throughout the organization and by outsourced providers and business partners	Management ensures processes are in place to evaluate the performance of individuals and teams against the Standards of Conduct	Management and the Board ensure deviations in Standards of Conduct are identified and remedied in a timely consistent manner

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COSB Components, Principles and Points of Focus



Control Environment

**Principle 2:
Exercises oversight responsibility**

Points of Focus				G u i d a n c e
Establishes oversight responsibilities	Applies relevant expertise	Operates Independently	Provides oversight for the System of Internal Control	
The Board identifies and accepts its overall responsibilities in relation to the established requirements and expectations	The Board defines, maintains and periodically evaluates the skills and expertise needed to enable them to ask probing questions of Management and take commensurate actions	The Board has sufficient independent members and is objective in evaluations and decision making	The Board retains oversight responsibilities for Management's design, implementation and conduct of the System of Internal Control	

COSB Components, Principles and Points of Focus



Control Environment

**Principle 3:
Establishes structure, authority and responsibility**

Points of Focus		
Considers all structures of the entity/organization	Establishes reporting lines	Defines, assigns and limits authorities and responsibilities
Management and the Board considers multiple structures (including Departments, legal entities, geographic distribution, and outsourced service providers) to support the achievement of objectives	Management designs and evaluates lines of reporting for each Department structure to enable execution of authorities and responsibilities and the flow of information to manage the activities of the County	Management and the Board delegate authority, define responsibilities and use appropriate processes and technology to assign responsibility and segregate duties at various levels of the organization

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COSB Components, Principles and Points of Focus



Control Environment

**Principle 4:
Demonstrates commitment to competence**

Points of Focus			
Establishes policies and practices	Evaluates competence and address shortcomings	Attracts, develops and retains individuals	Plans and prepares for succession
Management ensures that Policies and practices reflect expectations of competence necessary to support the objectives	The Board and Management evaluate the competence across the organization and at outsourced service providers in relation to established policies and practices and act as necessary to address shortcomings	Management has developed appropriate procedures to mentor and train to attract, develop, and retain sufficient and competent personnel and outsourced service providers to support the achievement of objectives	Management and the Board develops contingency plans for assignment of responsibility important for an Effective System of Internal Control

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COSB Components, Principles and Points of Focus



Control Environment

**Principle 5:
Enforces accountability**

Points of Focus				
Enforces accountability through structures, authorities and responsibilities	The Board and Management Establish performance measures, incentives and rewards	Evaluates performance measures, incentives, and rewards for ongoing performance	Considers excessive pressures	Evaluates performance and rewards or disciplines individuals
Management and the Board Establish the mechanism to communicate and holds individuals accountable for Internal Control responsibilities across the organization and implement corrective action	..appropriate for responsibilities at all levels of the entity, reflecting performance and conduct standards, considering achievement of short and long term objectives	The Board and Management align incentives and rewards with the fulfillment of internal control responsibilities in the achievement of objectives	The Board and Management evaluate and adjusts pressures associated with the achievement of Internal Control responsibilities as they assign responsibilities, develop performance measures and evaluate performance	Evaluates performance of the System of Internal Control responsibilities, including adherence to conduct standards and expected competence; provides rewards or disciplinary action as appropriate

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COSB Components, Principles and Points of Focus



Risk Assessment

**Principle 6:
Specifies suitable objectives**

Points of Focus				
Operations Objectives	External Financial Reporting Objectives	External Non Financial Reporting Objectives	Internal Reporting Objectives	Compliance Objectives
Management uses mission statements, vision statements, strategic and directional objectives, business plans, departmental plans, tactical planning, SMART objectives, in prioritization of objectives	Reflects management’s choices; considers tolerances for risk, Includes operations and financial performance goals, Forms a basis for committing of resources, Complies with applicable accounting standards, Considers materiality , Complies with externally established standards and frameworks ; Considers the required level of precision; Reflects entity activities;,, Reflects external laws and regulations			Management ensures the organization has identified legal , regulatory and other obligations for which it is to abide and assigned accountability for compliance

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COSB Components, Principles and Points of Focus



Risk Assessment

**Principle 7:
Identifies and analyzes risk**

Points of Focus					
Includes entity, department, division, operating unit, and functional levels	Analyzes internal and external factors	Involves appropriate levels of management	Estimates significance of Risk identified	Determines how to respond to Risk	
Management ensures the organization identifies and assesses Risk at the County, Department, division, operating unit and functional levels relevant to the achievement of objectives	Management ensures that Risk Identification considers both internal and external factors and their impact on the achievement of objectives	Management ensures the organization puts into place effective Risk assessment mechanisms that involve appropriate levels of Management	Management ensures defined Risks are analyzed through a process that includes estimating the potential significance of the Risk	Management ensures that Risk assessment includes considering how the Risk should be managed and whether to accept, avoid, reduce or share the risk	G u i d a n c e

COSB Components, Principles and Points of Focus



Principle 8: Assesses fraud risk

Points of Focus

Considers various types of fraud	Assesses incentives and pressures	Assesses opportunities	Assesses attitudes and rationalizations
Management ensures that the assessment of fraud considers fraudulent reporting, possible loss of assets, and corruption (and Management override of Internal Controls) resulting from various ways that fraud and misconduct can occur	Management ensures that the assessment of fraud risk considers incentives and pressures	Management ensures that the assessment of fraud considers opportunities for unauthorized acquisition, use, or disposal of assets, altering of the entity's reporting records, or committing other inappropriate acts	Management ensures that the assessment of fraud considers how Management and other personnel might engage or justify inappropriate actions

Risk Assessment

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COSB Components, Principles and Points of Focus



**Principle 9:
Identifies and analyzes significant change**

Points of Focus

Assesses changes in the external environment	Assesses changes in business/operating model	Assesses changes in leadership
Management considers climate, economy, technology, political, legal, peer, media, demographic changes, resource dependencies, financial markets access in evaluating exposures to the external environment	Management considers organizational culture,, organizational structure, mission, metrics, goals, objectives, constituency demographic and constituent preference changes in evaluating the appropriateness of its organizational design	Management considers evolving core competencies, continuity/discontinuity of senior Department leaders, access to seasoned executive/Management talent in its risk assessments

Risk Assessment

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COSB Components, Principles and Points of Focus



Control Activities

**Principle 10:
Selects and develops control activities**

Points of Focus						
Integrates with Risk Assessment	Considers entity-specific factors	Determines relevant business processes	Evaluates mix of Internal Controls types	Considers at what level Internal Controls are applied	Addresses segregation of duties	
Management ensures internal Controls that are developed help ensure that the Risk responses that address and mitigate Risk are carried out	Management considers how the environment, complexity, nature and scope of its operations affect the selection and development of Internal Controls	Management determines which relevant business processes require Internal Controls	Management ensures that Internal Controls developed include a range of and variety; considering both manual and automated, preventative and detective	Management considers Internal Controls at various levels of the organization	Management segregates incompatible duties and where not practical, selects and develops alternative Internal Controls design	G u i d a n c e



COSB Components, Principles and Points of Focus

Principle 11:

Selects and develops general controls over technology

Points of Focus

Points of Focus			
Determines dependency between the use of technology in business processes and for IT controls	Establishes relevant Technology Infrastructure Internal Controls	Establishes relevant security management processes Internal Controls	Establishes relevant Technology Acquisition, Development, Maintenance Process Internal Controls
Management understands and determines dependency and linkage between business processes, automated controls activities and s	Management ensures Internal Controls are designed and implemented to help the completeness, accuracy and availability of technology processing	Management ensures Internal Controls are designed and implemented to help the completeness, accuracy and availability of technology processing	Management selects and develops Internal Controls over the acquisition, development and maintenance of technology and its infrastructure to achieve objectives

Control Activities

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COSB Components, Principles and Points of Focus



Principle 12: Deploys through policies and procedures

Control
Activities

Points of Focus					
Establishes policies and procedures to support deployment of Management's directives	Establishes responsibility and accountability for executing policies and procedures	Performs in a timely manner	Takes corrective action	Performs using competent personnel	Reassess policies and procedures
Management shall ensure that Internal Controls are built into business processes through specific policies and procedures	Management assigns responsibility and accountability for Internal Controls in the Department where the Risk resides	Management ensures that responsible personnel perform Internal Controls in a timely manner	Management ensures that responsible personnel investigate and act on matters identified as a result of executing the Internal Control	Management ensures that competent personnel with sufficient authority perform Internal Controls with diligence and continuing focus	Management periodically reviews Internal Controls to determine their continued relevance and refreshes them when necessary
G u i d a n c e					

COSB Components, Principles and Points of Focus



Principle 13: Uses relevant information

Points of Focus				
Identifies information requirements	Captures internal and external sources of data	Processes relevant data into information	Maintains quality throughout processing	Considers costs and benefits
Management ensures there are procedures in place to identify the information required and expected to support the functioning of the other Components and achievement of the organization's objectives	Management ensures Information systems captures internal and external sources of data	Management ensures that Information systems process and transform relevant data into information useful in decision making	Management ensures that Information systems produce information that is timely, current, accurate, complete, accessible, protected and verifiable and retained. Information is reviewed to assess its relevance in supporting Components	Management ensures that the nature, quantity and precision of information communicated is commensurate with and support the achievement of objectives

Information & Communication

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COSB Components, Principles and Points of Focus



Principle 14: Communicates internally

Points of Focus			
Communicates Internal Control information	Communicates with the Board	Provides separate communication lines	Selects relevant method of communication
Management ensures practices are in place to communicate required information to enable all personnel to understand and carry out their Internal Control responsibilities	Communication exists between Management and the Board so that both have information needed to fulfill their roles	Management ensures that separate communication channels, such as whistleblower hotlines, are in place and serve as fail-safe mechanisms to enable anonymous or confidential communication	Management's method of communication considers the timing, audience and nature of the information

Information & Communication

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COSB Components, Principles and Points of Focus



Information & Communication

Principle 15: Communicates externally

Points of Focus					
Communicates to external parties	Enables inbound communication	Communicates with the Board	Provides separate communication lines	Selects relevant method of communication	
Management ensures processes are in place to communicate relevant and timely information to interested stakeholders and constituents	Management ensures open communication channels allow Management and the Board to receive relevant input from interested stakeholders	Management ensures relevant information from assessments conducted by external parties is communicated to the Board	Management ensures separate communication channels, such as whistleblower hotlines, are in place and serve as fail safe mechanisms to enable anonymous or confidential communication	Management ensures the method of communication considers the timing, audience and nature of the communication and legal, regulatory and fiduciary requirements and expectations	G u i d a n c e

COSB Components, Principles and Points of Focus



Monitoring Activities

Principle 16: Conducts ongoing and/or separate evaluations

Points of Focus							
Considers a mix of ongoing separate evaluations	Considers rate of change	Establishes baseline understanding	Uses knowledgeable personnel	Integrates with County processes	Adjusts scope and frequency	Objectively evaluates	
Management ensures that the organization considers self assessments, external subject matter expertise, peer comparisons, benchmarking, etc.; considers financial, operational, compliance, strategic, safety, etc. aspects of the organization	Management considers the rate of change in operations and processes when selecting and developing ongoing and separate evaluations	The design and current state of the System of Internal Control is used to establish a baseline for ongoing and separate evaluations	Evaluators performing ongoing and separate evaluations have sufficient knowledge to understand what is being evaluated	Management ensures that ongoing evaluations are built into operational processes and adjust to changing conditions	Management varies the scope and frequency of separate evaluations depending on Risk	Management provides for separate evaluations are performed periodically to provide objective feedback	G u i d a n c e

COSB Components, Principles and Points of Focus



Monitoring Activities

**Principle 17:
Evaluates and communicates deficiencies**

Points of Focus			
Assesses results	Communicates deficiencies	Monitors corrective actions	
Management and the Board assess the results of ongoing and separate evaluations	Management ensures that deficiencies in internal control are communicated to the parties responsible for taking corrective action and to Management and Board as appropriate	Management tracks whether a Deficiency is remediated in a timely manner	G u i d a n c e