



Internal Control Tips from the Internal Audit Department

The Control Environment

The controls environment is the control consciousness of an organization. It is the atmosphere in which we conduct our activities and carry out our control responsibilities.

An effective control environment is one where competent people understand their responsibilities and the limits to their authority and are knowledgeable, mindful, and committed to doing what is right in the right way. The control environment encompasses technical competence and ethical commitment and is essential to effective internal control.

A key foundation of effective internal controls is management's "tone at the top." Governing boards and management enhance the control environment when they establish and communicate written policies and procedures, a code of ethics, and standards of conduct. By behaving in an ethical manner and creating a positive "tone at the top" they foster a control environment that encourages:

- The highest levels of integrity and personal and professional standards
- A leadership philosophy and operating style which promote internal control
- Assignment of authority and responsibility

To ensure your department and/or division creates and maintains an ethical environment -

Communicate what is expected to employees – state clearly what your values and ethics are and the behavior that is expected for each employee. Include this in the policies and procedures for the area and routinely review them with all employees for continual reinforcement. Employee performance evaluations should include accountability for their internal control responsibilities.

Lead by example – Actions speak louder than words. Those responsible for leading employees should set the example. This includes demonstrating integrity, talking about the importance of ethics, modeling ethical behavior and a strong work ethic.

Assign proper authority and responsibility – Start by hiring qualified and ethical employees, then place them in situations where they are able to thrive. There should be well-defined job descriptions and performance goals. Goals should be reviewed routinely to ensure they set realistic standards. Regular training on ethics will help employees recognize potential issues.

Provide a safe mechanism for reporting violations – Create an environment of safety for employees to report misconduct. All employees should understand the options available to them for reporting concerns. Those who know or suspect fraudulent behavior or other ethical violations should be able to report them without fear of retaliation from management or other employees. This is School Board policy as well as law.

For more information about this or any internal control matter, please contact the Internal Audit Department at 407-317-3200, 2002897 or Internal.Audit@ocps.net.