

Internal Controls and You

Internal Controls Awareness Course & Quiz

Directions:

Use the **Next** and **Back** arrow buttons on each page to progress through this tutorial.

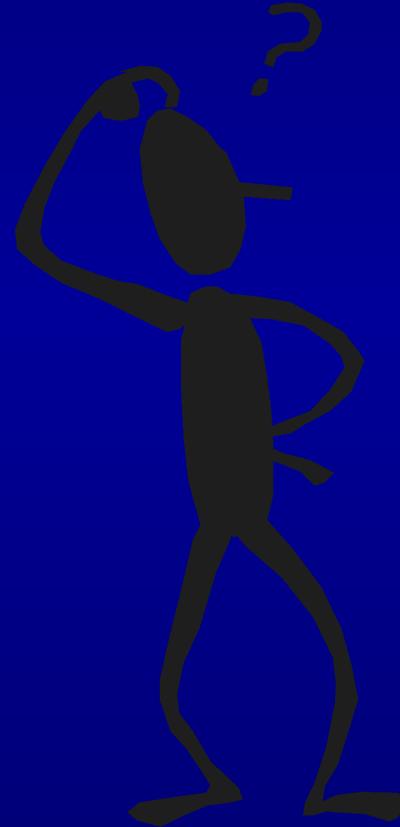
Be sure to fill out and submit the form at the end of the test section to record your participation.

[Credits](#)

Next 

Internal Controls?

What
are
they?



?

?

Next



**Before we get into
Internal Controls
We should first
understand what we
mean by “Controls”**



CONTROLS are what we use to make sure things happen the way we want them to. They can be:

People doing things

and

Things put into place by

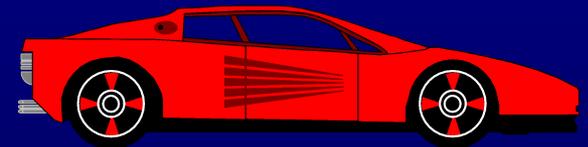
People

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Types of Controls

- **Preventive** - prohibit or stop unwanted actions from happening
- or
- **Detective** - identify unwanted actions that occurred



**You probably use
Controls every day in
much of what you do**



Everyday Controls

Look in Your Home

Your front door lock (preventive)



Keeps trespassers out

Your lights, a/c, heat, etc. (preventive)

Keep you comfortable

Your (loud/alert/big) dog (preventive & detective)



Detects and prevents intruders, loneliness

Everyday Controls

Look in Your Car

Your Speedometer (detective):

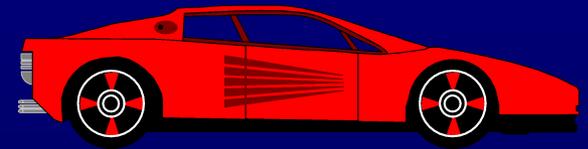
You can slow down or speed up (based on road conditions), if you know how fast you're going

Your Brakes (preventive):

Actually let you go faster, since you can control your speed if you need to

Your Fuel Gauge (detective):

You can figure how far to go without stopping



Everyday Controls

Look at Your (or George's) Head

Hair prevents
cold/heat/bruises



Eyes, Nose (detect
quite a bit)



Skin
(Detects &
prevents
heat/cold)



Mouth (can be
used to detect
or prevent)



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In business, we call them Internal Controls because:

- **They are used to ensure that our internal operations work and that we accomplish what we want**
- **They are managed and used by people inside the organization**
- **They are built into our business activities**



We use Internal Controls to :

- **Help us do the right things (effectively) in the right way (efficiently)**
- **Ensure that information we provide and use is accurate and reliable**
- **Ensure that we comply with laws, regulations, policies, and procedures**
- **Protect our assets**



What use are they?

Good Internal Controls help us to:

- **Reduce errors**
- **Comply with laws & procedures**
- **Reduce our exposure to fraud & theft**
- **Meet our goals**



What happens if these Controls fail?

We may fail to meet our objectives

**By failing to do what we say, we may lose
credibility with the Public, our Business
Partners, Other State Agencies and
Management**

**Lower credibility often means harder work
to get new ideas approved or to get
accomplishments recognized**





What happens if these Controls fail?



We may lose assets and opportunities

**Theft, fraud, wasted time and efforts,
mean we will have less to work with**

**We would do without (new equipment,
raises, etc.) just so that we can
continue to function**



What happens if these Controls fail?



We may fail to comply with laws

**Non-compliance could mean fines
increased oversight and bad press**

**More oversight reduces our flexibility to
get things done**



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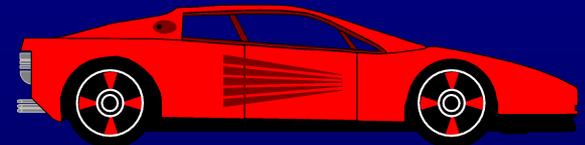
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So, all things considered:

Internal Controls are good things to have

They ultimately make our workplace better



**To understand more
about Internal Controls
we should know more
about how they fit it into
our activities**



Here's How They Relate

Activities = *What We Do*

Objectives = *Why We Do What We Do*

Risks = *What Will Prevent Us From Reaching Our Objectives (Effect: What Would Then Happen)*

Controls = *What We Do to Manage Our Risks*

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Activities?

These are the business actions and processes we perform regularly.

They include:

- **Issuing Licenses and Registrations -**
 - **Processing Tickets -**
 - **Clearing Suspensions -**
- **Business Regulation and Licensing -**
 - **Grants Management -**
- **Accounting and Auditing -**

and all the other important functions necessary to support the organization

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Objectives?



Objectives are the reasons why we do what we do

Management establishes the top objectives for DMV. Each program's activities are designed to support our top objectives

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Risks?



**Once you know your objectives,
you can then determine what
events could occur that would
prevent you from doing your
job**

-- Those are your risks --



RISKS - From Where?

As we said, RISKS are what prevent us from getting things done

They are what *could* happen, and can arise

Internally - *or* - Externally

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Internal Risks

Exist within the agency and can include:

Errors, neglect

Personnel turnover

Lack of experience or training

Lost or incorrect information

Theft, fraud, abuse



External Risks

Exist outside, but can affect DMV.

They can include:

Economic (recessions)

Catastrophes (floods, snow)

Legal (lawsuits, injunctions)

Restrictive legislation

Changing customer needs

Technology

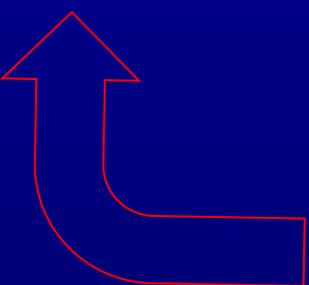


Our Options for Handling Risks

Accept the risk - if it occurs, we can handle it

Insure the risk - pay someone else to assume the risk won't occur. If it happens, we're covered.

Control the risk - establish ways to reduce the probability that the risk will occur



**THAT'S WHERE INTERNAL
CONTROLS COME IN!**

Example

Activity = *Timecard Preparation*



Objective = *Ensure accurate accountability for time worked*



Risk = *Employees do not accurately complete timecards (Effect: Employees paid for time not worked)*



Control = *Supervisor reviews, checks, and signs each timecard*

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Example

Activity = *Accessing Computer Files*



Objective = *To restrict access to authorized users*



Risks = *Information protected by the Law will be misused*



Controls = *Confidential passwords are used for access to critical systems.*

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Internal Control Methods

Segregation of Duties

Splitting up responsibilities so that no one person can fully control an activity

Example:

The person working overtime should not be the one to authorize the payment of overtime

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Internal Control Methods

Supervision

Totally performed by people, this method, probably the most common, can be both detective and preventive



Internal Control Methods

Supervision

Supervision includes instructing others, overseeing work as it is done, reviewing work already done, approving actions , etc.

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Internal Control Methods

Authorization

Only approved transactions are allowed to be made. Different levels of employees have different approval levels

Signatures are common authorization controls. Your signature means you've looked at something and said it's OK

Read everything before signing!

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Internal Control Methods

Code of Conduct

Employees should know what kinds of activities or actions could work against the agency

DMV's Code of Conduct provides you with guidance for good judgment in difficult situations



Internal Control Methods

Code of Conduct

We are guided by the :

Public Officers Law

**Agency Policies and Procedures
and other management directives**

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Internal Control Methods

Security

Physical Inventories: Inspecting assets on hand and matching them to what's in the books helps to detect missing items

Computer Security: Using and keeping passwords secret reduces unauthorized access

Backup procedures reduce losing data

Antitheft: Locks, alarms, cameras, and security personnel prevent and detect theft of important assets



Internal Control Methods

Security

Speaking of Assets –

You are our most important asset

- Building Security -

- Use of ID cards -

- Reporting suspicious persons -

- Not allowing the public into employee areas -

All work together, as internal controls, to keep you safe



Who's responsible for good Internal Controls?

YOU!

**As an agency employee you are
responsible to help us all continue to
succeed**

**Part of everyone's job is to ensure that
the controls, that affect what we do,
work properly**



How do I meet this Responsibility?

Always comply with laws, regulations, policies, and procedures affecting your work, and ask:

Is this internal control a good tool for getting my job done?

What are my risks and how are they controlled?

Do these internal controls work correctly?

Is there too little or too much control?

How can we make Internal Controls better?

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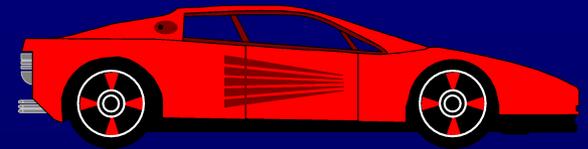
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And there's the Internal Control Act

The agency is required, by N.Y. S. Law, to both implement and report on specific things, including :

- **Establishing Internal Control Guidelines**
- **Maintaining an Internal Control System and program to review those controls**
- **Informing employees about internal controls**
- **Having an Internal Control Officer oversee it all**
- **Educating employees on Internal Controls**
- **Determining the need for an internal audit function**



Want to know more?

We can help you:

- **There is an Internal Control Officer who oversees the Internal Control Program**
- **DMV policies provide guidance on internal controls**
- **Your manager/supervisor can get you more training or information**
- **Audit Service's intranet web site has more information on Internal Controls**



**And now, how about a short
test ?**

**Please use your mouse to select the
correct buttons on your screen while
taking the test**

Go to Test

Question 1

Internal Controls are:

Tools for Controlling Risks

Press

Something Management does

Push

The responsibility of Audit

Click

CORRECT!



Let's move on

Incorrect! Try Again.



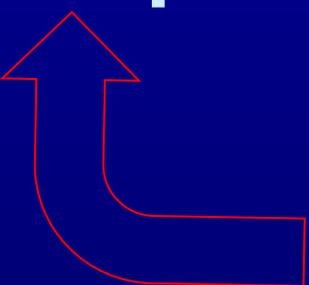
Press

Our Options for Handling Risks

Accept the risk - if it occurs, we can handle it

Insure the risk - pay someone else to assume the risk won't occur. If it happens, we're covered

Control the risk - establish ways to reduce the probability that the risk will occur



**THAT'S WHERE INTERNAL
CONTROLS COME IN!**

Mouse
here

Question 2

Internal Controls are intended to minimize risks.

These risks can be:

➤ **Intangible or Tangible**

Try This

➤ **Internal or External**

Or this

➤ **Effective or Efficient**

Or This

CORRECT!



Let's move on

Incorrect! Try Again.



Press

Risks - From Where?

As we said, RISKS are what prevent us from getting things done.

They are what *could* happen, and can arise

Internally - *or* - Externally



Press

Question 3

We use Internal Controls to:

➤ **Make sure things happen**

right

Try This

➤ **Correct errors**

Or this

➤ **Improve processes**

Or This

CORRECT!



Let's move on

Incorrect! Try Again.



Press

Question 4

A preventive internal control :

- **Adjusts things back to the way we want**
- **Identifies unwanted actions**
- **Stops unwanted actions from happening**

Try This

Or this

Or This

CORRECT!



Let's move on

Incorrect! Try Again.



Press

Types of Controls

- **Preventive** - prohibit or stop unwanted actions from happening
- or
- **Detective** - identify unwanted actions that occurred

Question 5

**Of the risk options available,
which is **not** used by us?**

➤ **Accept the risk**

Try This

➤ **Insure the risk**

This

➤ **Control the risk**

Or This

➤ **Forget about it**

Even this

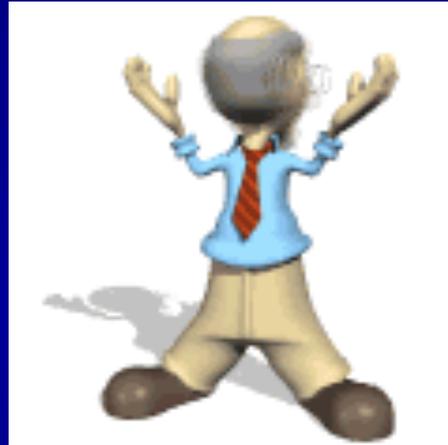
CORRECT!

**And...
that was the last question!**

Click on this text to exit and get credit for your time
otherwise
you may have to repeat this process.



Incorrect! Try Again.



Press

**You really ought to take
the test first!**

Okay

Internal Controls and You

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