



WISCONSIN ACCOUNTING MANUAL

Department of Administration – State Controller’s Office

Section	14	INTERNAL CONTROLS	Effective Date	7/1/2015
Sub-section	01	Internal Control Plans	Revision Date	12/30/2021
SAM Ref	N/A			

BACKGROUND

Each agency should recognize that a vital goal of its mission is to safeguard State assets and ensure the proper use of resources. The use of a properly structured internal control plan can assist an agency in meeting this goal. However, when establishing control objectives and control activities, as well as when performing internal control reviews, agency management should be aware of the inherent limitations (e.g., budget constraints, statutory and regulatory restrictions, staffing limitations, etc.) that constrain agency action.

Internal control is broadly defined as follows: A process, effected by an agency’s management, other people, and systems designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations.
- Reliability of financial information and reporting.
- Compliance with applicable laws and regulations.

This definition reflects certain fundamental concepts:

- Internal control is a process. It’s a means to an end, not an end in itself.
- Internal control is affected by people. It’s not merely policy manuals and forms, but people at every level of an organization.
- Internal controls should be expected to provide only reasonable assurance, not absolute assurance, to an entity’s management.
- Internal control is geared to the achievement of objectives in one or more separate but overlapping categories.

The development and assessment of agency internal control plans will provide reasonable assurance that the State’s assets are being safeguarded, that applicable statutes, rules and regulations are being followed, and that the objectives of agency management are being met. An internal control plan identifies management’s idea of how activities should be operating.

An internal control plan is more than just a list of procedures or flowcharts of how activities operate. Rather, an internal control plan is a comprehensive document that encompasses all components of an agency’s internal controls. The plan for one agency will differ from that of another agency due to size, complexity, resources and other factors.

Development and annual assessment of a plan allows management the opportunity to determine if the actual activities are operating as expected and helps identify any control weaknesses that should be corrected.



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POLICIES

1. The *Cooperative Agreement on Accounting, Auditing, and Internal Control Activities* between each agency and DOA requires that each agency document and maintain an internal control plan. Additionally, this agreement requires that annually, the agency head and the chief financial officer certify that agency internal controls have been reviewed and that any significant deficiencies or material weaknesses have been reported to DOA.
 - a. Signing authority for this annual certification may be delegated from the agency head to a deputy (e.g., an agency Secretary may delegate this authority to a Deputy Secretary).
2. DOA recommends that each agency prepare their internal control plan using the components and principles outlined in the *Internal Control – Integrated Framework* developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). An additional resource that the DOA recommends agencies utilize is the U.S. Government Accountability Office’s *Standards for Internal Control in the Federal Government*, also known as the “Green Book”. The Green Book adapts the components and principles of internal controls presented by COSO for a government environment.

PROCEDURES

1. Internal control plans should be maintained by each agency. These plans can continually change as processes and staff change. An agency’s internal control plan should be considered a working document that is used by the agency to identify how agency processes should be operating.
2. At least annually, each agency should review their plan, compare it to how things are actually operating, and make changes to the plan and/or procedures as determined necessary.
3. On an annual basis, each agency must certify that their internal control plan has been reviewed and any significant deficiencies or material weaknesses have been reported to DOA.
4. More specific guidance, including the date the annual internal control certification is due, will be provided to agency financial managers in a memo from DOA in January of each year.