



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	3/31/2015
SAM Ref	N/A			

BACKGROUND

An 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 process can assist an agency in meeting this goal. However, when establishing control objectives and control techniques, as well as when performing internal control reviews, agencies should be aware of the inherent limitations (budget constraints, statutory and regulatory restrictions, staffing limitations, etc.) that constrain agency action.

Internal control is broadly defined as follows:

Internal control is 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 effected 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 of agency internal control plans will provide 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



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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.

POLICIES

1. The Cooperative Agreement between each agency and DOA requires that each agency develop an internal control plan. Additionally, this agreement requires that annually, the agency head (or deputy) and the chief financial officer certify that the internal controls have been reviewed and any material weaknesses in the controls have been reported to DOA.
2. The annual report on certifying an agency's internal controls is due to DOA on the last Friday in February.

PROCEDURES

1. Internal control plans should be completed by each agency. These plans can continually change as processes and staff change. These documents should be considered a working document that is used by the agency to identify how things are supposed to be done within the agency.
2. Annually, each agency should review their plans, compare them to how things are actually operating and make changes as appropriate. The changes should be in either the plan or in the current processes depending on what should change.
3. A memo to the DOA Secretary should be submitted by the last Friday of February certifying that the controls have been reviewed and any material weaknesses have been reported to DOA. A sample format for this memo is included below.

Additional procedures pending.



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Sample Memo to DOA Secretary:

April 3, 2015

(DOA Secretary), Secretary
Department of Administration
101 E. Wilson Street
Madison, Wisconsin 53702

RE: Annual Reporting on Internal Controls

Dear Mr./MS. (secretary):

Under the requirements of the Cooperative Agreement on Accounting, Auditing and Internal Control Activities between the Department of Administration and (insert your agency name) we are submitting our annual report on internal controls.

We certify that the (insert your agency name) has reviewed the internal controls over financial activities and any material weaknesses have been reported to the State Controller's Office.

Attached is the additional information that is required for the annual reporting as identified in Chapter V of the "Instructions for the Preparation of an Agency Internal Control Plan".

Sincerely,

(name), (title - must be either the Agency Head or Deputy)
(agency name)

(name), (title - must be the Chief Financial Officer)
(agency name)

cc: Jim Behrend
State Controller's Office



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Additional Information for Annual Reporting on Internal Controls

The following additional information should be included in the annual report on internal controls. See Chapter V of the "Instructions for the Preparation of an Agency Internal Control Plan" for more information on the reporting requirements.

- List significant revisions to the Internal Control Plan over the past year.
- Indicate the process used to review the internal controls for the annual reporting.
- Identify control weaknesses and related corrective action plans.
- Indicate the status of corrective actions from the prior years report.
- Indicate any actions that are being considered to improve the internal controls.