

ACKNOWLEDGEMENTS

Internal Control Education and Training



About the Report

This is one of nine reports that were issued by the New York State Internal Control Task Force (ICTF) in the summer of 2006.

The ICTF, led by a Steering Committee, was comprised of six Work Groups coordinated by Task Force Liaisons from the Division of the Budget (DOB), the Office of the State Comptroller (OSC) and the New York State Internal Control Association (NYSICA).

Research Groups

The contents of this study were developed by the ICTF from its original research, professional guidance, and literature. It builds upon earlier reports by the New York State Assembly, audit reports by the OSC, and DOB budget bulletins.

Stakeholder Groups

Stakeholders in this study include State Agencies, Public Authorities, the Division of the Budget, and the Office of the State Comptroller.

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BACKGROUND

In response to the Office of the State Comptroller's audit report¹ on State Agency Internal Audit Units' Compliance with the Internal Control Act², the Division of the Budget (DOB) -- in conjunction with the Office of the State Comptroller (OSC) and the New York State Internal Control Association (NYSICA) -- created an interagency work group to address both the internal audit compliance issues identified in the report, and to provide compliance guidance on the broader internal control requirements of the Act.

Formed in October of 2004, the mission of the New York State Internal Control Task Force is to improve statewide agency and authority compliance with the Internal Control Act by pursuing the following goals and objectives:

- Sharing Internal Control and Internal Audit resources and best practices;
- Providing Internal Control and Internal Audit technical assistance;
- Identifying training opportunities;
- Developing a plan for agencies to receive and/or conduct independent peer reviews; and
- Discussing options and developing recommendations for agency/authority review.

The Task Force established six working groups to provide recommendations. These work groups were comprised of staff from DOB, OSC, NYSICA, as well as agency Directors of Internal Audit, Internal Control Officers and other internal control practitioners.

The Education and Training Workgroup was charged with providing guidance on the development of an ongoing education and training plan. The plans developed were to assist agencies in complying with the training provision of the Internal Control Act, which says they are to "Implement education and training efforts to ensure that officers and employees have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques."

RESULTS IN SUMMARY

The Education and Training Workgroup identified best practices for providing training on internal controls and established guidance for developing ongoing plans so agencies can continually ensure meaningful training is provided. Additionally, the group also explored opportunities for establishing arrangements between agencies to share existing resources and training materials.

¹ Office of the State Comptroller Report 2003-S-14, *State Agency Internal Audit Units' Compliance with Internal Control Act*.

² New York State Consolidated Laws, Executive, Chapter 18, Article 45, § 950 – 954.

The workgroup recommends that internal control education and training programs be designed to target three distinct segments of the state workforce; line staff, middle management, and executive management. The workgroup further recommends training curricula be specific to the target audience, thus achieving optimum benefits for the State.

In addition, the workgroup recognizes the need for a central resource library to house training tools, presentations and other related information and resources on internal controls. This will relieve the burden of individual agencies struggling to design meaningful training. The workgroup recommends the NYSICA continue posting training materials and best practices on the NYSICA website.

OBJECTIVES AND METHODOLOGY

The Education and Training Work Group identified two main goals:

1. Provide guidance on developing a training program designed to educate agency officers and employees on internal controls; and
2. Provide guidance for establishing an ongoing training plan to ensure that agency officers and employees have received adequate training

The workgroup focused on the issues of not only program content, but delivery and frequency as well. This was accomplished by collecting and reviewing examples of existing training programs and evaluating the strengths and weaknesses of standard approaches such as presentations or brochures.

Once a base line understanding was established, the main workgroup broke into three subgroups, each assigned to a specific targeted training level. These subgroups identified core needs and a basic training curriculum for the employee level for which they had responsibility.

RECOMMENDATIONS

Below are recommendations that, if implemented, will ensure agencies meet the internal control training needs of staff and management. The recommendations are directed to agency management and they should use their discretion in implementing them. Following each recommendation is a suggested method for implementing each recommendation.

- 1. Agency Management Should Target Training Levels:** In order to address the specific needs of various agency officers and employees, the workgroup recommends that three specific levels of training be identified to maximize the benefits of internal control training in the State. These three levels³ are Line Staff, Middle Managers, and Executive Management. In order to implement this recommendation, agencies should identify and assign staff to one of these three levels. Due to varying organizational structure, this must be done on an agency by agency basis.

Level 1: Line Staff

This “basic” level targets agency staff whose job responsibilities are clearly defined according to established procedures. Generally speaking, staff at this level do not have specific supervisory responsibilities, and are not responsible for establishing policy.

Level 2: Middle Managers

This level includes those managers who are responsible for setting expectations of employees consistent with agency-established standards. Further, these managers are responsible for evaluating staff performance to ensure accountability. Managers may be responsible for establishing policy within their operational area. Within this level, participants should be identified in terms of the function(s) they perform rather than the title or grade level they hold.

Level 3: Executive Management

Individuals classified at this level are responsible for providing organizational leadership and defining an agency vision, and in some cases setting agency-wide policy.

³ A fourth level - Internal Control Officers and practitioners was also identified. It was decided that efforts to train these practitioners in implementing effective programs would be addressed by the Program Coordination & Implementation Workgroup and NYSICA.

2. Agency Management Should Identify Training Objectives and Key Concepts:

The Work Group identified certain learning objectives, or key concepts (see Appendix), for each of the levels. Although some of these concepts will be found in all three levels, others will be specific to a targeted area. Therefore, agency management may use their discretion to identify other training needs.

Level 1: Line Staff

The objective at this level is to provide education and awareness of the basic fundamentals of why internal controls are important and how they serve as an effective means to control risks. Each line staff employee must understand that it is their responsibility to seek ways to identify and eliminate wasteful controls that impede performance and to strengthen those controls designed to provide accountability and to preserve assets and scarce resources.

Sample Learning Objectives:

- Definition of risks, how they arise and how to handle them;
- Identify everyday controls; and
- Identify controls in the workplace.

Level 2: Middle Managers

Middle managers are charged with responsibilities that rely on internal controls in order to perform their job effectively -- although they might not be aware that they are using such tools.

Sample Learning Objectives:

- Internal controls as a management tool ~ what's in it for me?
- Case studies that demonstrate what happens when controls are ineffective/lacking.
- Basic components of a sound internal control program.
- Time-tested techniques, tools and templates for establishing and maintaining effective internal controls within the work unit.

When developing training for this level, emphasis will be given to understanding both *hard* and *soft* controls within an organization, evaluating staff development needs in order to maintain effective internal controls, instilling self-confidence when advocating for procedural

improvements, maintaining a heightened sense of professional ethics in public administration, and heightening the level of sensitivity to recognizing the potential for questionable dealings.

Level 3: Executive Staff

At this level, it is important to address specifically the needs of agency executive staff, focusing on issues of organizational culture and risk management. Specifically, internal controls are a system to ensure that stated goals and objectives are met while safeguarding assets and promoting operational efficiency, (i.e., to manage risk). An agency's success, like any organizational culture issue, is dependent upon the tone set at the top.

Sample Learning Objectives:

- The importance of organizational culture;
- Management's role in defining the mission and goals;
- What defines a strong system of internal controls; and
- Internal Controls as safeguards, not guarantees.

- 3. Agency Management Should Identify Methods of Delivery and Frequency:** To reach the three targeted levels, and deliver programs containing the key learning concepts, the workgroup recommends a basic framework for internal control education and awareness training. This framework forms an overall agency communication plan and contains recommended methods of delivery and frequency. Each group is designed to address the needs of one of more of the targeted training levels as follows:

Method A: "Quick Hitters"

These are items which are brief in nature and are intended to promote a general awareness of the basic concepts of internal controls. Delivery methods in this group will take the form of timesheet messages, broadcast emails, brochures, newsletters and bulletins. A brochure, pamphlet, or short document regarding internal controls should be distributed to new employees at initial hiring or during agency orientation.

Frequency: Training and education periodically; at least once a year.

Target Levels: Line Staff, Middle Managers, Executive Management

Method B: Instruction-based Education

General Awareness:

Delivery methods include classroom training, web-based training and facilitated forums. Depending on available resources, these “classes” may be delivered in person or through other electronic means, such as PowerPoint presentations.

Frequency: Training/education at least once every two years

Target Levels: Middle Managers

Job Specific:

Line staff should receive training on controls that are specific to their job responsibilities. It is the responsibility of the middle managers to deliver this training to their staff.

Frequency: Training/education at least once every two years

Target Levels: Line Staff

Method C: Executive Meetings

Delivery methods will include open discussion forums, roundtables and an annual report from the agency’s Internal Control Officer to discuss the annual certification process and risk assessment/management concerns.

Frequency: Training and education at least annually

Target Levels: Executive Management

- 4. The NYSICA Should Establish a Centralized Resource Library:** The workgroup believes a primary reason that internal control training has fallen short in many agencies, is the labor intensive effort to design training tools. To this end, we see the need for a central resource library to house training tools, presentations and other related information and resources on internal controls. This would need to be a sustaining effort, with continual additions to the library. By having a common resource library of training tools that all agencies can access, internal control practitioners will be relieved of the burden of struggling to design meaningful training. A central resource library hosted by NYSICA would house tools such as newspaper articles, brochures, PowerPoint presentations, newsletters, posters, etc., all accessible electronically via the internet.

The New York State Internal Control Association (NYSICA) has agreed to house a resource library on its website. We anticipate that the effort to actively maintain such a site would be led by volunteers from the workgroup, NYSICA and other interested parties. Part of these groups' efforts would include collecting and cataloging training tools, approving and revising content, and posting the information to the web. This effort would be sustained so that internal control practitioners have a wide array of timely and relevant training tools available to them on an ongoing basis.

APPENDIX

Learning Objective (Key Concepts)	Line Staff	Middle Managers	Executive Management
A well-defined mission provides provide direction and stability to an organization.		X	X
Agency objectives must be clearly stated and communicated.		X	
Accountability at all levels is a key component of an effective organization.	X	X	X
Communication is the exchange of information between and among people and organizations.	X	X	X
Communication should be timely, useful and complete.	X	X	X
Lines of communication should be up, down and across an organization.	X	X	X
Staff should be able to communicate problems and suggestions.	X	X	X
Employee responsibilities should be well-defined and clearly communicated.		X	
Employees should be empowered to act within established guidelines.		X	
Internal controls are safeguards, but they do not guarantee success.		X	X
Controls should be routinely monitored, tested and updated.		X	
Internal Controls as a management tool – what is in it for me?		X	
Identify everyday controls.	X		
Identify everyday controls in the workplace.	X		
An effective system of Internal Control requires commitment and coordination of effort.		X	
Identify opportunities to enhance existing controls when appropriate.	X	X	
Everyone has a role to play in an internal control system.	X	X	
Internal Control reflects the qualities of management – good and bad.		X	X
Internal control is a process, not merely procedures, policies and separation of duties.	X	X	
Internal Control will succeed or fail depending on the attention people give it.	X	X	X
Internal Controls are built into an organization, not an added feature. They are part of the culture.		X	X
Internal Controls impacts every aspect of an organization.		X	X
Internal Controls improve the likelihood that the right things happen and the wrong things don't.	X	X	
Are we doing the right things (performing the right mission, planning strategically)?		X	
Are we doing the right things right (achieving the needed results)?		X	
Are we making needed changes in the right order (prioritizing and applying resources correctly)?		X	X
Are we operating as efficiently as possible (in applying people and other resources)?	X	X	
Achieving results is dependent upon people - Control Environment.		X	X
Management should lead by example to foster ethical values and integrity in the organization.		X	X
Management must communicate its commitment to Internal Controls.			X
Management should establish training programs to support staff development.		X	X

APPENDIX

Learning Objective (Key Concepts)	Line Staff	Middle Managers	Executive Management
Management should foster positive employee morale – and monitor within the organization.		X	X
Management should have a supportive attitude.		X	X
Management's operating style and philosophy have a pervasive influence in the organization.		X	X
Policies and procedures should be routinely reviewed and updated.		X	
Procedures and controls should ensure accurate, reliable and timely financial and management data.		X	
Procedures and controls should ensure adherence to laws, regulations, and management directives.		X	
Procedures and controls should safeguard resources against loss due to waste, abuse, and fraud.		X	
Control over-rides should be minimal and carefully monitored.		X	
It is critical that agencies acquire and maintain competent staff.		X	
Definition of risks, how they arise and how to handle them.	X	X	
Risk is measured in terms of likelihood and impact.		X	X
Risks should be appropriately managed (accepted, controlled or avoided).		X	X
Risk should be assessed at all levels of an organization.		X	
Corrective actions are essential to effective risk management.		X	X
Provisions of the Internal Control Act.			X
Case studies that demonstrate what happens when controls are ineffective/lacking.		X	
Basic components of a sound internal control program.		X	
Time-tested techniques, tools and templates for establishing and maintaining effective controls.		X	