

Administrative Policy No. 16.05

Subject:	Internal Control Processes
Information Contact:	Internal Control Officer Enterprise Risk Management Office, Financial Services Administration MS 45020; (360) 902-7554
Authorizing Source:	RCW 43.88.160(4)(a) Office of Financial Management State Administrative and Accounting Manual (SAAM) Chapter 20 , Internal Control
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Approved By:	<u>Original signed by Pearlette J. Ramos</u> Senior Director, Office of Justice and Civil Rights

Purpose

The purpose of this policy is to:

- Outline internal control expectations for administrations.
- Establish criteria for the enterprise internal control program.
- Define roles and responsibilities of administration staff and internal control officer.

Background

Each administration within the Department of Social and Health Services (DSHS) is responsible for monitoring and maintaining appropriate internal controls for the business processes within their areas of responsibility.

Internal control is a process designed to provide reasonable assurance regarding the achievement of DSHS's objectives relating to operations, reporting, and compliance.

This is to ensure that:

- Department resources and assets are properly safeguarded
- Business operations are efficient and effective
- Programs comply with applicable laws and regulations
- Agency financial reporting is accurate and reliable

By maintaining internal control processes and procedures, administrations are afforded the opportunity to provide reasonable assurance that risks to DSHS's goals are appropriately identified, analyzed, and acted upon. Such efforts are vital to helping DSHS successfully fulfill its mission and achieve its business objectives.

Scope

This policy applies to all DSHS operations.

Definitions

Audit committee: The purpose of the audit committee is to assist DSHS management in performing its oversight responsibilities as they relate to financial and other reporting practices, internal control, compliance with laws, regulations, ethics, and economy and efficiency of operations. Furthermore, the audit committee will provide independent assurance and advice to the DSHS executive cabinet and executive sub-cabinet on the risk, control and compliance framework, and its financial reporting responsibilities.

The audit committee consists of a minimum of three members and no more than seven members. Committee members are designated by the secretary.

Chief officers: The executive managers of DSHS organizational entities that are comprised of one or more significant business offices, divisions, or facilities. For purposes of this policy, chief officers are the chief of staff, deputy chiefs of staff, assistant secretaries, deputy assistant secretaries, director of the division of vocational rehabilitation, chief financial officer, chief information officer, chief executive officers, and chief risk officer.

Control activities: Actions taken by a manager intended to reduce, mitigate, limit, avoid or transfer risk. Categories of control activities include, but are not limited to:

- A control-conscious environment
- Authorizations and approvals
- Physical safeguards
- Separation of duties
- Monitoring
- Policies and procedures

Internal controls: Activities adopted by managers to mitigate business process risks to help the organization fulfill its mission and achieve its strategic goals and objectives. The aim of internal controls is:

- Effective and efficient organizational operations
- Reliable financial and informational reporting
- Compliance with applicable laws and regulations
- Safeguarding of resources and assets

Internal control coordinators: Individuals identified by each administration's assistant secretary to coordinate the enterprise internal control process within that administration.

Internal control officer: The individual designated by the secretary, in accordance with the Office of Financial Management's *State Administrative and Accounting Manual* (SAAM) chapter 20, to coordinate the enterprise internal control process within DSHS.

Reasonable assurance: Confidence that potential risks to an organization's business processes have been mitigated as effectively as they can be with available resources. The concept of reasonable assurance requires an acknowledgement and acceptance that some level of risk is always present in a business process. It recognizes that while risk may be reduced, mitigated, limited, avoided, or transferred, it can never be entirely eliminated; that mitigation is a balance of available resources and management's risk tolerance.

Policy

A. Internal controls within administrations

Each assistant secretary and chief officer within DSHS will set the tone at the top and actively develop, support, promote, and continue accurate and effective internal control processes and procedures within programs under their authority.

B. Enterprise internal control program

The enterprise risk management office (ERMO) maintains an enterprise internal control program to evaluate administrations' high-level compliance with agency level processes and procedures.

1. DSHS will conduct quarterly self-assessments of internal control processes for its common enterprise business procedures.
2. The DSHS internal control officer will determine the process for carrying out enterprise self-assessments.

C. Roles and Responsibilities

The following establishes DSHS responsibilities for implementing and managing the internal control self-assessment program:

1. The secretary will:
 - a. Set the tone at the top that affects all components of internal control.
 - b. Sign the annual financial disclosure certification and, if applicable, the federal assistance certification.
2. The audit committee:
 - a. Assists DSHS management in performing its oversight responsibilities as they relate to the enterprise internal control program.
 - b. Recommends, reviews, and approves self-assessment topic selection as needed.
3. The DSHS internal control officer has authority delegated by the secretary to:
 - a. Coordinate the agency-wide effort of evaluating, improving, and reporting a self-assessment internal review of internal control activities per the Revised Code of Washington and SAAM, Chapter 20.
 - b. Communicate the enterprise internal control process and requirements to internal control coordinators, assistant secretaries, chief officers, the secretary, and others as needed.
 - c. Create, review, and revise self-assessments as needed ensuring current versions are available to all managers by the first day of each quarter or other date as designated by the chief risk officer.
 - d. Ensure the current self-assessment forms are available electronically at the [Forms and Records Management](#) and [Internal Controls](#) websites.
 - e. Follow-up with administrations which fail to complete and submit the required self-assessment documents by the established completion date.
 - f. Inform the internal audit and consultation unit of any significant internal control issues reported through the self-assessment process.
 - g. Provide an annual written statement to the secretary affirming that the agency has performed and completed the required annual risk assessment and internal control monitoring process.
 - h. Provide training and consultation regarding internal controls, risk assessment, and the self-assessment process.
4. Assistant secretaries, chief officers, or their designees, will:
 - a. Ensure internal control processes are implemented by all divisions within their administration and direct the effective management of those processes.
 - b. Designate an internal control coordinator to manage the enterprise internal

control program within their administration.

- c. Ensure each identified participant conducts the enterprise self-assessment process and forwards all required documentation to the administration's internal control coordinator in time to allow executive review prior to submitting the forms to the internal control officer.
 - d. Ensure the timely completion of any corrective action plans submitted as part of the enterprise internal control process.
5. Internal control coordinators will:
- a. Coordinate with the internal control officer on the method by which the enterprise self-assessments will be conducted within the administration and then ensure appropriate management of the process.
 - b. Maintain all completed self-assessments, a copy of the submitted certificates of completion, and any corrective action plans on file, electronically or in hard copy, ensuring documents are centrally managed so they can be readily made available for review if requested.
 - c. Review all completed administration self-assessments to identify any areas of risk management concern to the administration.
 - d. Forward all required documents from each participant to the internal control officer no later than the last day of the quarter in which the self-assessment was assigned, unless otherwise specified by the internal control officer.