



**WEST VIRGINIA DIVISION OF ADMINISTRATIVE SERVICES
AGENCY POLICY STATEMENT**

SUBJECT: INTERNAL CONTROLS PROGRAM

INDEX NUMBER: 140.00

EFFECTIVE DATE: OCTOBER 17, 2022

PURPOSE: To establish and maintain policy and performance expectations and intended to prevent errors and irregularities, identify problems, and ensure that remediation or corrective action is taken. The components and principles set forth herein comprise the Division of Administrative Services (hereinafter “the Division”) internal control program.

REFERENCE: WV Code §15A-2-1 et seq. Policy Statement 141.00 “*Internal Audit Committee,*” Policy Statement 142.00 “*Internal Audit Unit,*” Policy Statement 102.00 “*Organizational Structure,*” and Policy Statement 201.00 “*Employee Performance Appraisal.*”

RESPONSIBILITY: Staff Notices and Job Guides on this subject may be developed and issued under the signatures of the Deputy Directors, Assistant Directors, and Internal Auditor.

CANCELLATION: None.

APPLICABILITY: This Policy applies to all Division employees and is available for general distribution.

DEFINITIONS:

Internal Control: a process implemented by the Division, designed to provide reasonable assurance: that information is reliable, accurate and timely; of compliance with applicable laws, rules, policies, procedures, and contracts; and of the of the reliability of agency reporting.

Preventive Controls: a type of internal control that attempts to deter or stop an unwanted outcome before it happens. Examples include use of passwords, approval protocols, policies, and procedures.

Detection Controls: a type of internal control that attempts to uncover errors or irregularities that may already have occurred. Examples include reconciliations, monitoring of actual expenses vs. budget, prior periods, and forecasts.

Hard Controls: an internal control that is formal and tangible. Examples of hard controls include organizational structure, policies, procedures, and segregation of duties.

Soft Controls: an internal control that is informal and intangible. Examples of soft controls include tone at the top, ethical climate integrity, trust, and competence.

Manual controls are manually performed, either solely manual or IT-dependent, where a system-generated report is used to test a particular control.

Automated controls are performed entirely by the computer system.

Segregation of Duties: where duties are divided (segregated) among different people, to reduce the risk of error or inappropriate actions. No one person has control over all aspects of any financial transaction.

Objective: what a section or unit seeks to achieve.

POLICY:

- I. Internal controls are established to further strengthen: the reliability and integrity of information, compliance with law, rule, policy, and procedure, the safeguarding of assets, the economical and efficient use of resources, and the accomplishment of established tasks necessary to achieve the objectives for operations or programs.
- II. All employees, regardless of position or civil service status, are expected to demonstrate: a high level of integrity in the performance of their duties, knowledge of and compliance with internal controls, and thereby assist in creating and maintaining an organizational culture with a strong control environment component. Examples of internal controls that an employee is expected to comply with include preventive, detection, hard, soft, manual, and automated controls, and segregation of duties.
- III. Examples of activities an employee may not realize are part of the Division's internal control program:
 - A. Implementing **segregation of duties** where duties are divided (segregated) among different people, to reduce the risk of error or inappropriate actions. No one person has control over all aspects of any financial transaction.
 - B. Making sure transactions are **authorized** by a person delegated **approval** authority when the transactions are consistent with policy and funds are available.
 - C. Ensuring records are routinely **monitored, reviewed, and reconciled**, by someone other than the preparer or transactor, to determine that transactions have been properly processed.
 - D. Making certain that equipment, inventories, funds, and other property are **secured** physically, counted periodically, and compared with item descriptions shown on control records.

- E. **West Virginia Office of Technology** information security protocols and controls, for example: passwords and multifactor authentications, email phishing alerts, leaving computer unlocked, and google document sharing protocols.
 - F. Employees are **trained and supervised** properly to ensure that they (1) have the knowledge necessary to carry out their job duties, (2) are provided with an appropriate level of **direction and supervision** and (3) are aware of the proper **channels for reporting** suspected improprieties.
 - G. **Communicating** policy and procedures to employees. **Documenting** policies and procedures and making them accessible to employees helps provide day-to-day guidance to staff and promotes continuity of activities in the event of prolonged employee absences or turnover.
- IV. The Division's **control environment** is evidenced by:
- A. All employees receive internal controls training that is job related and can demonstrate this knowledge. All employees comply with internal controls.
 - B. The agency maintains an Internal Audit Committee as a standing committee to assist the agency Director with monitoring and overseeing the Division's internal control system (see Policy Statement 141.00 "*Internal Audit Committee*"). The Internal Audit Unit (see Policy Statement 142.00 "*Internal Audit Unit*"), administered by the Internal Auditor, shall conduct internal audit activities, and make regular reports to the Internal Audit Committee.
 - C. The Division's human resources are assigned as set forth in Policy Statement 102.00 "*Organizational Structure*" and supervisors and managers are delegated authority to achieve the objectives of their sections and units and to take or initiate remediation or corrective action.
 - D. The Division is committed to recruit, develop, and retain competent individuals.
 - E. Supervisors and managers shall evaluate employee performance as set forth in Policy Statement 201.00 "*Employee Performance Appraisal*" and hold employees accountable for their internal control responsibilities.
- V. **Risk assessment** is evidenced by:
- A. An understanding that risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed. A risk assessment approach identifies the links in the chain of tasks necessary to achieve an objective, assesses those points in the process that may be vulnerable to waste, fraud, or abuse, and then "severs" a link (implements an internal control) to eliminate or reduce the likelihood of an irregularity.

- B. Assistant Directors will include a “Risk Discussion” standing agenda item on their monthly meetings with subordinate managers and supervisors to enable the identification of risks, define risk tolerances, and discuss internal controls.
- C. Supervisors and managers should identify, analyze, and respond to risks related to achieving defined objectives.
- D. Supervisors and managers should consider potential for fraud when identifying, analyzing, and responding to risks.
- E. Supervisors and managers should identify, analyze, and respond to significant changes that could impact the internal control system.

VI. **Control Activities** are evidenced by:

- A. Supervisors and managers should design internal control activities, including the segregation of duties, to achieve activities to respond to risks. Certain internal control activities and segregation of duties are embedded into the State’s enterprise information and business systems.
- B. Supervisors and managers should hold employees accountable to use the enterprise reporting system(s) and other appropriate systems to achieve objectives, provide for appropriate review/approval of activities and respond to risks.
- C. All employees are expected to comply with applicable law, rule, policy, and procedures as they work to achieve the objectives of their section or unit. This includes complying with internal controls and segregation of duties.
- D. Examples of internal control activities include purchasing limits, approval protocols, security protocols, segregation of duties, and other specific requirements of laws, rules, policies, manuals, or information management systems.

VII. **Information and communication** are evidenced by:

- A. Supervisors and managers should internally communicate the necessary quality information to employees achieve objectives. Remember, every employee has responsibility for internal controls.
- B. All employees should discuss suggestions to improve internal controls with their supervisor or manager and those suggestions should be communicated to the Agency Director or the Internal Audit Committee.
- C. Each employee is expected to discuss with their supervisor or manager observed or suspected violations of internal controls or segregation of duties. An employee is authorized to go to the next level of supervision or management in the event their supervisor or manager is the alleged violator.

- D. Supervisors and managers should use quality information to achieve the objectives of their section or unit. Supervisors and managers should externally communicate the necessary quality information to achieve the division's objectives.

VIII. **Monitoring** is evidenced by:

- A. Supervisors and managers shall monitor the activities and transactions conducted by their employees for compliance with internal controls, separation of duties, and to evaluate the results achieved by their employees. Observations should be noted on and discussed during performance appraisals.
- B. The Internal Auditor shall ensure monitoring activities are conducted as set forth in Policy Statement 142.00 "*Internal Audit Unit*".
- C. Supervisors and managers shall remediate identified internal control deficiencies on a timely basis and take corrective action as warranted.

Attachments: None.

APPROVED SIGNATURE:  10/13/2022

Director's Signature Date