INTERNAL CONTROLS

Understanding, Developing, and Evaluating Internal Control
Definition of Internal Control

Internal control is a process, affected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.
Characteristics

- Process
- Affected by People
- Reasonable Assurance
- Achievement of Objectives
- Adaptable
Characteristics

- **Process**
  - Ongoing tasks & activities
  - Means to an end
- **Affected by People**
  - Includes policies, procedures, systems, & forms
  - Includes actions taken at every level of the organization
- **Reasonable Assurance**
  - Not absolute assurance
  - Considers relationship of costs to benefits
- **Achievement of Objectives**
  - Separate, overlapping categories
  - Operations, reporting, & compliance
- **Adaptable**
  - Applicable to entire entity
  - Applicable to subsidiaries, divisions, operating units, & processes
Limitations on the Effectiveness of Internal Controls

- Suitability of objectives
- Faulty judgment
- Cost benefit relationship
- Management override
- Circumvention through collusion
- Fraud
- Human error
- External events
The COSO Model
Effective Internal Control

- Each of the 5 components, along with relevant principles are present and functioning appropriately
- The 5 components are operating in an integrated manner
Component Descriptions

- **Control Environment** - Tone at the top establishing basis for carrying out internal controls
- **Risk Assessment** - Process to identify & assess risks
- **Control Activities** - Policies & procedures supporting management objectives
- **Information & Communication** - Means of informing individuals of roles & responsibilities & providing feedback to management
- **Monitoring** - Enables determination as to whether controls are present & functioning
Matching Principles With Components

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information & Communication
5. Monitoring
Matching Principles With Components

- 1 - Control Environment - 5 principles
- 2 - Risk Assessment - 4 principles
- 3 - Control Activities - 3 principles
- 4 - Information & Communication - 3 principles
- 5 - Monitoring - 2 principles
Internal Control Components, Principles, and Factors

- Control Environment
  - Standards, processes, and structures providing basis for carrying out internal control
  - Established by board of directors and management
    - Importance of internal controls
    - Expected standards of conduct
  - Integrity and ethical values of organization
  - Organizational structure and assignment of authority and responsibility
  - Process for attracting, developing, and retaining competent individuals
  - Accountability for performance
Principles Related to the Control Environment

- The organization demonstrates commitment to integrity and ethical values.
- The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.
- Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
- The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
- The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.
Factors indicating that the organization demonstrates commitment to integrity and ethical values

- Sets the tone at the top - The board of directors and management at all levels of the entity demonstrate through their directives, actions, and behavior the importance of integrity and ethical values to support the functioning of the system of internal control.

- Establishes Standards of Conduct—The expectations of the board of directors and senior management concerning integrity and ethical values are defined in the entity's standards of conduct and understood at all levels of the organization and by outsourced service providers and business partners.

- Evaluates Adherence to Standards of Conduct—Processes are in place to evaluate the performance of individuals and teams against the entity's expected standards of conduct.

- Addresses Deviations in a Timely Manner—Deviations from the entity's expected standards of conduct are identified and remedied in a timely and consistent manner.
Factors indicating that the board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.

- Establishes Oversight Responsibilities—The board of directors identifies and accepts its oversight responsibilities in relation to established requirements and expectations.

- Applies Relevant Expertise—The board of directors defines, maintains, and periodically evaluates the skills and expertise needed among its members to enable them to ask probing questions of senior management and take commensurate actions.

- Operates Independently—The board of directors has sufficient members who are independent from management and objective in evaluations and decision-making.
Provides Oversight for the System of Internal Control—The board of directors retains oversight responsibility for management’s design, implementation, and conduct of internal control:

- **Control Environment**—Establishing integrity and ethical values, oversight.

- **Risk Assessment**—Overseeing management’s assessment of risks to the achievement of objectives, including the potential impact of significant changes, fraud, and management override of internal control.

- **Control Activities**—Providing oversight to senior management in the development and performance of control activities.

- **Information and Communication**—Analyzing and discussing information relating to the entity’s achievement of objectives.

- **Monitoring Activities**—Assessing and overseeing the nature and scope of monitoring activities and management’s evaluation and remediation of deficiencies.
Factors indicating that management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.

- **Considers All Structures of the Entity—**Management and the board of directors consider the multiple structures used (including operating units, legal entities, geographic distribution, and outsourced service providers) to support the achievement of objectives.

- **Establishes Reporting Lines—**Management designs and evaluates lines of reporting for each entity structure to enable execution of authorities and responsibilities and flow of information to manage the activities of the entity.
Defines, Assigns, and Limits Authorities and Responsibilities—Management and the board of directors delegate authority, define responsibilities, and use appropriate processes and technology to assign responsibility and segregate duties as necessary at the various levels of the organization:

- **Board of Directors**—Retains authority over significant decisions and reviews management's assignments and limitations of authorities and responsibilities

- **Senior Management**—Establishes directives, guidance, and control to enable management and other personnel to understand and carry out their internal control responsibilities.

- **Management**—Guides and facilitates the execution of senior management directives within the entity and its subunits.

- **Personnel**—Understands the entity's standard of conduct, assessed risks to objectives, and the related control activities at their respective levels of the entity, the expected information and communication flow, and monitoring activities relevant to their achievement of objectives.

- **Outsourced Service Providers**—Adheres to management's definition of the scope of authority and responsibility for all non-employees engaged
Factors indicating that the organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.

- Establishes Policies and Practices—Policies and practices reflect expectations of competence necessary to support the achievement of objectives.

- Evaluates Competence and Addresses Shortcomings—The board of directors and management evaluate competence across the organization and in outsourced service providers in relation to established policies and practices, and act as necessary to address shortcomings.

- Attracts, Develops, and Retains Individuals—The organization provides the mentoring and training needed to attract, develop, and retain sufficient and competent personnel and outsourced service providers to support the achievement of objectives.

- Plans and Prepares for Succession—Senior management and the board of directors develop contingency plans for assignments of responsibility important for internal control.
Factors indicating that the organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

- **Enforces Accountability through Structures, Authorities, and Responsibilities**—Management and the board of directors establish the mechanisms to communicate and hold individuals accountable for performance of internal control responsibilities across the organization and implement corrective action as necessary.

- **Establishes Performance Measures, Incentives, and Rewards**—Management and the board of directors establish performance measures, incentives, and other rewards appropriate for responsibilities at all levels of the entity, reflecting appropriate dimensions of performance and expected standards of conduct, and considering the achievement of both short-term and longer-term objectives.
- Evaluates Performance Measures, Incentives, and Rewards for Ongoing Relevance—Management and the board of directors align incentives and rewards with the fulfillment of internal control responsibilities in the achievement of objectives.

- Considers Excessive Pressures—Management and the board of directors evaluate and adjust pressures associated with the achievement of objectives as they assign responsibilities, develop performance measures, and evaluate performance.

- Evaluates Performance and Rewards or Disciplines Individuals—Management and the board of directors evaluate performance of internal control responsibilities, including adherence to standards of conduct and expected levels of competence and provide rewards or exercise disciplinary action as appropriate.
Risk Assessment

- Dynamic and iterative process to identify and assess risks from external and internal sources
- Risks to achievement of objectives considered in relation to entity’s risk tolerances
- Tied to establishment of objectives related to operations, reporting, and compliance
- Considers changes to external and internal environment affecting internal control
Principles of Risk Assessment

- The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
- The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.
- The organization considers the potential for fraud in assessing risks to the achievement of objectives.
- The organization identifies and assesses changes that could significantly impact the system of internal control.
Control Activities

- Policies and procedures designed to ensure that management’s directives are followed
- Performed at all levels of entity
- May be preventive or detective
- May involve manual and authorizations and approvals, verifications, reconciliations, and performance reviews
- Should incorporate segregation of duties, where possible, or alternatives when not achievable
Principles of Control Activities

- The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- The organization selects and develops general control activities over technology to support the achievement of objectives.
- The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
Information and Communication

- Necessary for entity to carry out internal control responsibilities
- Provides management high quality information from internal and external sources relevant to support functioning of internal control
- Continual iterative process for providing, sharing, and obtaining appropriate information
- Disseminates information up, down, and across the entity
- Provides clear message from management as to importance of internal control
- Incorporates obtaining relevant information from, and providing it to, external sources
Principles of Information and Communication

- The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.

- The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.

- The organization communicates with external parties regarding matters affecting the functioning of internal control.
Monitoring Activities

- Evaluations to determine if controls are present and functioning
- Ongoing evaluations built into business processes providing timely information
- Separate evaluations conducted periodically
- Findings evaluated against established criteria with deficiencies communicated to management and the board of directors, as appropriate
Principles of Monitoring

The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.

The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.
COSO & Enterprise Risk Management (ERM)

- COSO Framework
Control Environment

- Formal components
  - Mission statement
  - Core values
  - Guidelines for behavior
- Informal components
  - Behavior of management & others in position of influence
  - Openness of environment & transparency
Mission Statement

- Considered by any party in or establishing a relationship with the entity
- First consideration by any manager or employee making strategic decision

- Typical concepts included:
  - Moral & ethical position of entity
  - Desired public image
  - Key strategic influence for the business
  - Description of the target market
  - Description of the entity’s products & services
  - Geographic domain
  - Expectations for growth & profitability
Examples of Mission Statements


- Philip Morris - https://www.pmi.com/who-we-are
  - Goals & strategies
    - Align with society
    - Exceed consumer expectations
    - Create long-term value
  - Statement of goals & strategies - https://www.pmi.com/who-we-are/our-goal-and-strategies
Core Values

- Fundamental beliefs of organization
  - What an entity stands for
  - How employees & representatives of the entity behave

- Examples
  - GM
      - Customers
      - Relationships
      - Excellence
  - Microsoft
    - [https://earlsbusiness.wordpress.com/2009/05/17/core-values-corporate-values-definitions-microsoft-example/](https://earlsbusiness.wordpress.com/2009/05/17/core-values-corporate-values-definitions-microsoft-example/)
      - Integrity
      - Passion for technology
      - Accountability
Guidelines for Behavior - Rules of Conduct

- Guidelines to promote certain types of behavior & discourage others
- Responsibilities of, & best practices for an individual or organization
- Set of principles of good corporate behavior adopted by a business
Franco Bernabe - CEO of Eni

- Considers stewardship of first ever code of practice by entity as among his most meaningful accomplishments

- Benefits
  - Articulates rigorous business practices & policies of Eni
  - Makes practices & policies transparent to the world
The prime responsibility of employees is to be good, law-abiding citizens, striving for the Eni Group’s success in a spirit of fair competition.

Being a part of the Eni Group means respecting company rules and adhering to the values of professionalism, transparency, and honesty.

All activities within the company must be carried out with professional commitment and ethical rigor. All employees must contribute professionally in accordance with their responsibilities, and they must act in such a way as to protect the company’s image. Relations among employees at all levels must reflect honesty, loyalty, and mutual respect.

No employee shall make improper use of the assets and resources of Eni or allow anyone else to do so.

It is primarily up to supervisors to see that the values and principles contained in the code are respected, to carry out their responsibilities both internally and externally, and to strengthen confidence, a sense of cohesion, and group spirit. Management is required to propose and implement projects, actions, and investments designed to increase the long-term value of the company’s financial, managerial, and technological assets, the return to shareholders, the long-term well-being of employees, and the community.
Walgreen Co


- Topics
  - Business conduct
  - Business transactions
  - Confidentiality & privacy
  - Freedom from conflicting interests
  - Gift policy
  - Government Programs
  - Anti-kickback
  - Insider Trading
Environmental matters
Controlled substances & pharmacy ethics
Vendor responsibility
Equal employment opportunity
Employment laws
Antitrust laws
Fiduciary responsibility
Public affairs
Reporting & non retaliation
Excerpts

- Business conduct - employees are expected to do what is right and behave in such a manner that others will view them as having the highest standards in both corporate and person behavior.

- Business conduct - Employees should protect the Company’s assets.

- Business transactions - Employees who discover a questionable, fraudulent, or illegal event is encouraged to report it.
Management & Executive Behavior

- Greater influence on control environment than other factors
- Must be consistent with values described in mission, core values, and code of conduct
- Must follow same rules applicable to others
Relationship Between Management & Employees

- Employees treated with respect
- Management demonstrates willingness to make mistakes, to listen, learn, & tolerate mistakes
Nucor’s Principles for Employee Relations

- Management is obligated to manage Nucor in such a way that employees will have the opportunity to earn according to their productivity
- Employees should feel confident that they will have job security if they do their jobs properly
- Employees have the right to be treated fairly
- Employees must have an avenue of appeal when they believe they are being treated unfairly
Objective Setting

- Based on mission of the organization
- Become foundation for other components of internal control system
- Enable entity to more clearly identify events that may help or hinder the accomplishment of the entity’s mission
Drucker’s 5 Specifications for Objectives

- Must be derived from what our business is, what it will be, & what it should be.
- Must be operational & capable of being converted into specific targets & assignments.
- Must enable the concentration of resources and efforts.
- Should entail multiple objectives rather than a single “correct” objective.
- Needed in all areas affecting survival of the entity.
Characteristics of objectives

- May apply to entity as a whole, a smaller unit, a department, a specific position, or a process
- Must be in keeping with the entity’s mission
- Should provide guidance throughout organization as to direction being taken

Categories of objectives

- Strategic - high-level objectives aligned with & supporting the mission
- Operational - providing for effective & efficient use of resources
- Reporting - addressing the reliability of reporting
- Compliance - ensuring identification of & compliance with applicable laws & regulations
Relationship among objectives

- Unifying theme giving coherence & direction to actions & decisions of an individual or organization
- Strategic objectives set direction of entity
- Operations, reporting, & compliance objectives provide mechanisms for achieving objectives

Example of interrelationship

- Strategic objectives may address quality & other characteristics of products & services of entity
- Operational objectives may address acquisition of raw materials, screening of laborers, acquisition & maintenance of equipment & support, & manufacturing or production processes
- Reporting objectives provide feedback about progress toward achieving operational & strategic objectives
- Compliance objectives ascertain that operations are within appropriate regulatory & company guidelines
Drucker’s 8 Categories Generally Related to Survival of Any Entity

- Marketing - must have customers
- Innovation - must avoid obsolescence
- Human resources - must be supply of employable individuals
- Financial resources - must be able to secure capital
- Physical resources - must have facilities in which to conduct business
- Productivity - human, financial, & physical resources must be employed productively with productivity growing
- Social responsibility - must take responsibility for the community in which the entity operates
- Profit necessity - must earn a profit to cover the risk of potential losses in meeting objectives containing costs & risks
Marketing

- Obtaining & disseminating information
  - Entity must understand what marketplace is looking for
  - Marketplace must be aware of what entity offers

- Essential information
  - Identity of intended users of output, including those within the same entity
  - Demand for output
  - Competing suppliers
  - Differentiating features
  - Alternative markets
Innovation

- Address what entity should be & avoidance of obsolescence
  - Better meet needs of customers through product or service innovations
  - More efficient & safer ways to perform tasks

- Categories of innovation goals
  - Product or service innovations
  - Innovations affecting market & customer behavior & values
  - Innovations in skills & activities to create products & services & bring them to market
Human Resources

- “Right” people are entity’s most important asset
  - Should provide means of identifying “right” people
  - Identification of skills & aptitudes sought
  - Human characteristics should be held at higher level of importance
    - Many skills & aptitudes may be instilled through education & training
    - Easier to teach an honest person to be a good accountant than to teach a good accountant to be an honest person
  - Identification of sources of potentially qualified candidates
  - Knowledge of what candidates hold in highest value to attract & retain best matches
Financial Resources

- Identification of sources of supply of capital & means of attracting & securing it
  - Understanding decision criteria applied by potential providers
  - Relates to profit necessity to enable providing a return on capital
Physical Resources

- Comprised of all resources needed to conduct enterprise other than human & capital resources
  - Includes land, buildings, & operating assets
  - Includes inputs to production such as raw materials & indirect materials
  - Includes supplies used in operations, marketing, & administration
Productivity

- Involves putting human, financial, & physical resources to use such that the resulting outputs exceed the total outputs that could be achieved with similar resources not combined.
  - Basis for evaluating performance of an entity when other entities have similar resources available.
  - Differences in performance among entities results from differences in the use of resources.
Social Responsibility

Involves identifying impact entity has on its environment

- Often positive due to goods or services made available to community, employment opportunities provided, & increase in taxes paid to jurisdiction
- May involve polluting or otherwise harming environment
- Impact should be neutral at worst & positive at best

Entity benefits from operating in favorable environment

- Investment in neighborhood security may attract better group of residents
- Result may be lower risks of vandalism or other harm brought to entity
- May result in availability of better pool of potential employees
Profitability

- Profit a necessity, not a goal
  - Human resources require an attractive compensation package
  - Physical resources require the use of financial resources, the availability of which is affected by the ability to provide a return on capital
  - Innovation involves experimentation, some of which will fail, requiring resources to cover losses & expenditures
Risk Assessment

- Involves identification of events that may affect entity’s ability to achieve its objectives
- Some will represent opportunities
  - May increase demand for entity’s products or services
  - May increase availability of human, physical, or financial resources
  - May increase efficiency of processes
  - May reduce competition
  - Policies & procedures should encourage occurrence & position entity to take advantage
- Some will represent threats
  - Policies & procedures should discourage occurrence
  - Should also position entity to minimize resulting damage
Entity should identify positive & negative events
  - Should evaluate likelihood of occurrence, possible timing of occurrence, and magnitude of effect
  - Identify signs that may indicate event is more or less likely to occur

Crisis may deter entity from achieving its objectives
  - Economic crises such as labor strikes
  - Informational crises such as loss of proprietary or confidential information
  - Physical crises such as losses of key plants or facilities
  - Human resource crises such as the loss of key employees, officers, or executives
  - Reputation crises such as the effects of slander or rumors
  - Crises resulting from psychopathic acts such as product tampering
  - Natural crises such as earthquakes, fires, or floods
Factors Affecting Event Occurrence

- External factors
  - Economic events
  - Environmental events
  - Political events
  - Social events
  - Technological events

- Internal factors
  - Infrastructure
  - Personnel
  - Processes
  - Technology
Risk Assessment - Extent & Probability of Impact on Achievement of Objectives

- Three common approaches
  - Financial statement approach
  - Process approach
  - Event identification approach

- Ongoing process rather than one-time or occasional activity
  - Not mutually exclusive
  - All applied at all levels of entity
Financial Statement Approach

- Identification of vulnerable resources including degree of vulnerability
  - Assets particularly susceptible to misappropriation
  - Assets essential to achievement of entity’s objectives
    - Raw materials
    - Proprietary information, formulae, or processes
    - Customer lists
    - Resources universally useful such as cash, supplies, & certain inventories
    - Resources of value to competitors
  - Consideration of owned assets, intellectual property, & human resources
  - Consideration of individuals in position cause or prevent relevant events
Evaluation of inputs and outputs

- Revenues subject to vulnerability
  - Actions of competitors
  - Change in environment
  - Unexpected revenues

- Expenses subject to vulnerability
  - Control by one or few individuals
  - Volatility affecting predictability
  - Unexpected costs
Process Approach

- Evaluation of processes used to achieve entity objectives
- Considers processes at all levels, including:
  - Establishing objectives
  - Allocating resources
  - Timing & quantities of acquisitions of supplies & raw materials
  - Providing services or creating products
  - Recording of transactions
- Risks include
  - Nonperformance of process
  - Untimely performance
  - Incorrect performance
Event Identification

- Risk of limiting sources from which information is obtained
- Michael Porter’s 5 Forces of Competition
  - Customers
  - Suppliers
  - Competitors
  - Market entrants
  - Substitutes
Customers
- Changes in demand for their goods or services
- Economic factors making payment easier or more difficult
- Changes in customers’ specific needs
- Creation of new customers

All suppliers, including suppliers of human, financial, & physical resources
- Changes in school enrollments or graduation rates
- Failing or emerging industries
- Shifts in population
- Economic events affecting other users of resources
- Economic events affecting the cost of capital, access to financial resources, & the availability of investment alternatives
- Climate related events & natural phenomena may affect the availability of physical resources
Competitors

- Innovations
- Allocation of greater resources to marketing or recruiting
- Dishonesty or other unethical behavior

Market entrants are affected by events that increase or decrease the cost of entry into the market

Substitutes

- May use same resources as those used by the entity
- Events may cause customers to see other products or services as more or less appropriate substitutes for entity’s goods or services
Risk Response

- Function of entity’s risk appetite
- Consideration of inherent risk & residual risk
  - Inherent risk is risk to entity when no action is taken
  - Residual risk is risk to entity that would remain after action is taken
- Difference between inherent risk & residual risk evaluated in relation to cost of taking action
- Four response alternatives
  - Acceptance
  - Avoidance
  - Sharing
  - Reduction
Acceptance
- No action taken
- Appropriate when inherent risk already at acceptable level

Avoidance
- Change in policy to eliminate factor creating risk
  - Discontinuing product or service
  - Severing relationship with supplier or customer
  - Change in raw materials used or processes applied
- Applied when risk cannot be reduced to acceptable level

Sharing
- May involve use of insurance or fidelity bonds
- May involve joint venture or other form of relationship with another entity
- May involve outsourcing

Reduction
- May involve change in control environment or development or enhancement of control activities
- Applicable when risk can be reduced to acceptable level
Control Activities

- Designed to reduce risk
- Four broad categories
  - Information processing controls
  - Physical controls
  - Performance indicators
  - Segregation of duties
Information & Communication

- Provide members of entity with information relevant to the performance of their responsibilities
  - Includes identification of all internal & external sources
  - Relevant information may be financial or nonfinancial, quantitative or qualitative
  - Must consider reliability of sources of information
- Relevant information must be identified, captured, processed, & communicated
  - Requires identification of all appropriate recipients who can benefit
  - Must be put into usable form & provided on a timely basis
Communication multi-directional

- Includes employees, customers, suppliers, & other appropriate external & internal parties
- Occurs at all levels
- Should move downward, upward, across organization, & between appropriate entities
Monitoring

- May be ongoing or periodic, scheduled or unscheduled
- Provides assurance that controls are in place & are being applied appropriately & consistently
- Assists in the identification of controls becoming obsolete
Evaluating Internal Control To the Develop Enhancements

- Approach - The 3-Step Program
  - Understand and document existing systems
  - Identify control activities
  - Evaluate existing controls to determine remaining impediments to achievement of entity objectives (control deficiencies)
Existing Systems

- Cash receipts
- Cash disbursements
- Sales
- Purchases
- Payroll
- Other
Components of Systems

- Initiation
- Authorization
- Execution
- Recording
- Verification
Identify Control Activities

- Specific to objective
  - Operational
  - Compliance
  - Reporting
- Facilitates achievement
- Mitigates impediments
# Internal Control System Evaluation Matrix

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<thead>
<tr>
<th>Control Activity</th>
<th>Sales</th>
<th>Accounts Receivable</th>
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Note: The table continues with empty rows for further evaluation criteria.
Identifying Control Deficiencies

- Review control activities by objective (assertion)
- Apply WCGW analysis
- Identified issues
  - Process
  - Execution
- Nature
  - Error
  - Fraud
- Likelihood
- Magnitude
Controls to Mitigate Deficiencies

- Conventional Controls
  - Performance indicators
  - Information processing controls
  - Physical controls
  - Segregation of duties
    - Authorization
    - Custody
    - Reporting
    - Reconciliation
- Alternate controls
  - Characteristics
    - Accept reality
    - Shared responsibility
    - Spread the wealth