

TOPIC	INTERNAL CONTROL	SUB-SECTION 30.30.40
SECTION	COMPONENTS	ISSUANCE DATE JUNE 30, 2008
SUB-SECTION	INFORMATION AND COMMUNICATION	REVISED - 2018

**INFORMATION AND COMMUNICATION**

The information and communication process entails identifying, capturing, and communicating relevant financial and non-financial information in a form and timeframe that enables employees to carry out their responsibilities. Successful communication occurs up, down, and across the agency. This process is effective if all personnel receive a clear message from top management that internal control responsibilities must be taken seriously.

The entire agency needs information to handle risks, provide services, and achieve objectives. Quantitative and qualitative information comes from many internal and external sources. Information enables change management, strategy, identifying events, analyzing risks, selecting risk responses, and performing other management activities. Pertinent information is critical to managing an agency and to an effective management control system. However, information has no value without communication.

Clear internal communication conveys the agency's code of ethics, internal control philosophy and approach, and delegation of authority. Communication about processes and procedures should include clear links to the agency mission and culture and should effectively convey the importance and relevance of internal control and the roles each person plays to support it.

Front-line employees, providing direct, daily public service, are often in the best position to identify new problems. Communication channels should ensure that front-line and other personnel can communicate information across divisions and processes, as well as to their managers.

Communication breakdowns occur when employees are discouraged from or unable to provide important information to others. To avoid breakdowns, personnel must believe managers and agency heads truly want to know about problems and resolve them. In most instances, established agency reporting lines are the appropriate channels for communication. A backup mechanism provides alternate communication lines when normal channels do not work. One such alternate channel is the State Auditor's website to report "Fraud, Waste or Abuse".

Open external communication channels allow citizens, clients, and suppliers to provide valuable input on quality and design. This enables the agency to address evolving needs, demands, and preferences. Management should appropriately convert such input into continuous improvements in operations, reporting, and compliance.

Agencies communicate through its mission statement, Code of Ethics, internet sites, policy manuals, accounting and financial reporting manuals, memos, e-mails, and posted notices. In addition, communication flows orally and through the actions of management. Whether in large groups, smaller meetings, or one-on-one sessions, vocal tone and body language form part of the message. Management style sends a powerful message. Managers should remember that actions speak louder than words.

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The design of information systems is fundamental to internal control. Technology enables management to monitor processes to ensure that goals and objectives are accomplished. Therefore, information systems are an integral part of the internal control program. Care should be taken in the design of systems so that detailed and reliable data is captured on a timely basis thus strengthening the internal control environment. For each information system used by an agency to process and analyze financial data, the agency should provide a brief description of the system and identify the system's strengths and weaknesses.

The information system relevant to an agency's financial reporting objectives consists of the methods and records established to identify, assemble, analyze, classify, record, and report entity transactions and to maintain accountability for the related assets and liabilities. The quality of system generated financial information affects management's ability to make appropriate decisions in managing and controlling an agency's activities.

Communication involves personnel's understanding of how their activities in the financial reporting information system relate to the work of others. Employees must recognize and report exceptions to an appropriate higher level within the entity.

Information systems may capture economic data, the transactions between the agency and its constituents, citizen complaints, and legislative initiatives. Information systems typically provide on-going monitoring functions and response to special needs. An information system may be formal, such as agency's database; or informal, such as conversations with clients, legislators, or suppliers, and attendance at professional seminars.

The internal control aspect of managing an information system rests with having procedures in place to ensure the consistency and accuracy of data and to ensure a way of integrating changing conditions. An effective system identifies and captures needed data, allowing staff to process the data and report to management in a useful format and in a timely manner.

An effective internal control system depends on an agency's information system and the way executive directors and other managers communicate. The agency's information system and management's communication style also affect the entity's ability to meet its operational objectives.

The quality of an information system affects management's capacity to make sound decisions in directing both operations and control activities. Control activities involve designing an information system that can satisfactorily answer the following questions:

- Is the needed information available?
- Is it timely?
- Is the data correct?
- Is the information easily accessible to appropriate people?
- Is the information secure against inappropriate access?