

# Internal Control Guide & Resources

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## Section 7 – How to Monitor Effectively

Since internal control is a dynamic process that has to be adapted continuously to the risks and changes an organization faces, monitoring of the internal control system is essential to help ensure that internal control remains aligned with changing objectives, environment, laws, resources, and risks. This fifth component of internal control should be implemented after risks are identified, policies and procedures put into place, and information on control activities communicated to staff.

The effectiveness of your agency's controls should be continually monitored. The organization should select, develop, and perform ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning. Monitoring is typically conducted through the use of management activities such as:

- Performance evaluations
- Ongoing supervision
- Status reports
- Independent reconciliations.

Ongoing evaluations may include routine operations built into business processes such as continuous monitoring, supervisory reviews, reconciliations, and self-assessments by management. Separate valuations may include periodic evaluation and testing by internal audit and quality assurance reviews of internal audit, audit committee inquiries of internal and external audit.

The organization should evaluate and communicate internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management, as appropriate. When reviewing, consider internal and external changes, personnel turnover, new programs, administrative activities, and priorities. Schedule monitoring on a regular basis or it is likely to be by-passed by the emergencies of day to day work. Testing controls at least annually allows you to determine whether the controls continue to be adequate and are still functioning as intended. Auditors, program monitors, and other reviewers can be a resource in monitoring internal controls.

Always follow up to ensure that any identified problems are corrected. Management should ensure identified internal control deficiencies are remediated on a timely basis. Further, management should complete and document corrective actions to remediate the deficiencies.