



**GUIDING PUBLIC SERVICE
EXECUTIVE ORDERS**

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Prince William County, Virginia

Subject:

Section Number

Effective Date:

**EXECUTIVE INTERNAL CONTROL POLICY
1.0-000**

October 1, 2011

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1.0-100 Policy Statement


Prince William County is committed to its Organizational Vision, which pledges to do the right thing for the customer and the community every time. Employees must practice the values of Respect, Integrity, Creativity, Teamwork, Excellence and Responsibility (RICTER). Employees of Prince William County are expected to provide services to citizens in the most effective and efficient manner possible to maximize the use of taxpayer dollars and to meet our Vision of working with elected leaders and citizens to make this community “the best.”

To achieve this, County management has established an Internal Control environment which has as its foundation:

- Organizational Vision Statement;
- Integrity and ethical values as defined in our RICTER values;
- County Leadership Philosophy;
- Policies, procedures, laws, regulations, standards, and practices;
- Goals, objectives, and performance measures;
- Commitment to listening to our customers and getting their feedback and input; and;
- Training our employees to ensure a Continuous Quality Improvement organization.

The County’s system of internal control is broadly defined as a process, administered by management, and other personnel, designed to provide reasonable assurance that the County will achieve its objectives in the following three separate but related and overlapping categories:

- Effectiveness and efficiency of operations including evaluating the level of performance in all areas of the organization;
- Reliability and accuracy of financial reporting; and
- Compliance with applicable laws, regulations, and the policies of Prince William County government.

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1.0-110 Internal Control Requirements

The County and Each Department is responsible for developing and maintaining a culture which is intolerant to fraud, waste and abuse, and adopting an effective system of internal control and responsible governance. The significance of internal control for program administrative and fiscal operations cannot be overstated. Properly utilized, documented, and updated; internal controls assist managers in protecting the County's assets and resources, employees and the public and maintaining the public trust. Departments not in compliance with internal control requirements are subject to potential administrative actions from federal, state and/or local administrators that may result in remedial or disciplinary action.

- **Reasonable Assurance:** An internal control system should provide reasonable assurance that an organization will accomplish its goals and objectives. The concept of reasonable assurance recognizes that the cost of an internal control activity should not exceed the benefit derived there from. Reasonable assurance equates to a satisfactory level of confidence that our internal control systems are adequate and operating in an efficient manner given considerations of costs, benefits, and risks.
- **Risk Assessment:** Management must identify and analyze the risks to achieving entity goals and objectives and determine how those risks should be monitored and managed. Management defines the level of risk that the organization is willing to accept or tolerate and strives to maintain risks within those levels. Each Department is to adopt methods to assess risk and review and monitor control activities. The methods developed should address the specific needs of the Department.

County Department, Division and Unit Managers/Supervisors are responsible for executing control policies and procedures within their Departments by:

- Maintaining an environment that encourages internal controls;
- Documenting policies and procedures that are to be followed in performing workplace functions;

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- Identifying the control objectives for each function and implementing cost effective controls designed to meet those objectives; and
- Regularly testing the controls to determine if they are performing as intended.


County Department, Division and Unit Managers/Supervisors must also make certain that the employees who work for them are adequately trained and the work being performed in their organizational units is being conducted within the Internal Control environment to ensure that County taxpayer money is used most economically, effectively, and efficiently.

Each Employee within Prince William County has a role in internal controls. These roles vary depending upon the level of responsibility and nature of involvement of the employee. Every County employee is responsible for managing the resources entrusted to them to carry out government programs and goals that have been established by the Board of County Supervisors. Employees will use taxpayer resources in the most economical, effective, and efficient way possible to achieve the goals of the community as established by the Board of County Supervisors.

Fraud, Waste and/or Abuse. Prince William County does not tolerate fraud, waste and/or abuse in our organization. Each Department is responsible for developing and maintaining a culture which is intolerant to fraud, waste, or abuse. Employees who engage in this behavior will be held fully accountable according to the County's personnel policy. It is every employee's duty to report suspected cases of fraud, waste, and/or abuse to management within or outside their department or to the County's fraud, waste, and abuse hotline at (703) 792-6884. No one should take reprisal, retaliate or encourage others to engage in retaliation or reprisal against any person who makes a good-faith report of suspected fraud, waste or abuse. If an employee knows of instances of fraud, waste, and/or abuse and does not report it or knowingly makes a false report, he/she is not living within our values as employees.

Employees have a duty to deliver County services while protecting the County's assets and resources against the danger of loss or misuse and to reasonably ensure that all transactions, both financial and operational, are properly authorized. Losses can occur for a variety of reasons besides fraud, waste and/or abuse including, but not limited to the following:

- Failure to set, monitor, and manage the performance measures and goals approved by the Board of County Supervisors;
- Failure to manage an organization in such a way that prevents fraud, waste and/or abuse of County resources;

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- Failure to provide and maintain a safe work environment.
- Failure to lead an organization in such a way that prevents harassment or discrimination of employees or customers;
- Failure to properly maintain or secure capital assets within available resources, thereby shortening their useful life;
- Failure to avoid duplicative purchasing (e.g., ordering assets when the same or similar assets lie idle elsewhere in the organization);
- Failure to maintain adequate records to ensure that grantors reimburse the County for all appropriate costs allowable under the grant;
- Failure to invest available cash to the County's best advantage;
- Failure to avoid investments with an unacceptable degree of risk; and
- Failure to take advantage of all applicable discounts on purchases (e.g. early payment discounts, bulk purchasing when applicable).

The application of internal control is dynamic and practices that fit past circumstances may need to be adjusted as the environment or County, State or Federal policies, directives, ordinances, laws and other circumstances change.

1.0-120 Scope

The Executive Internal Control Policy and related procedures shall apply to all Departments, Divisions, and Units of Prince William County with the exception of the Schools and the Service Authority.

Internal control is focused on the achievement of the organization's goals and objectives. Therefore, it is essential that the County's Vision and Department, Division, and Unit goals and objectives are known and understood by everyone in each Department. Since internal control depends on the participation of all employees at every level, all employees should be aware of their Department's goals and objectives and their role in attaining those goals.

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1.0-200 Internal Control Responsibilities and Expectations


The County Executive (CXO) is primarily responsible for the internal control system and internal control environment within the County government organization. He/She must hold Department Directors accountable for ensuring that appropriate internal controls are in place within their Departments.

Department Directors, as process owners, have the ultimate responsibility for establishing, documenting, maintaining and reviewing the system of internal control within their Department. Process owners are responsible for managing the internal control process within their organization. Their responsibilities include:

- Making it clear that Department's staff have explicit or implicit duties to ensure internal controls are in place and operating as intended;
- Creating an internal system to create, review, and amend policies that includes input from employees at all levels;
- Making adequate provision for periodic risk assessments and, as applicable, evaluations and reviews of control activity procedures;
- Appointing one individual and one alternate to serve as the Department's Internal Control Representative and notifying the ICC of staffing changes; and
- Encouraging staffs' open communication with higher levels within the department and/or Internal Audit (Audit Services) regarding problems in operations, non-compliance with Rules of Conduct, violations of policy, illegal acts, and noncompliance with laws and regulations.

Process ownership and responsibility for ensuring their Department has adequate internal controls cannot be transferred through delegation of authority.

Division Managers and Unit Managers are responsible for the internal control of their Division or Unit and must report to the Department Director any material internal control deficiencies and action plans to correct noted deficiencies. This includes ensuring the delivery of services to the public, ensuring program compliance; producing information for the management controls system; maintaining financial information and inspecting or maintaining physical assets/resources.

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The Guiding Public Service (GPS) Board of Trustees and the Values, Ethics and Controls Steering Committee are two mechanisms through which the CXO will provide leadership and direction toward maintaining an effective framework of internal controls.


The Internal Control Council (ICC) is responsible for reviewing and recommending practices, programs, policies, and procedures related to the system of internal control. The ICC will receive and review the Internal Control Review Certificate submitted annually by each Department. The ICC is comprised of internal control representatives from each Department.

The Internal Control Representative (ICR) is the departmental representative/liason to the ICC and has the responsibility for coordinating, scheduling and developing processes within the Department to achieve overall conformance with this policy. This person is to assist, communicate and facilitate the internal control review process along with the Department Director in order to ensure that the Department has performed the required risk assessments and the necessary evaluative processes. The internal control review process may be ongoing, but at least once per year, this assurance must be made in writing to the Internal Control Council through the Internal Control Review Certificate. Departments have the flexibility to assign appropriate staff to complete the risk assessments and internal review of control activities required by this policy. This staffing may include those directly responsible for the system from first line supervisor on up or other similarly qualified individual or contractor.

The Finance Department may provide technical assistance to the manager of an organizational unit in developing appropriate procedures to conduct risk assessments and internal reviews of control activities.

Audit Services (Internal Audit) can advise agencies in performing a risk analysis. Due to independence and objectivity issues addressed in the Audit Charter and professional internal auditing standards, Audit Services cannot implement, authorize operational improvements, or develop procedures, prepare records, or engage in any other activity which would normally be audited.

All Employees have responsibility to ensure the resources for which they are entrusted are used in the most economical, effective and efficient way possible. This also includes delivering services to the public; producing information for the management control system; maintaining financial information where called for; and inspecting or maintaining physical assets/resources when necessary.

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Each Department shall sign and submit an Internal Control Review Certificate annually to the Internal Control Council. This Certificate will report the results of the Department's compliance with this policy, including an attached summary description of material internal control weaknesses, if any, and a corrective action plan. This certificate will be provided to Departments by the Internal Control Council at each fiscal year end.

1.0-210 Board Requirements

The County is required to maintain a system of internal control in accordance with the Principles of Sound Financial Management adopted by the Board of County Supervisors in order to maintain accountability to the citizens of the County and the Board of County Supervisors and to:


- Meet established goals and objectives;
- Ensure adherence to laws and regulations;
- Encourage sound, safe and consistent financial and operational practices;
- Develop and maintain accurate, reliable and timely financial and management data;
- Safeguard assets and resources, employees and the public;
- Prevent, detect and deter fraud, waste and/or abuse;
- Mitigate risk; and
- Facilitate both internal and external audits.

1.0-220 Definitions

A. Accountability

Accountability for financial and operational control purposes is the delegation of authority to qualified persons to initiate, approve, process, and review financial and operational transactions. Employees with delegated authority are responsible for assuring that transactions are:

- Within their delegation;
- Consistent with policy;

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- Beneficial to the fund(s);
- Accurate;
- Timely;
- Reasonable;
- Based on a legitimate need; and
- Appropriately approved.

B. Governance

Governance is the influence on the organization exercised by the governing body (Board of County Supervisors) and the executive body (County Executive, Deputy County Executives and Senior Managers (i.e. Department Directors). The executive body for the Internal Control program is the Guiding Public Service (GPS) Board of Trustees.

C. Delegation of Authority

A delegation of authority entrusts a task, power, or responsibility to another. The purpose of a delegation is to empower County employees with designated responsibilities.


D. Internal Control

Internal control refers to the processes and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories:


- Promoting effectiveness and efficiency of operations;
- Ensuring validity and reliability and timeliness of financial and operational records and reports; and
- Ensuring compliance with policies, procedures, regulations and laws.

Specific control activities include but are not limited to:

- **Segregation of Duties** – Financial and operational responsibilities are divided between different people to assure a single person does not perform every aspect of a transaction. Segregating responsibilities can reduce errors and help prevent or detect inappropriate transactions.
- **Authorization and Approval** – Transactions should be authorized by an approving authority, who verifies prior to approving the transactions that:
 - He/She has approval authority;

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- Sufficient funds are available; and
- The transaction is :
 - Consistent with policy;
 - Beneficial to the fund source(s) being charged;
 - Allowable (meets the stipulations of the fund(s));
 - Accurate;
 - Timely;
 - Reasonable;
 - Based on a legitimate need; and
 - Appropriately approved.
- **Reconciliation and Review** – Routine examination and reconciliation of transaction records to official County records is required to verify the accuracy of the records, the appropriateness of the transaction, and compliance with policy.
- **Physical Security** – All assets such as equipment, inventories, cash and other County property shall be physically secured, periodically counted, and reconciled to County records.
- **Training and Supervision** – Training is to be provided to ensure employees are equipped to fulfill their job duties. Employees are to be supervised to ensure they are appropriately directed and held accountable. Employees are to be informed of the process for reporting suspected improprieties.
- **Documentation Policies and Procedures** – County and department policies and operating procedures shall be written, reviewed, communicated, promoted, accessible and used to assure integrity and consistency in processes and transactions. It is important that policies and procedures have been communicated to all employees and that all employees understand the policies and procedures.
- **Records** – All transactions and events should be recorded promptly and accurately.
- **Monitoring** – Department, Division and Unit activities should be tracked and compared to the established plans, goals, and objectives. Actual performance should be compared to planned or expected results.

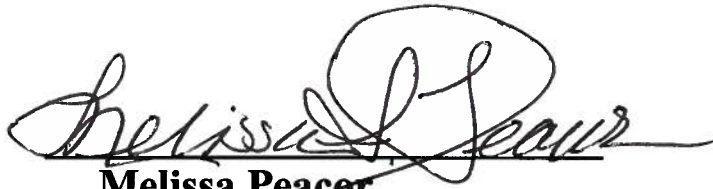
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- **Verification** – Data entry into manual and automated systems should be checked, verified or edited to ensure accuracy and reliability of the data.

1.0-230 Understanding Internal Controls: A Guide for Managers and Employees

The Internal Control Guide “Understanding Internal Controls: A Guide for Managers and Employees” discusses Internal Controls and the role managers and employees play in developing, implementing and monitoring them. This is designed to introduce the concepts of broad-based goal and objective setting, event identification and risk response.

An effective Internal Control Plan is a high level, Department-wide summarization of risks and controls for all financial and operational processes. It is supported by lower level detail, communicated throughout the Department, and continuously monitored and updated.



Melissa Peacor

County Executive, Prince William County

10-1-11

Date