



Before I get started, I want to thank Cindy and FMAC for having us today! I also want to thank Don and Scott for their earlier presentations.

We all appreciate the opportunity to talk about Internal Controls.



Internal Controls An Agency's Journey



**Financial Management Advisory Committee
(FMAC)**
June 23, 2016

Jesse Daniels
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Internal Controls An Agency's Journey

How does an Agency
Start (or Further) their Journey on Internal
Controls?



Internal Controls An Agency's Journey

WSDOT's Journey!



Internal Controls An Agency's Journey

The 1st Question:

What are an Agency's Internal Control Requirements?

Requirements



Internal Controls

An Agency's Journey

Today we've been provided with some great answers to this question by both Don and Scott, such as:

- Compliance with Statewide Guidance (SAAM Ch. 20)
- Designated Internal Control Officer
- Documented Risk Assessment process
- Documented Internal Control Monitoring
- Annual Assurance to Agency Head
- Internal Audit Function (Dependent on Agency size)

Internal Controls

An Agency's Journey

Also, become familiar with the Internal Control Guidance:

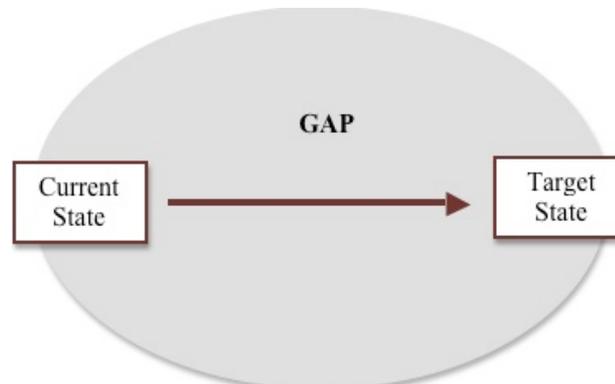
- SAAM Chapter 20
- Committee of Sponsoring Organization's (COSO) Internal Control Framework
- Government Accountability Office's (GAO) Standards for Internal Control in Federal Government "Green Book"

This guidance will help you answer the 1st Question

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The 2nd Question:

What is the current state of
Internal Controls?



Internal Controls

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- Ask some of the Questions like we heard Scott from the State Auditor's Office talk about earlier:
 - Do we have a Internal Control Policy and/or Plan?
 - Do we have a designated Internal Control Officer?
 - Are we doing Risk Assessments?
 - Are we doing Monitoring of Internal Controls?
 - Are we providing a Letter of Assurance to the Agency head at least annually?
 - What is the Internal Control Environment?

Internal Controls

An Agency's Journey

At WSDOT I found they had an Extensive Internal Control Program, but it was de-centralized, informal, and operated as part of daily operations throughout each division and region.

Examples:

- Had a written policy that replicated SAAM Chapter 20 and was written in 2001
- Monitored External Audit Findings, Management Letters and Exit Item Exceptions
- Some divisions had informal risk assessment processes built into their planning processes
- Internal Audit performs an annual Risk Assessment

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The 3rd Question:

What are the next step?



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Developed Schedule that addressed:

- What is due when?
- Who are my stakeholders?
- Who can I get assistance from?



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Small Sample of the June 1, 2015 – June 30, 2016 Schedule:

- June - Assurance Letter
- July - Meet with Internal (HQ), Division, & Region Stakeholders
- Research OFM, COSO, GAO and other agency internal control information
- Sept - Revise Internal Control Policy
- Begin Internal Control Plan Development
- ↓↓
- Jan/Feb - Review of Policy & Plan

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On the question – Who can I get assistance from?

A group of Internal Control Professionals meet at noon on the third Tuesday of each month at the DOT building in Olympia. The group includes IC professionals from large & small agencies, SAO, and OFM who have used the group to assist them with projects, such as the revision to SAAM Chapter 20.

If your interested in joining the Internal Control Professionals Group, my contact information will be provided at the end of my presentation.

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Revised Policy



New Approach:

- Reference Statewide Guidance, but do not replicate it.
- Address Agency Specific Issues and “What SAO is looking for”
- Stakeholders to Review – SAO and Other

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Develop Internal Control Plan

Approach:

- Supplements and Builds on Policy.
- Address Agency Specific Issues and what SAO is looking
- Stakeholders to Review – SAO and Other

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Develop Plan Supplements

Approach:

- Segregation of Duties Guide
- Quick Reference Guide
- Fraud Guide

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So this is Where the Journey Paused!

Phase II Risk Assessment & Monitoring

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The 1st Question for Phase II:

What are an Agency's Risk Assessment & Monitoring Requirements?

Requirements



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Risk Assessment & Monitoring

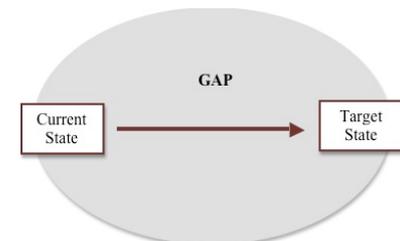
Scott's Presentation Covered the Major aspects that must be covered:

- Does it meet requirements in SAAM Chapter 20?
- Are Risk Assessments updated timely?
- Start with Highest level
- Are Risk Assessment Relevant to the Agency and to audit objectives?
- Are Monitoring activities being completed and documented?

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The 2nd Question for Phase II:

What is the current state of
Risk Assessments &
Monitoring?



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WSDOT's Risk Assessments & Monitoring The Current State

- Internal Audit Office does an Annual Risk Based Assessment as part of their Annual Audit Plan.
- Risk management office (Quality Assurance & Transportation System Safety) performs risk assessments
- Regions and divisions do risk assessments as part of their planning
- Monitoring policies to ensure Internal Controls in place and current
- Monitoring audit findings and action plans to resolve findings

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The 3rd Question for Phase II:

What are the next step?



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Develop Risk Assessment Tools

Approach:

- Seek Assistance from Stakeholders
- Two Risk Assessments:
 - Activities – Accounts Payable, Disbursements, etc.
 - Programs – Regions, Divisions, Ferries, etc.
- Test Tools within Own Unit – Accounting and Financial Services
- Expand Test to Units under Assistant Secretary – Budget and Capital Program Development & Management
- Expand Monitoring activities

Internal Controls An Agency's Future Journey

The Journey Continues



Again, we want to thank you for allowing us to share today!

Here is my contact Information:

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Let me know if your interested in attending the
Internal Control Professionals Group