Agency Risk Management and Internal Control Standards

Presentation to the Board of Visitors
February 20, 2009
Comptroller’s Directive No. 1-07
(The Commonwealth’s version of the Sarbanes Oxley Act)

“...provides guidance for establishing and assessing agency internal controls in order to more effectively manage risk and maintain accountability.”
ARMICS Definition:

Ongoing process led by agency head to design and provide reasonable assurance that these types of objectives will be achieved:

- Effective and efficient operations
- Reliable financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of assets
Objective of ARMICS

To provide reasonable assurance of the integrity of all fiscal processes related to:

- Transactions submitted to the Commonwealth’s general ledger
- Deliverables required by financial statement directives
- Compliance with laws and regulations
- Stewardship over and safeguarding the Commonwealth’s assets

In short, to ensure fiscal accountability and safeguard the Commonwealth’s assets.
## ARMICS Control Objectives

1. **Strategic** – to support “being recognized as the best-managed state in the nation” through internal control best practice

2. **Operational** – effective and efficient use of fiscal resources and other assets

3. **Reporting** – integrity and reliability of financial reporting

4. **Compliance** – compliance with applicable laws and regulations

5. **Stewardship** – protection and conservation of assets
Components of Internal Control

Control Environment
Risk Assessment
Control Activities
Information and Communication
Monitoring
Control Environment

- Management Philosophy
- Reasonable Risk
- Oversight by the BOV
- Integrity and ethical values
- Promoting ethics & appropriate conduct
- Organizational structure
- Assignment of authority and responsibility
- Work force competence
- Employee development
Risk Assessment

- The process of analyzing potential events and considering their likelihood and impact in order to determine those events’ possible affect on the achievement of UMW’s objectives
- Management considers the mix of potential events, both expected and unexpected, relevant to UMW and its activities in the context of the UMW’s risk profile
- Many expected events are routine, recurring and already in UMW’s programs and budgets
- Management must assess the risk of unexpected potential events
- Risk assessment is a continuous and repetitive interplay of actions occurring throughout UMW
Control Activities

- Policies and procedures implemented to help ensure that risk responses are effectively completed
- Occur across UMW
- Range of activities
- Managers set up control activities to provide reasonable assurance that their objectives are met
- Categorized by the nature of the objectives to which they relate
Information and Communication

- Involves identifying, capturing and communicating relevant information
- Effective communications occurs down, across and up the agency
- From top management that internal control responsibilities must be taken seriously
- Handle risks, provide services and achieve its objectives
- Information enables change management strategy
- Information without communication has no value
Monitoring

- The process of assessing the presence, functioning and continuous improvement of internal control components
- Accomplished through ongoing management activities and/or separate evaluations
- Examined from three perspectives:
  - Ongoing activities
  - Separate comprehensive evaluations
  - Special ad hoc evaluations
# ROLES AND RESPONSIBILITIES

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| **BOV & President**  | - Assume ownership for internal control philosophy  
- Provide visible and audible support for internal control issues and provide the muscle for enforcement  
- Certify ARMICS compliance to DOA                                                                                                                                 |
| **Executive Staff/Department Directors** | - Support the internal control philosophy, promote compliance and maintain control within divisions  
- Responsible for compliance with non-financial aspects of laws, directives, policies, procedures and the code of ethics  
- Complete Internal Control Self-Assessment and consider/document gaps and improvement opportunities resulting from the risk assessment |
2008

- Accomplishments:
  - ARMICS Steering Committee
  - 100% response rate
  - Certified all stages

- Outstanding Items:
  - University Code of Ethics
  - Revised EWP’s to include ethics
  - Corrective Action Plan
2009

- Zelos Consulting
- One certification deadline
- 10 new departments
- 570 questions
- New processes