



There's Nothing "Soft" About Soft Controls!

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Today's Agenda

- Some Musings About Internal Control
- An Example of What Can Get Missed
- “Hard” Versus “Soft” Controls: Is One More Effective?
- Internal Control on the Fly (or, on the Pedal)
- Internal Control Survivor

Definitions

- Internal control is broadly defined as a process ... designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - ❑ Effectiveness and efficiency of operations.
 - ❑ Reliability of financial reporting.
 - ❑ Compliance with applicable laws and regulations.

(Source: COSO)

- Internal controls are the integration of the activities, plans, attitudes, policies, and efforts of the people of an organization working together to provide reasonable assurance that the organization will achieve its mission.

(Source: SUNY)

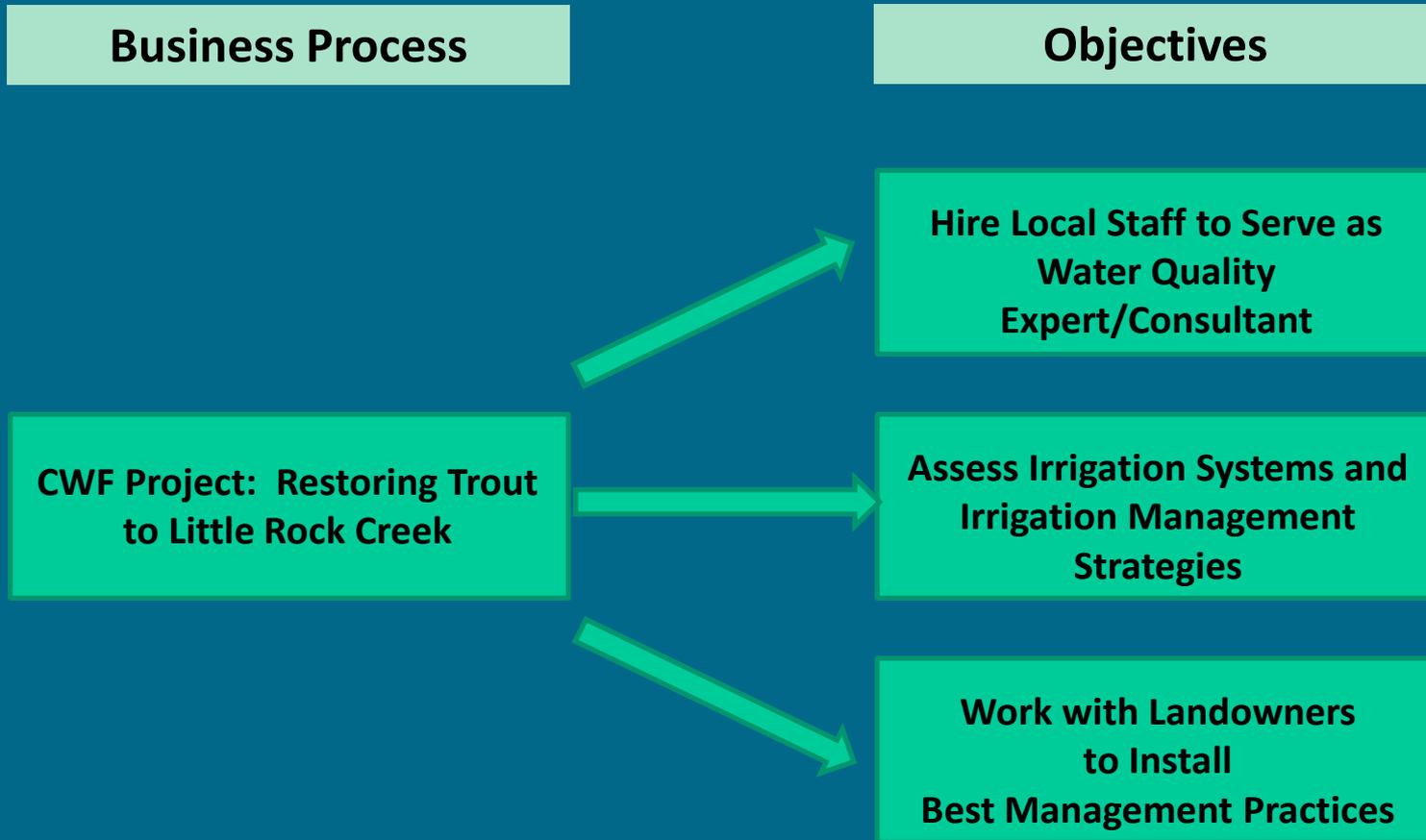
The Risk Assessment Tree

- Mission >
 - Objectives >
 - Process >
 - Risk >
 - Control

“Hard” Versus “Soft” Controls

- Hard controls: are tangible controls like organizational structure, assignment of authority and responsibility, and human resources policies.
- Soft controls: are intangible controls like morale, integrity, ethical climate, empowerment, competences, openness and shared values.

Internal Controls: Business Processes and Objectives



Internal Controls: Objectives and Process Narrative

Objective

**Work with Landowners
to Install
Best Management
Practices**

Process Narrative (Steps)

1. Solicit interested landowners through advertisement or RFP process.

2. Recommend contractors to work with landowners.

3. Disseminate best practice information to landowners and contractors. Formulate project specifications or guidelines.

4. Apply formula for sharing cost of project with landowner.

5. Inspect project to ensure its compliance with project specifications.