



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY

TIPS AND TRENDS #2024-0006
JULY 8, 2024



Inspector General
Accredited

Internal Controls for Government¹

Trust is not an internal control.

HEADLINE: “County employee accused of stealing \$29K....” Management was “very shocked because it was somebody we all trusted.” - CBS12 News

Theft by trusted employees occurs across the country in government, businesses, and non-profit organizations when organizations lack adequate internal controls.

Internal controls help ensure objectives and goals are achieved, provide checks and balances to “keep honest people honest” by reducing opportunities and temptations, and prevent fraud or waste. Governments use internal controls to plan, organize, and direct the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Internal controls are used in all aspects of government: operations, finance, information technology, contracts, and security, and they can be manual or automated. They are also often process or situation dependent. Controls should be selected and designed based on the actual process, the intended results, and in some cases, cost.

- Internal Controls provide reasonable (not absolute) assurance that objectives will be achieved when those controls are functioning properly.
- Gaps in internal controls and controls that are not effective provide opportunity for errors, fraud, waste, and abuse to occur.



¹ This Tips and Trends may be read in conjunction with
https://www.pbcgov.org/OIG/docs/advisories/Tips_And_Trends_2017-0001.pdf.

“Enhancing Public Trust in Government”

Government Statutory Requirements

Local governments² in Florida are **required** to implement internal controls per section 218.33(3), Florida Statutes. This legislation specifies that internal controls should be designed to:

- Prevent and detect fraud, waste, and abuse.
- Promote and encourage compliance with applicable laws, rules, contracts, grant agreements, and best practices.
- Support economical and efficient operations.
- Ensure reliability of financial records and reports.
- Safeguard assets.

Types of Internal Controls

Internal controls generally can be grouped into four categories; below are some common types of each:

- **Directive:** Before a process begins. Directive internal controls cause or encourage a desirable event to occur.
 - Policies and procedures
 - Training
- **Preventative:** During a process, but before risk occurs. Preventative internal controls minimize the likelihood that errors or irregularities will occur.
 - Supervision
 - System controls, reviews, and approvals
 - Separation of duties
 - Surprise cash counts
 - Assignment rotation
 - Audits
 - Transaction and card limits, or restricting access to credit cards
 - Requiring original, itemized invoices/receipts as support
 - Thorough background checks
 - Adequate documentation
 - Authorizations and approvals
 - Safeguarding/restricting access to resources and records
 - Information Technology edit checks. These determine whether a piece of data has the correct format, range, or other properties.



² "Local governmental entity" means a county agency, a municipality, or a special district as defined in s. 189.012. See §218.31(1), F.S.

- **Corrective:** During a process; but after risk occurs. Corrective internal controls correct errors or irregularities on discovered issues.
 - Training
 - Adjustments and reassignment of duties
 - Policies and procedures for reporting errors and irregularities
 - Employee discipline
 - Improvement of operational techniques or technologies

- **Detective:** Used after a process ends. Detective internal controls identify errors or irregularities that may have occurred.
 - Cash counts
 - Bank reconciliations
 - Observation of operations
 - Cameras
 - Audits
 - Inspections
 - Inventory counts
 - Requiring original, itemized invoices/receipts as support
 - Interviews and employee surveys

Internal controls are processes that help ensure the right things happen and bad things do not.

They do so by preventing and detecting fraud, waste, and abuse, promoting compliance, supporting economical and efficient operations, ensuring the reliability of financial records, and safeguarding assets.

Governments should have internal controls, and should regularly assess and re-assess them!