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| **INTERNAL CONTROLS NEWSLETTER** | | |
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**Evaluating the Control Environment**

Now that I’ve given an overview of Internal Controls in my past few newsletters, I am now going to concentrate on the five components of Internal Controls. In this newsletter, we will be focusing on the Control Environment.

**Control Environment – Definition**

Control Environment is the attitude toward internal control and control consciousness established and maintained by the management and employees of an organization.

The Control Environment sets the tone of the Agency and influences the effectiveness for all other components of Internal Control. The control environment is the foundation for all other components of internal control, providing discipline and structure and encompassing both technical competence and ethical commitment. If this foundation is not strong, if the control environment is not positive, the overall system of internal control will not be as effective as it should be. Many factors affect the control environment, including the following:

**Ethical Values and Integrity**

Ethics are the moral principles that govern a person’s or group’s behavior. Integrity is the quality of being honest and having strong moral principles. While it is management’s responsibility to establish and communicate the ethical values of the department, it is everyone’s responsibility to demonstrate integrity.

**Philosophy and Operating Style**

Philosophy and Operating Style reflect management’s beliefs on how the Agency should be managed, as well as determining the degree of risk the Agency will take when looking at performance based management. Philosophy and style can be demonstrated in areas such as; attitude towards information technology, support and responsiveness to external audits and policies related to employee evaluations and training.

**Commitment to Competence**

Competence is the ability to do something successfully or efficiently. Management’s commitment to competence is that we hire employees with the necessary skills and knowledge and ensure current staff receives the needed training to ensure their skills are current, as well as providing periodic evaluations.

**Structure**

The structure of the Agency discusses the framework for planning, leading and controlling operations to achieve the Agency’s mission. The Agency’s structure should clearly define key areas of authority and responsibility, as well as the appropriate reporting channels. This is done through polices, memorandums and regulations.

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As it relates to Ethics and Integrity as mentioned above, Internal Controls are the responsibility of everyone in the Agency. If you have any questions, concerns or feel that there is an area where controls can be improved – do not hesitate to contact me!

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