Internal Auditor's Role in Corporate Governance

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El Paso Internal Control Assessment Survey

El Paso Corporation developed this self-assessment tool to support the internal control and financial statement assertions required by the Sarbanes-Oxley Act. It is reprinted by The IIA Research Foundation with permission from El Paso Corporation.

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The Professional Practices Framework for Internal Auditing (PPF) was designed by The IIA Board of Directors' Guidance Task Force to appropriately organize the full range of existing and developing practice guidance for the profession. Based on the definition of internal auditing, the PPF comprises Ethics, *Standards*, Practice Advisories, and Development and Practice Aids, and paves the way to world-class internal auditing.

This guidance fits into the *Professional Practices Framework* under the heading Development and Practice Aids.

El Paso Internal Control Assessment Survey

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El Paso Corporation developed this self-assessment tool to support the internal control and financial statement assertions required by the Sarbanes-Oxley Act. It is, however, based on COSO's *Internal Control: Integrated Framework* and covers all of internal control, not just financial reporting.

Internal audit sends this survey to a different level of management or employees each quarter, as follows:

- Third quarter – the 150 top executives
- Fourth quarter – all directors
- First quarter – all managers
- Second quarter – a sample of employees

Managers, directors, and executives are asked to evaluate things they are personally responsible for. By itself, this would not produce reliable results. Three factors, however, bring some reliability into the process:

- The process supports the CEO and CFO assertions. Dishonest or erroneous ratings, if discovered, would be embarrassing.
- Some validation comes from the lower level responses. If your subordinates rate an item significantly lower than you do, you might have to explain the discrepancy.
- Some of the items on the survey will be tested by internal audit during regular audits

In third quarter 2002, the survey was paper-based. Going forward, it will be automated. This will make the number of respondents manageable. It will also allow El Paso to aggregate and analyze responses, as well as trend them over time.

The survey process is a cost-effective way to gather meaningful evidence on internal control from every location and every employee level in the organization. It would not, however, be sufficient in itself to support the internal control and financial statement assertions required under Sarbanes-Oxley.

El Paso's CAE, Basil Woller, bases his overall opinions on several "data points":

- The results of this survey.
- Financial statement certifications that are required from managers throughout the organization and aggregate upwards, and the work managers do in support of these certifications.
- The work of a new three-person Financial Reporting and Compliance group within internal audit. This group performs a risk/control analysis and full audit of the financial reporting process in each of El Paso's five business segments every year. They share information with the other 50 auditors, all of whom are focusing more on financial reporting risks than previously.
- PWC attestation to the internal control assertion (this was still under development at the time this summary was written in December 2002).
- The CAE is an *ex officio* member of the disclosure committee. He observes the process and discussion, plays "devil's advocate," and gains comfort from the depth and seriousness of the questions raised.
- The CAE is present when the CFO and CEO do their final review. He observes the quality and depth of their review firsthand. When they are satisfied, all three sign the assertions—first the CAE, then the CFO, then the CEO.

Taken together, these steps give El Paso robust and well-documented support for the required assertions. The survey adds value by going beyond what is required to address all aspects of internal control.

Internal Control Definition
Historically, there has been much confusion and a lack of consensus as to what "internal control" means. Operating executives, financial executives, boards of directors, internal and external auditors, legislators and regulators, and investors and creditors identified a compelling need for a common control language. The Committee of Sponsoring Organization's (COSO) model developed by the American Institute of Certified Public Accountants, the American Accounting Association, The Financial Executives Institute, the Institute of Internal Auditors, and the Institute of Management Accountants has been adopted as the generally accepted framework for internal control by entities representing all sectors of business and government and is widely recognized as the definitive standard against which organizations measure the effectiveness of their systems of internal control.

The COSO model defines internal control as follows:

> "Internal control is a process, effected by an entity's board of directors, management and other personnel designed to provide reasonable assurance of the achievement of objectives in the following categories:
>
> - Effectiveness and efficiency of operations
> - Reliability of financial reporting
> - Compliance with applicable laws and regulations"

In an "effective" internal control system, the following five components work to support the achievement of an entity's mission, strategies and related business objectives.

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

These components work to establish the foundation for sound internal control within the Company through directed leadership, shared values and a culture that emphasizes accountability for control. The various risks facing the Company are identified and assessed routinely at all levels and within all functions in the organization. Control activities and other mechanisms are proactively designed to address and mitigate the significant risks. Information critical to identifying risks and meeting business objectives is communicated through established channels up, down, and across the Company. The entire system of internal control is monitored continuously and problems are addressed timely.

The following survey has been designed to evaluate the Company's system of internal control within the context of the COSO model described above. The survey is comprehensive in that it will evaluate all components of internal control as specified in the model and will do so for all reporting entities of the Company. It will identify areas where we as a Company, business unit or function need to focus our control efforts and will provide a valuable benchmark against which we can measure our success in achieving improvements.

Instructions
Each section of this survey is preceded by an explanation of that component of control. The survey is comprised of several definitive statements that relate to that component of control. Please indicate your opinion towards each statement made. Space has been provided at the end of each section for any written comments you would like to make. Please complete the survey and return a signed hard

copy to Basil Woller on or before October 21, 2002. All responses will be kept confidential and only summary data will be reported.

CONTROL ENVIRONMENT

The control environment is influenced by a company's history and culture and sets the tone of the organization, influencing the control consciousness of its personnel. It is the foundation for all other components of internal control, providing discipline and structure. The control environment has a pervasive influence on the way business activities are structured, objectives established, and risks assessed. It also influences control activities, information and communication systems, and monitoring activities. Effectively controlled companies strive to have competent people, instill a company-wide attitude of integrity and control consciousness, and set a positive "tone at the top". They establish policies and procedures, including a written code of conduct, which fosters shared values and teamwork in pursuit of the company's objectives. The control environment is evaluated based on the following factors:

- Integrity and Ethical Values
- Commitment to Competence
- Board and Audit Committee
- Management Philosophy and Operating Style
- Organizational Structure
- Assignment of Authority and Responsibility
- Human Resource Policies and Practices

Integrity and Ethical Values

A company's objectives and the way they are achieved are based on preferences, value judgments, and management styles. Those preferences and value judgments that translate into standards of behavior reflect management's integrity and its commitment to ethical values. A company's good reputation is so valuable; the standard of behavior must go beyond mere compliance with the law. In awarding reputation to the best companies, society expects more than that. The effectiveness of a system of internal control cannot rise above the integrity and ethical values of the personnel who create, administer, and monitor it. Integrity and ethical values are essential elements of the control environment, affecting the design, administration, and monitoring of other internal control components.

		Agree			Disagree		
1.	The Company's Code of Conduct and other policies regarding acceptable business practice, conflicts of interest, and expected ethical standards of ethical and moral behavior are comprehensive and relevant and address matters of significance to you.	5	4	3	2	1	NA
2.	Employees fully and clearly understand what behavior is acceptable and unacceptable under the Company's Code of Conduct and know what to do when they encounter improper behavior.	5	4	3	2	1	NA
3.	Management frequently and clearly communicates the importance of integrity and ethical behavior during staff meetings and/or one-on-one discussions.	5	4	3	2	1	NA
4.	Management demonstrates a commitment to integrity and ethical behavior by example in their day-to-day activities.	5	4	3	2	1	NA
5.	Employees are generally inclined to do the "right thing" when faced with pressures to cut corners with regard to policies and procedures.	5	4	3	2	1	NA
6.	Management addresses and resolves violations of behavioral and ethical standards consistently, timely, and equitably in accordance with the provisions of the Company's Code of Conduct.	5	4	3	2	1	NA
7.	The existence of the Company's Code of Conduct and the consequences of its breach are an effective deterrent to unethical behavior.	5	4	3	2	1	NA
8.	Management strictly prohibits circumvention of established policies and procedures, except where specific guidance has been provided, and demonstrates commitment to this principle.	5	4	3	2	1	NA

Comments:

Commitment to Competence

Management should specify the competence levels for particular jobs and translate those levels into requisite knowledge and skills. The necessary knowledge and skills may in turn depend on an individual's training and experience. Among the many factors considered in developing knowledge and skill levels are the nature and degree of judgment to be applied to a specific job. There often can be a trade-off between the extent of supervision and the requisite competence level of the individual.

		Agree				Disagree	
9.	Management has adequately defined the knowledge and skills needed to perform jobs within your function.	5	4	3	2	1	NA
10.	Management has the specialized knowledge, experience, and training required to perform their duties and do not rely extensively on technical specialists or outside consultants.	5	4	3	2	1	NA
11.	Employees are properly trained and are capable of performing all jobs within your function.	5	4	3	2	1	NA
12.	Individual performance targets focus on both the long-term and short-term and address a broad spectrum of criteria (e.g., quality, productivity, leadership, teamwork, and self-development).	5	4	3	2	1	NA

Comments:

Board and Audit Committee

The control environment and "tone at the top" are influenced significantly by the entity's board of directors and audit committee. Factors include the board or audit committee's independence from management, experience and stature of its members, extent of its involvement and scrutiny of activities, and the appropriateness of its actions. Another factor is the degree to which difficult questions are raised and pursued with management regarding plans or performance. Interaction of the board or audit committee with internal and external auditors is another factor affecting the control environment.

		Agree				Disagree	
13.	The board constructively challenges management's planned decisions, e.g., strategic initiatives and major transactions, and probes for explanations of past results.	5	4	3	2	1	NA
14.	Directors have sufficient knowledge, industry experience and time to serve effectively.	5	4	3	2	1	NA
15.	The audit committee meets privately with the internal and external auditors to discuss the reasonableness of the financial reporting process, system of internal control, significant comments and recommendations, and management's performance.	5	4	3	2	1	NA
16.	The audit committee reviews the scope of activities of the internal and external auditors.	5	4	3	2	1	NA
17.	A process exists for informing the board of significant issues and information is communicated timely.	5	4	3	2	1	NA
18.	The board and audit committee are involved sufficiently in evaluating the effectiveness of the "tone at the top" and takes steps to ensure the appropriate "tone".	5	4	3	2	1	NA

Comments:

Management's Philosophy and Operating Style

Management's philosophy and operating style affect the way the Company is managed, including the kinds of business risk accepted. A company that has been successful taking significant risks may have a different outlook on internal control than one that has faced harsh economic or regulatory consequences as a result of venturing into dangerous territory. An informally managed company may control operations largely by face-to-face contact with key managers. A more formally managed one may rely more on written policies, performance indicators, and exception reports.

		Agree				Disagree	
19	Management accepts the appropriate amount of business risk.	5	4	3	2	1	NA
20.	Key personnel have not resigned unexpectedly or on short notice, and employee turnover is not excessive.	5	4	3	2	1	NA
21.	Employees in your function feel they are adding value within the Company's overall strategy.	5	4	3	2	1	NA
22.	Management meetings are held periodically within your function and are frequently attended by senior management.	5	4	3	2	1	NA
23.	Objectives established by senior management are realistic and achievable.	5	4	3	2	1	NA
24.	Management views accounting treatment for transactions or activities in a balanced manner, neither too aggressive nor too conservative.	5	4	3	2	1	NA
25.	Management views accounting function as an important element in the overall system of internal control rather than an obstacle to be avoided or overcome.	5	4	3	2	1	NA
26.	Management routinely assesses various risks to achieving business objectives.	5	4	3	2	1	NA
27.	Management appropriately balances the focus on short-term reported results with long-term business objectives and does not exert inappropriate pressure to achieve earnings objectives.	5	4	3	2	1	NA
28.	Estimates required for your function's activities are based on sound models, verifiable market data, and fair assumptions.	5	4	3	2	1	NA

Comments:

Organizational Structure

A company's organizational structure provides the framework within which its activities for achieving company-wide objectives are planned, executed, controlled, and monitored. Significant aspects of establishing a relevant organizational structure include defining key areas of authority and responsibility and establishing appropriate lines of reporting.

		Agree				Disagree	
29.	Management treats your function as an integral part of the Company's overall operations.	5	4	3	2	1	NA
30.	The current organizational structure facilitates the flow of information both up and down within your function and across to other functions.	5	4	3	2	1	NA
31.	Managers and process owners in your function have ready access to senior management in addressing significant issues.	5	4	3	2	1	NA
32.	The organizational structure in your function provides adequate supervisory and managerial oversight.	5	4	3	2	1	NA
33.	Management periodically evaluates the organizational structure relevant to your function in light of changes in the scope, nature, or extent of your operations.	5	4	3	2	1	NA
34.	Employees do not work excessive overtime and do not fulfill the responsibilities of more than one employee.	5	4	3	2	1	NA

Comments:

Assignment of Authority and Responsibilities

This component includes the assignment of authority and responsibility for operating activities as well as establishing reporting relationships and authorization protocols. It involves the degree to which individuals and teams are encouraged to use initiative in addressing issues and resolving problems as well as limits of their authority. It also deals with the policies describing appropriate business practices, knowledge and experience of key personnel, and resources provided for carrying out duties. A critical challenge is to delegate only to the extent required to achieve objectives. This requires ensuring that risk acceptance is based on sound practices for identification and minimization of risk, including sizing risks and weighing potential losses versus gains in arriving at good business decisions. Another aspect is ensuring that all personnel understand the Company's objectives. It is essential that each individual knows his or her actions interrelate and contribute to achievement of objectives. The control environment is greatly influenced by the extent to which individuals recognize that they will be held accountable, including the Chairman and CEO. He or she has ultimate responsibility for all activities within the Company, including the internal control system.

		Agree			Disagree		
35.	Management designates who is responsible for committing your function to financial or contractual obligations through a formal delegation of authority.	5	4	3	2	1	NA
36.	Specific limits are established for certain types of transactions and delegations are clearly communicated and understood by employees within your function.	5	4	3	2	1	NA
37.	Job descriptions for your function's personnel include specific references to control related responsibilities.	5	4	3	2	1	NA
38.	Management accepts responsibility for information generated within your function and on reported results.	5	4	3	2	1	NA
39.	Managers in your function are appropriately empowered.	5	4	3	2	1	NA

Comments:

Human Resource Policies and Practices

Human resource practices send messages to employees regarding expected levels of integrity, ethical behavior, and competence. Such practices relate to hiring, orientation, training, evaluating, counseling, promoting, compensating, and remedial actions.

		Agree			Disagree		
40.	Existing personnel policies and procedures facilitate recruiting and developing competent and trustworthy personnel necessary to achieve the Company's objectives.	5	4	3	2	1	NA
41.	Employees new to your function's activities are made aware of their responsibilities and management's expectations.	5	4	3	2	1	NA
42.	Supervisory personnel meet periodically with employees in your function to review job performance and discuss opportunities for improvement.	5	4	3	2	1	NA
43.	Performance appraisals adequately address internal control responsibilities and set forth criteria for integrity and ethical behavior.	5	4	3	2	1	NA

Comments:

RISK ASSESSMENT

All companies regardless of size, structure, nature, or industry, encounter risks at all levels within their organization. Risks affect each company's ability to survive, successfully compete within its industry, maintain financial strength and positive public image, and maintain the overall quality of its products, services, and people. There is no practical way to reduce risk to zero. Indeed, the decision to be in business creates risk. Management must determine how much risk is to be prudently accepted, and strive to maintain risk within these levels. Objective setting is a precondition to risk assessment. There must first be objectives before management can identify risks to their achievement and take necessary actions to manage the risks. Objective setting, then, is a key part of the management process. While not an internal control component, it is a prerequisite to and an enabler of internal control. The risk assessment component of control is evaluated based upon the following factors:

- Company-Wide Objectives
- Process-Level Objectives
- Risk Identification
- Managing Change

Company-Wide Objectives

Objective setting can be a highly structured or an informal process. Objectives may be explicitly stated, or be implicit, such as to continue a past level of performance. At the company level, objectives are often represented by the company's mission and value statements. Assessments of the company's strengths and weaknesses, and opportunities and threats, will lead to an overall strategy. Generally, the strategic plan is broadly stated, dealing with high level resource allocations and priorities. More specific objectives flow from the company's broad strategy. Company-wide objectives are linked and integrated with more specific objectives established for various activities. By setting objectives at both the company and activity level, a company can identify critical success factors. These are the key things that must go right if goals are to be attained. Objective setting enables management to identify measurement criteria for performance, with focus on critical success factors.

		Agree			Disagree		
44.	Management has established and clearly communicated the Company's mission, strategy and business objectives.	5	4	3	2	1	NA
45.	Feedback mechanisms are in existence that enables management to periodically assess whether Company-wide objectives have been achieved.	5	4	3	2	1	NA
46.	Key performance indicators and measurement criteria for achieving Company-wide objectives have been communicated and are uniformly understood.	5	4	3	2	1	NA

Comments:

Process-Level Objectives

More specific objectives flow from the company's broad strategy. Company-wide objectives are linked and integrated with more specific objectives established for various processes of each function. Not only must Company-wide objectives be consistent with the Company's capabilities and prospects, they also must be consistent with the objectives of its business units and functions. Company-wide objectives must be broken down into process-level objectives, consistent with the overall strategy, and linked to activities throughout the organization. Process-level objectives need to be clear and readily understood by the people taking actions and responsibility for their achievement and they must be measurable.

		Agree				Disagree	
47.	Objectives have been established for your function's processes and are clearly linked to and support Company-wide strategies and objectives. These objectives are clearly understood by employees responsible for achieving results.	5	4	3	2	1	NA
48.	Specific criteria have been established to measure whether objectives for your function's processes have been achieved.	5	4	3	2	1	NA
49.	Resources are generally sufficient to achieve objectives for processes in your function and, if not, plans are in place to acquire needed resources.	5	4	3	2	1	NA
50.	Employees in your function participate in establishing objectives for processes and ultimately own business results for which they are responsible.	5	4	3	2	1	NA

Comments:

Risk Identification

The process of identifying and analyzing risk is an on-going process and is a critical component of an effective internal control system. Management must focus carefully on risks at all levels of the company and take necessary actions to manage them. A company's performance can be at risk due to internal or external factors. These factors, in turn, can affect either stated or implied objectives. Risk increases as objectives increasingly differ from past performance. Risks should be identified and assessed at both a Company-wide and a process level.

		Agree				Disagree	
51.	Adequate mechanisms are in place to identify and assess barriers to achieving objectives for processes in your function.	5	4	3	2	1	NA
52.	The process used to analyze risks in your function is clearly understood and includes estimating the significance of risks, assessing the likelihood of their occurring, and determining steps to mitigate them.	5	4	3	2	1	NA
53.	Adequate mechanisms are in place to identify and assess barriers to achieving Company-wide objectives.	5	4	3	2	1	NA

Comments:

Managing Change

As economic, industry, and regulatory environments change, a company's activities should evolve to address those changes. As a company's activities evolve, the internal control system requires change because an effective system under one set of conditions will not necessarily be effective under another. Mechanisms to manage change should be forward-looking, so a company can anticipate and plan for significant changes. Fundamental to risk assessment is a process to identify changed conditions and take actions as necessary. Early warning systems should be in place to identify conditions signaling new risks.

		Agree				Disagree	
54.	Formal and/or informal mechanisms exist that anticipate, identify, and respond to routine events or activities that could have an impact upon achieving Company-wide or process-level objectives.	5	4	3	2	1	NA
55.	Mechanisms exist to incorporate changes to the Company mission and strategy into Company-wide and process-level objectives.	5	4	3	2	1	NA

Comments:

CONTROL ACTIVITIES

Control activities are policies and procedures used to ensure management directives are met. Control activities vary depending upon the nature of the risk mitigated and are carried out to ensure that the risks are minimized to an acceptable level. Control activities can be divided into three categories, based on the nature of the Company's objectives to which they relate, i.e., operations, financial reporting, or compliance. Depending on circumstances, controls could help to satisfy company objectives in one or more of the three categories. The control activities component of control is evaluated based upon the following factors:

- Policies and Procedures
- Control Activities in Place

Policies and Procedures

Control activities usually involve two elements: a policy establishing what should be done and procedures to affect the policy. Many times, policies are communicated orally. Unwritten policies can be effective where the policy is a long-standing and well-understood practice, and where communication channels involve only limited management layers and close interaction and supervision of personnel. Regardless of whether a policy is written, it must be implemented conscientiously and consistently. A procedure will not be useful if performed mechanically without a continuing focus on conditions to which the policy is directed.

		Agree				Disagree	
56.	Appropriate policies and procedures have been developed and implemented for each of your function's major processes.	5	4	3	2	1	NA
57.	Appropriate and timely actions are taken on exceptions to your function's policies and procedures.	5	4	3	2	1	NA
58.	Policies and procedures identify how processes are to be performed and monitored and who is responsible for carrying them out.	5	4	3	2	1	NA

Comments:

Control Activities in Place

Control activities are a significant part of the process by which a company strives to achieve its business objectives. Control activities serve as mechanisms for managing and mitigating risk, thereby enabling the achievement of objectives. Control is built directly into processes and always relates back to the risk it was designed to mitigate. Control activities which are added on in reaction to insignificant or non-existent risks can result in burdensome layers of redundant controls which can increase cost and impede efficiency.

		Agree			Disagree		
59.	Control activities described in policy and procedure manuals are actually applied the way they are intended to be applied and relate clearly to identified risks.	5	4	3	2	1	NA
60.	Supervisory personnel periodically review the functioning and overall effectiveness of controls.	5	4	3	2	1	NA
61.	Responsibilities in your function have been assigned in a manner which precludes any individual from processing data transactions in their entirety or from maintaining records for transactions in which the individual participated.	5	4	3	2	1	NA
62.	Effective procedures have been established for the routine verification of the accuracy of data when it is entered, processes, generated, distributed, or transferred.	5	4	3	2	1	NA
63.	Individuals from your function have appropriate responsibility for control over assets and data and the processing of transactions.	5	4	3	2	1	NA
64.	Effective contingency plans have been developed and documented for your function to deal with service interruptions if they occur.	5	4	3	2	1	NA
65.	Periodic tests of contingency and disaster recovery plans take place to make sure they are current, operational, and effective.	5	4	3	2	1	NA

Comments:

INFORMATION AND COMMUNICATION

Pertinent information must be identified, captured, and communicated in a form and time-frame that enables people to carry out their responsibilities. Information gathering mechanisms produce reports containing operational, financial reporting, and compliance related information that makes it possible to run and control the business. They deal not only with internally generated data, but also with information about external events, activities, and conditions necessary for informed business decision-making and external reporting. Effective communication also must occur in a broader sense, flowing down, across, and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties such as customers, suppliers, regulators, and shareholders. The information and communication component of control is evaluated based upon the following factors:

- Quality of Information
- Effectiveness of Communication

Quality of Information

Information is needed at all levels of the organization to run the business, and move towards achievement of the Company's objectives in all categories—operations, financial reporting, and compliance. Information is identified, captured, processed, and reported by information systems. Information gathering mechanisms may be computerized, manual or a combination. They may be formal or informal. Keeping information consistent with needs becomes particularly important when a company operates in the face of fundamental industry changes, highly innovative and quick-moving competitors, or significant customer demand shifts. To be effective, information gathering mechanisms must not only identify and capture needed financial and non-financial information; they must also process and report it in a time frame and way that is useful in controlling the company's activities.

		Agree			Disagree		
66.	Adequate information gathering mechanisms are in place to capture and process data so that transactions can be conducted in an orderly and efficient manner.	5	4	3	2	1	NA
67.	Reports generated and/or used by your function are adequate and contain sufficient and meaningful information.	5	4	3	2	1	NA
68.	Mechanisms exist for identifying emerging information needs.	5	4	3	2	1	NA
69.	An information technology plan has been developed for your function that is linked to achieving your function's objectives.	5	4	3	2	1	NA

Comments:

Effectiveness of Communication

Communication is inherent in information gathering mechanisms. Information must be provided to appropriate personnel so that they can carry out their operating, financial reporting, and compliance responsibilities. Communications also must take place in a broader sense, dealing with expectations, responsibilities of individuals and groups, and other important matters.

		Agree				Disagree	
70.	Employees' roles and responsibilities regarding internal control and risk assessment are communicated clearly and effectively by management, and these roles and responsibilities are uniformly understood.	5	4	3	2	1	NA
71.	Management clearly communicates responsibilities and expectations for your function and these are uniformly understood by everyone in your function.	5	4	3	2	1	NA
72.	Information is communicated effectively both up and down within your function and across to other functions.	5	4	3	2	1	NA
73.	A clear communication channel is available to report suspected improprieties.	5	4	3	2	1	NA
74.	Persons who report suspected impropriety are provided feedback and are immune from reprisals.	5	4	3	2	1	NA
75.	Realistic mechanisms are in place for employees to provide recommendations for improvement.	5	4	3	2	1	NA
76.	Good employee suggestions are acknowledged by providing incentives or other meaningful recognition.	5	4	3	2	1	NA
77.	Changes with respect to company-wide objectives and strategies are communicated timely and effectively to all affected personnel.	5	4	3	2	1	NA
78.	Outside parties understand the Company's ethical and behavioral standards and expectations regarding dealings with the Company.	5	4	3	2	1	NA
79.	Management is receptive to comments by internal and external auditors regarding control deficiencies or suggestions for process improvement. Appropriate actions are taken and documented.	5	4	3	2	1	NA

Comments:

MONITORING

Internal control systems need to be monitored—a process that assesses the quality of the system's performance over time. This is accomplished through on-going monitoring activities, separate evaluations of a combination of the two. On-going monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations (audits) will depend primarily on assessment of risks and the effectiveness of on-going monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to senior management and the board. The monitoring component of control is evaluated based upon the following factors:

- On-Going Monitoring
- Separate Evaluations
- Reporting Control and Process Deficiencies

On-Going Monitoring

On-going monitoring procedures are built into the company's normal recurring operating activities. They are performed on a real-time basis reacting dynamically to changing conditions. Monitoring procedures which are an inherent part of the Company are more effective than procedures performed in connection with separate evaluations (audits). Since separate evaluations take place after the fact, problems will often be identified more quickly by the on-going monitoring routines. A Company should focus on ways to enhance its on-going monitoring activities and, thereby, emphasize "building in" versus "adding on" controls.

		Agree			Disagree		
80.	Management has established performance measures for processes in your function and receives periodic reports of results against those measures.	5	4	3	2	1	NA
81.	Personnel responsible for reports in your function are required to "sign off" on their accuracy and integrity and are held accountable if deficiencies are discovered.	5	4	3	2	1	NA
82.	In the event of known control breakdowns or deficiencies, controls that should have prevented or detected problems are reassessed and modified as appropriate.	5	4	3	2	1	NA

Comments:

Separate Evaluations

The frequency of separate evaluations necessary for management to have reasonable assurance about the effectiveness of the internal control system is a matter of management's judgment. In making that determination, consideration should be given to the following: the nature and degree of changes occurring and their associated risk; the competence and experience of the people implementing the controls; and the results of on-going monitoring.

		Agree			Disagree		
83.	Controls most critical to mitigating high priority risks in your function are evaluated with requisite frequency.	5	4	3	2	1	NA
84.	Evaluations of the entire internal control system are performed when there are major strategy changes, major acquisitions or dispositions, or operations and methods of processing financial information are changed.	5	4	3	2	1	NA
85.	The corporate audit function has personnel who have the experience and skills necessary to understand your function's operations.	5	4	3	2	1	NA
86.	An appropriate level of documentation is developed by your function to facilitate the understanding of how your internal control system works.	5	4	3	2	1	NA

Comments:

Reporting Control and Process Deficiencies

Deficiencies in a company's internal control system surface from many sources, including the company's on-going monitoring procedures, separate evaluations of the internal control system, and external parties. The term "deficiency" is defined broadly as a condition within an internal control system worthy of attention. A deficiency, therefore, may represent a perceived, potential, or real shortcoming, or an opportunity to strengthen the control system to provide a greater likelihood that the company's objectives will be achieved.

		Agree			Disagree		
87.	Control deficiencies are identified by on-going monitoring activities of the Company, including managerial activities and everyday supervision of employees.	5	4	3	2	1	NA
88.	Control deficiencies are identified during separate evaluations of your internal control system	5	4	3	2	1	NA
89.	Internal control deficiencies that can effect the attainment of the Company's objectives are reported to those who can take necessary action and also to at least one level of management above the person directly responsible.	5	4	3	2	1	NA
90.	Senior management ensures that the necessary follow-up actions are taken in response to reported control deficiencies.	5	4	3	2	1	NA

Comments:

Summary Assessment of Internal Control Objectives

Internal control is broadly defined as a process, affected by an entity's board of directors, management and other personnel, 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

The first category addresses an entity's basic business objectives, including performance and profitability goals and safeguarding of resources. The second relates to the preparation of reliable published financial statements, including interim and condensed financial statements and selected financial data derived from such statements, such as earnings releases, reported publicly. The third deals with complying with those laws and regulations to which the entity is subject. These distinct but overlapping categories address different needs and allow a directed focus to meet the separate needs.

		Agree			Disagree		
91.	Taking into consideration my evaluation of the components of internal control in previous sections of this survey, the internal control objective of effectiveness and efficiency of operations has been met.	5	4	3	2	1	NA
92.	Taking into consideration my evaluation of the components of internal control in previous sections of this survey, the internal control objective of reliability of financial reporting has been met.	5	4	3	2	1	NA
93.	Taking into consideration my evaluation of the components of internal control in previous sections of this survey, the internal control objective of compliance with laws and regulations has been met.	5	4	3	2	1	NA

Comments:

I affirm that the attached control self-assessment has been completed under my direction and that to the best of my knowledge the answers provided are an accurate representation of internal controls for the items addressed.	
NAME	**TITLE**
Signature (*Sign In Ink*)	Date
Company Name	