

Internal Control Monitoring Guide

Control monitoring is required by the [Agency Risk Management and Internal Controls \(ARMICS\) Directive](#) from the State Comptroller. This guide is designed to assist units with the ARMICS process and define the difference between **Control Activities** and **Control Monitoring Activities**.

Unit Responsibility

Each Unit that maintains a “significant fiscal process,” as defined by the university, is required to have an up-to-date process and transaction level assessment or Risk Control Matrix (RCM) that reflects the key risks facing its significant fiscal processes, its assessment of those risks, and the type and nature of controls it has in place to mitigate the risks.

Groups such as ARMICS, Internal Audit, and the Auditor of Public Accounts (APA) are not a substitute for unit/department internal control monitoring. These groups instead perform an after the fact assessment of your key internal controls and their effectiveness, including how well you are monitoring them. They may also make recommendations as to how you can strengthen your control environment.

Managers, like auditors, don't have to look at every single piece of information to determine that the controls are functioning and should focus their monitoring activities on high-risk areas and key controls. Spot-checking transactions or performing basic sampling techniques can provide a reasonable level of confidence that the controls are functioning as intended.

For Unit's to effectively manage risks and thereby achieve business objectives, they must actively monitor the **key controls** found on their Risk Control Matrix (RCM) to ensure they are operating as intended. Examples of **Control Activities** and **Control Monitoring Activities** are provided below. Units are encouraged to use the [ARMICS Tracking Log](#) to record Control Monitoring Activities throughout the year to ensure compliance with the ARMICS directive.

Control Activities

Control Activities are required actions, usually documented in policies and procedures, that help ensure the organization's risk response strategies are effectively executed. These actions serve to mitigate the potential risk of error, fraud, or system failure within operational processes.

Examples of control activities:

- Approval of financial transactions.
- Approval of reconciliations of account balances.
- Segregation of duties.
- Verifying the accuracy of changes to master files.

Control Monitoring Activities

Control monitoring activities are evaluations/observations of the effectiveness of the process control steps (control activities) and are normally performed after transactions or processes have been completed. Control monitoring activities can be performed manually or with the help of software (automation).

Every effort should be made to **document** that control monitoring was regularly performed. The [ARMICS Tracking Log](#) may be used as a template to document control monitoring activities. In circumstances where it is not feasible to document control monitoring activities using a paper/electronic trail, consider documenting follow up activities. Examples of follow up activities that result from control monitoring are: changes to controls and positive feedback to staff on well-performed work.

Examples of control monitoring activities:

- Spot checking reconciliations for timely completion and approval, as well as for items that should have been corrected but are still outstanding.

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- Tracking the completion of required reconciliations. A log that lists the accounts to be reconciled, the identity of the reconciler and approver, the date both functions were completed and your tracking notations is a useful tool.
- Spot checking paid invoices to determine if goods or services were certified as having been received before payment was made.
- Matching the approvers of select transactions in Banner against the authorized list of approvers.
- Spot checking a few systems generated reports to determine if they were reviewed as scheduled and if the reviewer missed anything.
- Spot checking exception reports to determine if they were reviewed as scheduled and if the reviewer overlooked any items that should have been flagged.
- Spot checking a suspense report to determine if it was reviewed and whether the reviewer addressed items that required further action.
- Reviewing alerts to identify unusual activity or transactions. Check to see if the alert was reviewed and if the reviewer missed anything.

Example of Control Monitoring Log

Internal Control Monitoring Log							
Month: February 2021							
Item	Control # on Risk Control Matrix	Brief Description of Control Monitoring Activity Undertaken	Documents/Process Examined	Document/Processes Date	Date of Monitoring	Person Performing Monitoring	Monitor's Conclusion/Comments
1	Control 1.2	Examined approved reconciliation for timely completion and approval and the correction of reconciling/outstanding items;	Expenditure reconciliation for January 2021	2/15/2021	2/22/2021	A. Davis	Correction for \$750 outstanding since November 2020. Sent email to reconciliation approver to have the correction dealt with before the end of February.
2							

Additional information on ARMICS and Internal Controls is available at
<https://fiscal.gmu.edu/controllers/armics/>.