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| **INTERNAL CONTROLS NEWSLETTER** | | |
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**Importance of Information and Communication in Internal Controls**

In my previous newsletter, we discussed the Control Environment – the basis for Internal Control. Now we’ll move on to the next component of Internal Control – Communication and Information.

For our Agency to run and control operations, we must have timely reliable communication with internal and external factors. Management must be able to obtain reliable information to determine their risks and communicate policies and other information to those who need it.

**Information**

Management needs operational and financial data in order to determine if we are meeting the goals of the Agency, and if we are appropriately utilizing our resources. Operating information is also required to determine if we are in compliance with various rules and regulations. Financial data is needed for both internal and external uses; to perform day-to-day operations, make decisions and monitor performance. This information should be identified, captured and distributed efficiently to the appropriate members of the Agency.

**Communication**

Effective communication should occur in a broad sense with information flowing down, across, and up the Agency. In addition to internal communications, management should ensure there are adequate means of communicating with, and obtaining information from, external stakeholders (e.g. other agencies, vendors and other organizations) that may have a significant impact on the department achieving its goals.

Management should establish communication channels that:

* Provide timely information.
* Inform employees of their duties and responsibilities.
* Enable the reporting of sensitive matters including fraudulent or unethical behaviors.
* Enable employees to provide suggestions for improvement.
* Provide the information necessary for all employees to carry out their responsibilities effectively.
* Convey managements message that internal control responsibilities are important and should be taken seriously, and
* Convey and enable communication with external parties.

Communication is not an isolated Internal Control component. It affects every aspect of the Agency’s operations and supports the system of Internal Control. The feedback from the communication network can help management evaluate how well the various components of the system of Internal Control are working.

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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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