

STATE OF GEORGIA

ACCOUNTING PROCEDURES MANUAL

INTRODUCTION AND OVERVIEW

Information and communication are essential to effecting control. Information about a State organization's plans, control environment, risks, control activities, and performance must be communicated up, down, and across an organization. Reliable and relevant information from both internal and external sources must be identified, captured, processed, and communicated to the people who need it, in a form and time frame that is useful. Information systems produce reports containing financial, operational, and compliance-related information that makes it possible to run and control an organization.

Information and communication can be formal or informal. Formal information and communication systems, which range from sophisticated computer technology to simple staff meetings, should provide input and feedback data relative to operations, financial reporting, and compliance objectives.

When assessing internal control over a significant activity or process, the key questions to ask about information and communication are as follows:

Does your State organization (or individual division, major activity center, etc.):

1. get the information needed from internal and external sources in a form and time frame that is useful?
2. get information that alerts it to internal or external risks (i.e., legislative, regulatory, and developments)?
3. get information that measures its performance, and/or information that tells whether it is achieving its operations, financial reporting, and compliance objectives?
4. identify, capture, process, and communicate the information that others need in a form and time frame that is useful?
5. provide information to others that alerts them to internal or external risks?
6. communicate effectively internally and externally?

Information and communication are simple concepts. Nevertheless, communicating with people and getting information to people in a form and time frame that is useful to them is a constant challenge.

Information systems often are part of operational activities. They not only capture information needed in decision-making to effect control, but are increasingly being used to carry out an organization's strategic initiatives. For example, the Department of Human Resources may have

an information system that tracks disease trends, the Department of Labor maintains information

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on unemployment trends, the Department of Education may track standardized test scores to determine where to direct education resources in future years.

The internal control aspect of managing an information system rests with having procedures in place to ensure the consistency and accuracy of data and to ensure a way of integrating changing conditions. An effective system identifies and captures needed data, which allows staff to process the data and report to management in a useful format and time frame. An effective system also gives some indication when conditions are changing, so management can ascertain the necessity of investigating the variances and the need to make adjustments.

An information system provides personnel with data they require to carry out their responsibilities. In a broader sense, the information system is a part of an organization's communication system. The way management uses the data provided by the system also communicates expectations and responsibilities of individuals and groups within the organization.

A management control system will work if management clearly conveys the message that control responsibilities are to be taken seriously. If staff understand their specific duties and how those activities relate to the work of others, management is using the communication system effectively. Open channels of communication and a willingness to listen are important to front-line staff, who also have an important perspective. Normal reporting lines are typically the most appropriate for most information communications, however unique or special lines of communications might be appropriate under certain circumstances (i.e., communications with Attorney General's Office, Governor's office, etc.).

Communication between other State organizations and legislators may also be appropriate in certain circumstances. Legislators need information on performance, risks, and major initiatives, etc.. Management may benefit from communications from people outside state government (citizens, the media, and representatives from private industry, etc.).

There are numerous communication methods that are available to managers. Policy manuals, memoranda, E-mail, department newsletters, and staff meetings all play important roles in communication.

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Implementation Guidance

1. Establish procedures to provide management with external and internal information needed for evaluation of the organization's performance in relation to established objectives.
 - a. Obtain relevant external information on applicable legislative or regulatory developments and/or on economic and social changes.
 - b. Regularly identify and report information useful for evaluating achievement of critical objectives.
 - c. Provide managers information they need to carry out their responsibilities, including the following:
 - * analytical information to enable managers to develop plans of action;
 - * information at the level of detail for the varying levels of management;
 - * information summaries, backed up with available pertinent facts and smaller details, as needed for further examination; and
 - * timely information, so management can effectively monitor events and activities (internal and external) and react to economic and social factors and control issues.
 - d. Develop and revise information systems based on overall strategic plan.
 - * Link systems to organization-wide objectives.
 - * Link systems to individual division/ major activity-level objectives.
 - * Depending upon the size of the State organization, consider establishing an information technology committee to identify emerging information needs.
 - * Develop a long-range information technology plan linked with the State organization's strategic objectives.
2. Make a firm management commitment to supporting the development of necessary information systems.
 - a. Commit appropriate human and financial resources.
 - * Managers, analysts, or programmers with requisite technical ability need to be available to develop new or enhanced information systems.
 - * Employees need to be adequately trained in new or enhanced information systems.
 - * Information systems staff should provide training and support services to other employees, as needed.

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3. Establish procedures for effectively communicating duties and responsibilities to staff. It is important that employees:
 - a. know the objectives of the organizations activities and also how their duties contribute to those objectives;
 - b. understand how their duties affect other employees and how the duties of other employees affect them; and
 - c. understand how their work contributes to larger organization goals.

4. Develop policies and procedures to establish channels of communication for employees to report suspected improprieties, as follows:
 - a. by providing an avenue for the employee to bypass the level of management where the impropriety occurred;
 - b. respecting anonymity and confidentiality;
 - c. making employees feel comfortable using the channels established; and
 - d. providing feedback and immunity from reprisal to employees who report suspected improprieties.

5. Establish an employee suggestion process.
 - a. Emphasize quality improvement recommendations.
 - b. Acknowledge good suggestions with meaningful rewards and recognition.

6. Establish procedures for adequate inter-departmental communication, to enable employees to effectively perform their jobs.
 - a. Give employees sufficient and timely information.
 - b. Hold regular staff meetings.
 - c. Circulate department newsletters.
 - d. Disseminate new policies and procedures.
 - e. Communicate changes in legislation to affected parties in a timely manner.
 - f. Keep staff aware of management activities, including:
 - * Long-range objectives;
 - * Organizational changes; and
 - * Organizational and staff achievements.

7. Communicate your organization's ethical standards to your customers and constituencies by:
 - a. letting these individuals or organizations know your standards and your expectations regarding their dealings with your organization; and
 - b. reinforcing your standards by example in routine dealings with external parties.

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8. Establish policies and procedures to ensure timely and appropriate follow-up on communication received from customers, vendors, regulators, and other external parties.
 - a. Present a receptive attitude to reported problems.
 - b. Correct errors in a timely manner.
 - * Investigate the source of the error,
 - * Make necessary corrections to avoid repeated errors.
 - c. Involve appropriate personnel when processing complaints.
 - d. Take appropriate action and provide follow-up communication to the original sources.
 - e. Provide methods for keeping management informed of the nature and volume of complaints.