



# Performance Perspective

Report #3

CITY OF SEATTLE

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## MANAGEMENT CONTROLS: A BASIC DEPARTMENTAL RESPONSIBILITY

*Management Controls: All activities designed to ensure that a department (1) accomplishes its objectives; (2) complies with City policies; (3) uses staff time and City property appropriately; and (4) records and accounts for transactions, revenues and expenditures properly.*

*Departments are responsible for setting up, following, and regularly reviewing their management controls. Management controls include both financial controls and non-financial controls.*

### Management Controls Are Basic Good Management Practices

Fraud, waste, and abuse. Newspapers love to write about it. Fraud, waste, and abuse not only represent missed opportunities for governments to use funds for desired purposes, they also undermine the citizens' trust in their government. Hence, public managers must be extra diligent in setting up and running public programs in a way that minimizes the occurrences of these misuses of public funds.

The basic management tool in both the public and private sector to address fraud, waste and abuse is management controls. Management controls span the whole gamut of management activities. Management controls assist organizations in deciding what should be done or what should be emphasized. They help organizations to allocate funds, monitor activities, and conduct reviews. Management controls provide the information organizations need to make mid-course corrections and evaluate organizational and individual performance. As such, management controls include not only internal accounting controls but also controls which focus on results.

### Department Managers And Management Controls

*Establishing and maintaining an internal control structure is an important management responsibility. To provide reasonable assurance that an entity's objectives will be achieved, the internal control structure should be under ongoing supervision by management to determine that it is operating as intended and that it is modified as appropriate for changes in conditions.*

*--American Institute of Certified Public Accountants*

*Officials entrusted with the resources are responsible for establishing and maintaining effective control.*

*--Government Auditing Standards*

Department managers are responsible for the management controls in their departments. In addition, to setting up good management control systems, managers should periodically review their systems to ensure they are working. Table 1 provides a checklist of what their systems should include.

### CHECKLIST FOR MANAGEMENT CONTROLS

✓	Department has written policies and procedures for significant transactions or events and they are updated and current.
✓	Budget justification data is consistent with other accounting data so that managers compare actual results with budgeted amounts.
✓	Employees promptly record and classify transactions.
✓	Only persons acting within the scope of their authority authorize and carry out significant actions.
✓	Supervisors have separated key duties and responsibilities in authorizing, processing, recording, and reviewing financial transactions.
✓	Employees receive appropriate supervision of their work.
✓	Supervisors assign accountability for custody and use of resources.
✓	Access to resources and records is limited to authorized individuals.
✓	Periodic inventories of assets are performed.

