

Internal Control Concepts

Purpose

Internal controls consist of all the measures taken by the City of Bell for the purpose of:

- Protecting resources against waste, misappropriation and inefficient application;
- Ensuring accuracy, timeliness, and reliability in accounting and operating data;
- Maintaining compliance with applicable laws and regulations;
- Evaluating the level of performance of departments and personnel.

The City's assets and resources have been entrusted to us, the City of Bell's employees and elected and appointed officials. Faithful stewardship over the same is everyone's responsibility.

Objective

The objective of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and to ensure that transactions are properly recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles. The concept, called "reasonable assurance," recognizes that the cost of controls should not exceed the benefits likely to be derived, and that estimates and judgments are required to be made by management in evaluating costs and benefits.

The Three Most Common Internal Controls

- Documentation, publication and implementation of standard operating procedures;
- Formalizing approval authorizations;
- Separation of duties and tasks among employees.

None of these approaches can *per se* guarantee the appropriate use of City assets; however, they do represent reasonable efforts to reduce the opportunity for misuse of City assets.

Internal Controls Protect the Employee

Through the establishment of internal controls that reduce the opportunity for employees to make unauthorized transactions, the City protects employees from unwarranted suspicion when unusual events or trends are identified.

This said, no system of internal controls will be successful if there exists collusion between parties. We know this to be true by virtue of Bell's past, where employees, management, the City Administrator, the Assistant City Administrator, the City Attorney and the City Council colluded and conspired to steal from our community.

See "Policy for Fraudulent or Unethical Behavior" herein to learn about the processes for reporting suspected fraud, theft, abuse, waste or unethical behavior in our workplace.