



## Five things you should never say (regarding internal control)

### Highlights

- If management is cynical about internal control, employees will take their cues accordingly.
- It is important to avoid actual or perceived retaliation when employees bring up issues.
- “Tone at the top” refers to how management communicates its attitudes and expectations for the organization.

Information and communication is a fundamental component of internal control. There are certain things people sometimes say that are detrimental to good communication regarding internal control. The following may not *literally* be what is said, but even a more subtle version of any of these can send the wrong message.

### “It’s not your job to bring me ideas for changing our processes” (Similar to “I don’t pay you to think”)

Front-line employees are the subject matter experts and are often positioned best to see potential gaps in controls. Also, many key control activities are carried out on the front lines. Employee concerns and suggestions should therefore be taken seriously. Even if a concern is not well founded, shutting them down could prevent employees from bringing forward valid concerns in the future.

### “If it’s not good news, I don’t want to hear it.”

It is understandable that leaders may have a negative reaction to bad news, but they should be careful that this does not communicate dissatisfaction with the messenger. Body language, tone and cadence of speech, and many other subtle cues, become especially important here. *Actual or perceived* retaliation for identifying control weaknesses, concerns, or irregularities is unacceptable because it discourages employees from coming forward and ultimately could undermine the organization’s entire control system.

### “If it’s not broke, don’t fix it”

A formal evaluation of internal controls could stop an audit finding, negative news story, or even fraud *before* it happens, as opposed to the reactionary method of waiting for something to happen before addressing it. Not periodically

reevaluating key processes for risks, control gaps, and effectiveness of control activities is a recipe for fraud and errors. Good internal control is not a one-time exercise, but a continuous improvement process.

### “You should do as I say, not as I do.”

This statement occurs when standard procedures must be followed by employees, but are ignored by management. Related to this is “tone at the top,” a concept that refers to how management communicates its attitudes and expectations for the organization through leading by example. If management is cynical about internal control, employees will take their cues accordingly.

### “We’ve always done it this way.”

Not only is this not a good reason to continue a bad or broken process, it will likely suppress any future suggestions for improvements. Changes over time can cause what once made sense in a business function to no longer be a good idea. This is also why performing risk assessments on a regular basis and then monitoring the effectiveness of the identified control activities is essential to maintaining a strong internal control structure.

*Suggested action steps:* Managers, think about how to foster good communication in your work area. Avoid using these common phrases in your interactions with employees. Employees, it is your responsibility to report control weaknesses, concerns, and potential irregularities. Consider using alternate means of communication if you feel your voice is not being heard.

If you have questions, please contact [Brennan Coatney](mailto:Brennan.Coatney@state.mn.us) at [Brennan.Coatney@state.mn.us](mailto:Brennan.Coatney@state.mn.us) or at (651) 201-8127.