



Internal Controls Overview

DALLAS POLICE AND FIRE PENSION SYSTEM

FEBRUARY 9, 2017

Primary Objectives

- ▶ Accurate financial information
- ▶ Compliance with policies and procedures
- ▶ Efficient use of resources
- ▶ Accomplishment of goals and objectives
- ▶ Safeguarding of assets

Control Environment

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the board.

-COSO Integrated Framework Executive Summary

Management's Role

- ▶ Create the control environment
- ▶ Assess risk
- ▶ Develop processes and procedures
 - ▶ Approvals
 - ▶ Authorizations
 - ▶ Segregation of duties
 - ▶ Reconciliations
 - ▶ Security of assets
- ▶ Monitor compliance

Board's Role

- ▶ Provide independent oversight of internal controls
- ▶ Provide a forum, separate from management, in which auditors can candidly discuss concerns
- ▶ Help ensure that management develops and adheres to a sound system of internal controls and that the auditors objectively report on any findings

Auditors' Role

- ▶ Report directly to the Board (or Audit Committee)
- ▶ Communicate risk assessment to the Board
- ▶ Communicate corrected and uncorrected audit differences to the Board
- ▶ Report to Board of any lack of cooperation of management during the audit
- ▶ Audit opinion does not cover internal controls, however, any significant deficiencies or material weaknesses in internal control are reported to the Board in writing

Key Control Considerations Addressed by DPFP

- ▶ Culture of accountability and transparency
- ▶ Frequency/content of investment and financial reporting to Board
- ▶ Function of Professional Services Committee of the Board
- ▶ Transparency in budget process
- ▶ Accuracy of payments and reporting to members
- ▶ Valuation of private assets
- ▶ Segregation of duties related to cash disbursements
- ▶ Layers of review, also considering reduction in headcount
- ▶ Accuracy of changes to member information
- ▶ Documentation of Benefits related policies and processes
- ▶ Account reconciliations

Questions?