

How We Can Help

Milligan & Company performs a wide range of internal control services that assist with management objectives. These assessments and reviews are typically in the context of business or audit risk which serves to identify significant exposures and recommend and implement solutions for mitigation.

Reviews of internal controls are an important part of our financial audit and business advisory services. Our audit and advisory methodologies recognize up front the importance of information systems and control structures in small business environments and complex organizations.

For more information on Milligan's Internal Control Solutions, please contact: Charles Holmes, CPA (cholmes@milligancpa.com) at 215 496 9100 ext 102 or Jovan Goldstein, CPA (jgoldstein@milligancpa.com) at 215 496 9100 ext 104.

About MILLIGAN

Milligan & Company is a full-service Consulting and Certified Public Accounting firm headquartered in Philadelphia, PA. Since our inception in 1985, the firm has consistently grown and has added offices in Cherry Hill, NJ, Washington, D.C. and Baltimore, MD.

We solve the most complex financial, accounting, operational and managerial challenges for small and medium businesses, public corporations, not-for-profit organizations, government entities and individuals.

Our commitment to excellence, out-standing client service, the dedication and skill of our staff, have all contributed to making us a leader in our profession. Our practice includes management-led solution teams and areas of expertise that meet our client's challenges at every milestone of their growth.

Milligan serves each client with the personal service, responsiveness, practical results and integrity that are the hallmarks of our reputation

MILLIGAN At a Glance

Established in 1985. Offices in Philadelphia, PA; Cherry Hill, NJ; Baltimore, MD and Washington, DC

Members of the American Institute of Certified Public Accountants; Pennsylvania, New Jersey and Maryland Institutes of Certified Public Accountants

Five consecutive peer reviews without any Letter of Comment

GSA (Government Services Administration) qualified for accounting, auditing and consulting services

Recipient of the SBA's *Outstanding Minority Business Enterprise Award* and the FTA's *Minority Business Advocate Award*

DBE certified — Pennsylvania, New Jersey, Maryland, Connecticut and Missouri

MILLIGAN & COMPANY, LLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Pennsylvania:
105 North 22nd Street
Philadelphia, PA 19103
Phone: 215 496-9100 Fax: 215
496-0980
www.milligancpa.com

Maryland:
119 South Ann Street
Baltimore, MD 21231
Phone: 410 732-4626

New Jersey:
811 Church Road
Suite 105
Cherry Hill, NJ 08002
Phone: 856 964-0049

Washington DC:
1625 K Street, NW
Suite 330
Washington, DC 20006
Phone: 202 223-5550

There are risks and costs
to a program of action.

But they are far less than
the long-range risks and
costs of inaction.



INTERNAL CONTROLS

An integrated framework to assess risk and build stakeholder confidence

MILLIGAN & COMPANY, LLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

■ AUDIT & ASSURANCE ■ TAX & ACCOUNTING ■ SUPPLIER & WORKFORCE DIVERSITY
■ BUSINESS CONSULTING ■ MANAGEMENT ADVISORY ■ CAPITAL PROJECTS CONSULTING



INTERNAL CONTROLS

An integrated framework to assess risk and build stakeholder confidence

Senior management continually seeks ways to improve control over the enterprises they lead. Internal controls are implemented to keep public or private enterprises, not-for-profit and other entities – regardless of size – on course toward meeting established goals while minimizing risk.

Because internal controls serve many important purposes, there are increasing demands for improved internal control systems and reporting mechanisms. Internal controls are viewed as tools that reduce a variety of potential problems.

What Are Internal Controls

Broadly, internal controls are defined as a process that provides reasonable assurance on achieving objectives in:

- Integrity and ethical values
- Operating effectiveness and efficiency
- Reliability of financial reporting
- Organizational compliance with laws and regulations

Internal controls are typically put into place and championed by an organization's board of directors, management and other personnel.

Internal controls consist of interrelated components that are integrated with day-to-day management processes. While these components apply to all types of organizations, size and structure may dictate the scope of implementation. At smaller

organizations, controls may be less formal, yet can still maintain effective internal control.

A Continuous, Integrated Process

Maintaining effective internal controls is continuous process. Controls will change over time as risks and processes change. Enterprises should have processes to update, identify and assess risks and to continuously monitor and measure the effectiveness of their internal control systems.

What Internal Controls Can Do

Internal controls can help achieve performance targets and ensure reliable financial reporting.

They can help an enterprise comply with laws and regulations, avoiding damage to its reputation and other consequences.

In summary, internal controls will help an enterprise achieve its objectives with minimal risk.

Internal controls should not be just a short-term response to regulatory influences – the long-term benefits on improved financial reporting, risk assessment and stakeholder confidence are widely recognized by management as an investment in their organization's future.

Risk

Business risk is any threat to achieving an enterprise's objectives, often with negative effects and consequences. While risk is most commonly associated with financial implications, there are other

concerns involving risk including short-sighted goals, ineffective business processes and a damaged organizational reputation.

Unattended risk has far-reaching consequences, such as:

- Flawed decisions based on incorrect, untimely, incomplete, or unreliable information
- Incorrect record keeping and accounting
- Fraudulent financial transactions
- Financial loss and exposure
- Negative publicity
- Noncompliance with relevant laws and regulations
- Inefficient and ineffective use of resources

Handling Risks

Eliminating all types of risks is nearly impossible and, most likely, not desirable because the cost may not outweigh the benefits. Alternatives to addressing risks such as transferring, accepting or mitigating the risk should be sought. A cost-benefit analysis is typically performed to determine which type of approach should be taken.

Regardless of the approach, the key to handling risk is an understanding and commitment to continually address risks. Risks are not stagnant, they increase and change as operational and regulatory environments change. In addition, new technologies, fierce competition, decentralized accountability, external scrutiny, and cost reduction practices all present new risks and continually challenge existing implemented solutions.

