## Component: Control Environment

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<th>Principle</th>
<th>Points of Focus</th>
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| **#1 - The organization demonstrates a commitment to integrity and ethical values.** | • Sets the tone at the top  
• Establishes standards of conduct  
• Evaluates adherence to standards of conduct  
• Addresses deviations in a timely manner |
| **#2 - The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.** | • Establishes oversight responsibilities  
• Applies relevant expertise  
• Operates independently  
• Provides oversight on the system of internal control: control environment, risk assessment, control activities, information and communication, and monitoring activities |
| **#3 - Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.** | • Considers all structures of the entity  
• Establishes reporting lines  
• Defines, assigns, and limits authorities and responsibilities: board of directors, senior management, management, personnel, and outsourced service providers |
| **#4 - The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.** | • Establishes policies and procedures  
• Evaluates competence and addresses shortcomings  
• Attracts, develops, and retains individuals  
• Plans and prepares for succession |
| **#5 - The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.** | • Enforces accountability through structures, authorities, and responsibilities  
• Establishes performance measures, incentives, and rewards  
• Evaluates performance measures, incentives, and rewards for ongoing relevance  
• Considers excessive pressures  
• Evaluates performance and rewards or disciplines individuals |

## Component: Risk Assessment

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| **#6 - The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.** | Operations Objectives:  
• Reflects management’s choices  
• Considers tolerances for risk  
• Includes operations and financial performance goals  
• Forms a basis for committing of resources  
External Financial Reporting Objectives:  
• Complies with applicable accounting standards  
• Considers materiality  
• Reflects entity activities  
External Non-Financial Reporting Objectives:  
• Complies with externally established standards and frameworks  
• Considers the required level of precision  
• Reflects entity activities  
Internal Reporting Objectives:  
• Reflects management’s choices  
• Considers the required level of precision  
• Reflects entity activities  
Compliance Objectives:  
• Reflects external laws and regulations  
• Considers tolerance for risk |
| **#7 - The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.** | • Includes entity, subsidiary, division, operating unit, and functional levels  
• Analyzes internal and external factors  
• Involves appropriate levels of management  
• Estimates significance of risks identified  
• Determines how to respond to risks |
| **#8 - The organization considers the potential for fraud in assessing risks to the achievement of objectives.** | • Considers various types of fraud  
• Assesses incentive and pressures  
• Assesses opportunities  
• Assesses attitudes and rationalizations |
| **#9 - The organization identifies and assesses changes that could significantly impact the system of internal control.** | • Assesses changes in the external environment  
• Assesses changes in the business model  
• Assesses changes in leadership |
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| Principle                                  | #10 - The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. | • Integrates with risk assessment  
• Considers entity-specific factors  
• Determines relevant business processes  
• Evaluates a mix of control activity types  
• Considers at what level activities are applied  
• Addresses segregation of duties |
| Principle                                  | #11 - The organization selects and develops general control activities over technology to support the achievement of objectives. | • Determines dependency between the use of technology in business processes and technology general controls  
• Establishes relevant technology infrastructure control activities  
• Establishes relevant security management process control activities  
• Establishes relevant technology acquisition, development, and maintenance process control activities |
| Principle                                  | #12 - The organization deploys control activities through policies that establish what is expected and procedures that put policies into action. | • Establishes policies and procedures to support deployment of management’s directives  
• Establishes responsibility and accountability for executing policies and procedures  
• Performs in a timely manner  
• Takes corrective action  
• Performs using competent personnel  
• Reassesses policies and procedures |

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| Principle                                  | #13 - The organization obtains or generates and uses relevant, quality information to support the functioning of internal control. | • Identifies information requirements  
• Captures internal and external sources of data  
• Processes relevant data into information  
• Maintains quality throughout processing  
• Considers costs and benefits |
| Principle                                  | #14 - The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control. | • Communicates internal control information  
• Communicates with the Board of Directors  
• Provides separate communication lines  
• Selects relevant method of communication |
| Principle                                  | #15 - The organization communicates with external parties regarding matters affecting the functioning of internal control. | • Communicates to external parties  
• Enables inbound communications  
• Communicates with Board of Directors  
• Provides separate communication lines  
• Selects relevant method of communication |

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| Principle                                  | #16 - The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning. | • Considers a mix of ongoing and separate evaluations  
• Considers rate of change  
• Establishes baseline understanding  
• Uses knowledgeable personnel  
• Integrates with business processes  
• Adjusts scope and frequency  
• Objectively evaluates |
| Principle                                  | #17 - The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the Board of Directors, as appropriate. | • Assesses results  
• Communicates deficiencies  
• Monitors corrective actions |