



Internal Control and Audit Follow-up Handbook

Revised November 2013

- C. **Type of Finding** - This section indicates the severity of the finding and provides the same information as in the "Control Finding" field in the Control matrix. As indicated in the chapter for conducting control assessments, the level should be classified as one of the following:
- **Control Deficiency** - The design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A design deficiency exists when a control necessary to meet the control objective is missing or an existing control is not properly designed, so that even if the control operates as a designed the control objective is not always met. An operation deficiency exists when a properly designed control does not operate as designed or when the person performing the control is not qualified or properly skilled to perform the control effectively.
 - **Reportable Condition** - A control deficiency, or combination of control deficiencies, that in management's judgment, should be communicated because they represent significant weaknesses in the design or operation of internal control that could adversely affect the organization's ability to meet its internal control objectives. This type of deficiency is internal to the organization and is not reported externally.
 - **Material Weakness** - Reportable conditions have been identified within the same component or assessable unit, which individually **or collectively may** cause a major failure within the program/bureau. Specifically, this exists when a reportable condition, or combination of reportable conditions, results in a more-than-remote likelihood that a significant risk will not be prevented or detected and the agency head determines it significant enough to be reported outside the agency. A material weakness is included in the annual FMFIA assurance statement and reported in the agency financial report.
 - **Occurrence** - The occurrence field indicates whether the finding is new or recurring. If the finding has not been previously identified and documented, it should be classified as "New." If a finding has been previously identified and documented, it should be classified as "Recurring."
- D. **Description of Recommendation** - The recommendation should directly address the failure and its severity. The recommendation should summarize the actions that need to be taken.
- E. **Corrective Action Tasks** - Corrective action tasks further define the steps necessary to accomplish the recommendations.