Summary of COSO Internal Control Framework 2013 Components

I.   Control Environment

Principle 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

Principle 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 for the system of internal control

Principle 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

Principle 4: The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.

- Establishes policies and practices
- Evaluates competence and addresses shortcomings
- Attracts, develops, and retains individuals
- Plans and prepares for succession

Principle 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

II.   Risk Assessment

Principle 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 tolerances for risk

Principle 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

Principle 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

Principle 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

### III.	Control Activities

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 levels activities are applied
- Addresses segregation of duties

Principle 11: The organization selects and develops general control activities over technology to support 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

### IV.	Information and Communication

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 the board of directors
- Provides separate communication lines
- Selects relevant method of communication

V. Monitoring Activities

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 the 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