



Minnesota Management & Budget Statewide Operating Procedure

Minnesota Management and Budget, Internal Control & Accountability
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Control Environment

Objective

To assist executive branch agencies to evaluate their control environment, develop written action plans, identify responsible parties, assign target completion deadlines, and to address weaknesses to support the agency head's annual internal control system certification, pursuant to M.S. 16A.057, subdivision 8. The development and annual assessment of the control environment helps the management team evaluate the effectiveness of their overall control environment, determine how well it is performing, and identify any needed improvements.

The control environment is the first component of *The Standards for Internal Control in the Federal Government* also known as the *Green Book*, and is vital to an effective internal control system. It provides discipline and a foundational structure for internal control within an organization, ensures that state agency assets are safeguarded, resources are properly used, and financial information is reliable. The Green Book lists five principles that must be implemented and operating together for the control environment be effective. These principles are:

- The oversight body and management should demonstrate a commitment to integrity and ethical values.
- The oversight body should oversee the entity's internal control system.
- Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
- Management should demonstrate a commitment to recruit, develop, and retain competent individuals.
- Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

General Procedures:

Step	Action	Responsible Party	Timeline
1.	Establish a team to evaluate and document the agency's control environment. Senior management involvement in this process is critical to its success.	Agency Head/Agency Management	Annually
2.	Assess the agency's current control environment. Document the assessment by using Minnesota Management & Budget's (MMB) Internal Control & Accountability's Control Environment Self-Assessment Tool (See "Forms" for link). Develop an action plan to address needed enhancements or improvements.	Agency Head/Agency Management	Annually

Step	Action	Responsible Party	Timeline
3.	Assign responsibility to a senior level manager(s) who are to be held responsible and accountable for timely resolution/implementation of identified control environment action plans.	Agency Head/Agency Management	Annually
4.	Ensure that the control environment documentation is organized, easily accessible, regularly reviewed, and updated.	Agency Head/Agency Management	Annually
5.	Complete and sign the appropriate Internal Control System Certification form (based upon your agency's certification requirements), and return it with a copy of your agency's completed Control Environment Self-Assessment Tool (Excel version only) to MMB's Internal Control & Accountability Unit.	Agency Head/Agency Management	July 31 st Annually
6.	Monitor progress on implementing the identified control environment action plans. Reassess at a minimum, annually, and update as appropriate.	Agency Head/Agency Management	Ongoing

Forms

[Control Environment Self-Assessment Tool](https://mn.gov/mmb/assets/Control-Environment-Self-Assessment-Tool-Version-3-0_tcm1059-126990.xlsx) (https://mn.gov/mmb/assets/Control-Environment-Self-Assessment-Tool-Version-3-0_tcm1059-126990.xlsx)

[Internal Control Structure Certification Form](https://mn.gov/mmb-stat/documents/internal-control/forms/accessible-2016-internal-control-system-certification-form.docx) (https://mn.gov/mmb-stat/documents/internal-control/forms/accessible-2016-internal-control-system-certification-form.docx)

Related Policies and Procedures

[MMB Statewide Operating Policy 0102-01 Internal Control System](http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-1/0102-01-internal-control-policy.docx) (http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-1/0102-01-internal-control-policy.docx)

See Also

[Instructions for Completing the Control Environment Self Assessment Tool](https://mn.gov/mmb/internalcontrol/internalcontrolframeworkandtools/componentsandprinciplesoftheframework/controlenvironment/) (https://mn.gov/mmb/internalcontrol/internalcontrolframeworkandtools/componentsandprinciplesoftheframework/controlenvironment/)