

Statewide Policy #0102-01

Internal Control System

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Authority: Minnesota Management and Budget,
Internal Control and Accountability

OVERVIEW

Purpose Statement

This policy helps align agencies with common goals in risk management, internal controls, and monitoring that increase agency effectiveness and directly contribute to overall statewide priorities.

The Commissioner of Minnesota Management and Budget (MMB) is responsible for the system of internal controls across the executive branch. This responsibility is outlined in [MN Statute 16A.057](#). The Commissioner of MMB coordinates the design, implementation, and maintenance of enterprise internal controls for all executive agencies to follow. The head of each executive agency is responsible for designing, implementing, and maintaining an effective internal control system within the agency.

The State of Minnesota internal control standards and framework is the United States Government Accountability Office's [Standards for Internal Control in the Federal Government](#), also known as the *Green Book*. This policy is based on the *Green Book*, supporting each agency's responsibility to design, implement, and operate an effective system of internal controls.

The *Green Book*, defines the internal control standards through 5 components and 17 principles, explaining why they are critical to an agency's internal control system:

- to safeguard public funds and assets and minimize fraud, waste, and abuse.
- to ensure programs are administered in compliance with federal and state laws and rules.
- to document internal control procedures over financial management activities, provide for the analysis of risks, and periodic evaluation of control procedures.
- to ensure reliability of reporting for internal and external use.
- to promote effective and efficient operations.

The 5 components are Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. Each component includes a set of specific principles.

Scope

MMB determines which executive branch agencies must follow each section of this policy and annually communicates the expectations. The list of agencies required to follow each section of the policy are outlined in the [Internal Control System Certification Agency List](#).

Definitions and Key Terms

Key Term	Definition
Agency	For purposes of this policy, the term ‘agency’ includes departments, agencies, offices, councils, boards, bureaus, commissions and other entities as defined in state law.
Agency Head	For purposes of this policy, the Agency Head includes Commissioner, Deputy Commissioner, Executive Director, or Executive Secretary. Signature by the Agency Head is required on the Internal Control System Certification Form.
Agency Risk Assessment Plan	The Agency Risk Assessment Plan is a standardized template that allows agency personnel to plan, execute, and document various aspects of agency risk assessment.
Control System Assessment Tool (CSAT)	The document provided by MMB that gives agencies a structured way for agency heads and managers to annually review and document the effectiveness of internal controls in many important areas common to all agencies.
Business Process(es)	A process is a collection of related structured activities or tasks that produce a service or product. A process can be complex, involving many sub-processes either within the same business unit or across multiple units/ agencies. Processes can involve few or many handoff points depending on complexity.
Internal Control	A process effected by an agency’s oversight body, management, and other personnel that manages risk and provides reasonable assurance that objectives will be achieved.
Internal Control System	A continuous built-in component of operations, effected by people, that provides reasonable assurance, not absolute assurance, that objectives will be achieved.
Risk Assessment Project	Also referred to as a risk mitigation project. A project identified by the agency related to an area or process of concern in which deeper risk identification, process documentation, control analysis and implementation, and overall process improvement/ risk mitigation occurs.

GENERAL STANDARDS AND EXPECTATIONS

Annual Internal Control System Certification

The head of each executive branch agency must complete the Internal Control System Certification annually. This includes signing the certification form, completing the Control System Assessment Tool (CSAT), and, as applicable, updating the Agency Risk Assessment Plan. By signing and submitting the annual certification form, the agency head confirms they have reviewed the completed certification documents and certifies that the agency's internal control system meets the internal control standards, policies, and procedures established by the Commissioner of MMB. Additionally, any agency with an oversight board, council, commission, or committee, must have the head of that oversight board, or board designee, review the completed certification documents and sign the certification form.

The Internal Control & Accountability Unit (ICA) administers the Internal Control System Certification process each year on the behalf of the Commissioner of MMB. Agencies must annually submit their completed certification form, CSAT, and Agency Risk Assessment Plan to ICA to complete the certification process. Resources and forms are linked below.

Control System Assessment Tool (CSAT)

The Control System Assessment Tool (CSAT) is a structured way for agency heads and managers to annually review and document the effectiveness of internal controls in many important areas common to all agencies. Periodically assessing internal controls helps to identify areas of strength and areas of improvement. The CSAT lists 15 organizational goals and a series of recommended control requirements in all Green Book components of Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. Use the CSAT to:

- Determine if the internal control system conforms with required statutes, statewide policies and procedures, and other authoritative sources.
- Evaluate operations on a series of statewide internal control goals and requirements.
- Describe the agency's process and key internal controls.
- Identify action items for areas that need improvement.
- Assign responsible parties and target completion dates for action items.

The CSAT is updated by MMB each year and includes updated instructions, a summary of key changes, and a legend to help agency personnel complete the document. The current version of the CSAT is annually emailed to each agency head.

Agency Risk Assessment Plan

All agencies are required to conduct risk assessments, however only the agencies outlined in the [Internal Control System Certification Agency List](#) are required to submit an updated Agency Risk Assessment Plan to MMB as part of annual internal control certification. The Agency Risk Assessment Plan is a template that allows agency personnel to plan and document agency risk assessment and have agency senior leadership review annually. Agency senior leadership is responsible for the projects included in the Agency Risk Assessment Plan. Quality documentation from all levels of the agency is vital for an agency to facilitate decision-making, resource allocation, and to develop and update the Agency Risk Assessment Plan. Complete the columns in the Agency Risk Assessment Plan to:

- Document key decision-making details used to select risk assessment projects to include on the Agency Risk Assessment Plan.
- Identify and assign a person to oversee and lead each risk assessment project.
- Identify and document the project name and the goal(s) of each risk assessment project.
- Document any planned, in-progress, completed, and/or ad-hoc project(s) relevant to risk mitigation with the agency.

- Identify, analyze, and document the risk(s) that support prioritizing each risk assessment project and/or the risk(s) mitigated during or upon completion of each risk assessment project.
- Identify and document subject matter experts and agency management responsible for the process(es) in each risk assessment project.
- Document any mitigating steps, including the key existing or added internal controls.
- Document start and finish dates of each risk assessment project.

Each agency must annually document at least one risk assessment project on the Agency Risk Assessment Plan and make every effort to continue progressing toward completion. Agencies are encouraged to start and/or complete as many risk assessment projects that they have resources and capacity for. The current version of the Agency Risk Assessment Plan is annually emailed to each agency head.

To help determine which areas, programs, or processes to conduct a risk assessment project on and include in the plan, consider reviewing the guidance document [Agency Risk Strategy and Risk Factors](#), which includes a comprehensive list of considerations.

Risk Assessment Projects

The agency should create and maintain separate risk assessment project documentation outside of the plan. Benefits of this separate documentation include proof of all risk assessment steps specific to process improvement, specific risk identification and control strategy in the event of internal and external audit, supporting succession and onboarding during personnel changes, and to leverage lessons learned for any upcoming risk assessments. Agencies are free to use any risk mitigation techniques, such as Kaizen, Six Sigma, surveys, risk matrices, etc. This documentation is specific to the agency and its submission is not required for Annual Internal Control System Certification.

Audit Report Monitoring

ICA monitors audit findings in the executive branch, including those issued by the Office of the Legislative Auditor (OLA) and Office of the State Auditor (OSA) Annual Comprehensive Financial Report (ACFR). Audit reports are issued based on audits performed in executive branch agencies, which include findings, recommendations, and agency responses with planned corrective action. Internal audit functions within agencies also conduct program, process, and financial audits and issue findings and recommendations, often related to internal controls. These separate evaluations help to improve internal controls in the executive branch. Timely consideration and resolution of audit findings is a key part of an agency's internal control system. ICA regularly requests updates on unresolved audit findings and tracks agency progress. Resources and forms are linked below for the periodic reporting of finding status and corrective action plans required by agencies.

Agency management and personnel must establish ongoing or continuous monitoring activities as part of the internal control system. This includes regular management activities, reviews, and testing of controls to respond to significant changes in operations, compliance, or reporting. The goal is to ensure internal controls are implemented, documented, and working as intended.

RESPONSIBILITIES

Agencies must have a person dedicated to coordinating, completing, and submitting the Annual Internal Control System Certification and keep ICA informed of staff changes to this individual.

Agencies must make progress on scheduled risk mitigation projects each year and update the plan annually.

Agencies must submit Corrective Action Plan Status Updates (CAPSU) to ICA upon request.

KEY INTERNAL CONTROLS

The Agency Head signs the certification ensuring review of the certification document and internal control system. The agency annually submits the Internal Control System Certification to ICA.

ICA monitors agencies to ensure certification is submitted, reviews the documents for technical completion, and provides feedback on agency submissions. ICA confirms completion of annual certification with each agency.

REFERENCES

These are subject to change.

- [Standards for Internal Controls in the Federal Government](#) (Green Book)
- [Internal Control and Accountability Website](#)
- [Code of Ethical Conduct Acknowledgment and Conflict of Interest Disclosure](#)
- [Internal Control System Certification Agency List](#)
- [Agency Risk Strategy and Risk Factors](#)
- Form 0102-01F, [Internal Control System Certification Form](#)
- Form 0102-01.1F, [Control System Assessment Tool \(CSAT\)](#)
- Form 0102-01.2F, [Agency Risk Assessment Plan](#)
- Form 0102-01.3F, [Corrective Action Plan Status Update \(CAPSU\)](#)

RELATED LAWS, POLICIES, AND PROCEDURES

These are subject to change.

- [MN Statute 16A.057](#), *Internal Controls and Internal Auditing*
- [MMB HR/LR Policy #1445](#), *Code of Ethical Conduct*
- [MMB Statewide Operating Policy 0109-01](#), *Records Management*
- [MMB Statewide Operating Policy 1101-07.2](#), *Compensating Controls*
- [MMB Statewide Operating Policy 0102-03](#), *Federal Whistleblower Protection*

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