Agency Risk Assessment Update Summary Memorandum

During the February 1, 2018 Internal Control Roundtable meeting the Internal Control and Accountability (ICA) Unit presented the Risk Assessment Toolbox to support updates to MMB Statewide Operating Procedure, 0102-01.2, Agency Risk Assessment. This document is a summary of the key points of the presentation. If you were unable to attend the initial overview of the Risk Assessment Toolbox do not hesitate to contact Angelina Barnes, Statewide Director of Internal Control and Accountability with any questions (651-201-8119 or Angelina.M.Barnes@state.mn.us) We look forward to hearing how the ICA Unit can support you.

Key Agency Risk Assessment Documents


- Agency Risk Assessment Procedure: Risk Factors - Handout

- Agency Risk Assessment Procedure Comparison - Handout

Agency Communication and Feedback

- ICA Unit Director presentations at: Internal Control Roundtable Meetings (September 28, 2017, November 9, 2017, December 21, 2017, and February 1, 2018); Statewide Chief Financial Officer (CFO) Meetings: January 4, 2018 and February 1, 2018; Statewide Deputy Commissioner’s Meeting: February 1, 2018.

- Continued feedback is encouraged throughout implementation and drives ICA Unit and statewide internal control improvement.

No 2018 Risk Assessment Plan Submission Requirement

For the 2018 Annual Internal Control System Certification (due annually on July 31) only, executive branch state agencies that usually submit a Risk Assessment Plan will submit: (1) Updated Control
Environment Self-Assessment Tool (CESAT); and (2) Agency Risk Assessment Worksheet, Steps 1 - 6 in the updated MMB Statewide Operating Procedure, 102-01.2, *Agency Risk Assessment*.

**Key Agency Risk Assessment Submission Dates**

Submission dates are subject to change. The ICA Unit will continue to train, support, and discuss progress on the *Agency Risk Assessment Worksheet* to evaluate the July 31, 2018 submission date.

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**Agency Risk Assessment Internal Control Roundtable Presentation Summary**

- All Agency Risk Assessment Requirements come from state law, the adopted statewide internal control standards\(^1\) “the Green Book” which establishes best practices in internal control standards, and/or existing MMB Statewide Operating policy or procedure.

- Agency risk assessment requirements remain the same, the Risk Assessment Toolbox provides increased clarity, consistency, templates, and resources to help executive branch state agencies meet statewide risk assessment requirements.


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\(^1\) The Commissioner of Minnesota Management and Budget (MMB) adopted the *Standards for Internal Control in the Federal Government* issued by the United States Government Accountability Office (GAO), the Comptroller General of the United States United (September 2014) (known as the Green Book), as the internal control standards for the State of Minnesota. The Green Book standards go through an extensive deliberative process, including public comments and input from the Comptroller General’s Advisory Council on Standards for Internal Control in the Federal Government. The advisory council consists of about 20 experts in financial and performance management drawn from federal, state, and local government, the private sector, and academia.
The updated procedure, *Agency Risk Assessment* provides:

- **Improved organization, definitions, and user prompts for Risk Factors.** Organizes existing risk factors agencies should use to analyze and prioritize agency risk into Risk Factors 1 - 13. The *Agency Risk Assessment Worksheet* includes examples, clear user prompts, and definitions for the thirteen Risk Factors. The reference document, *Agency Risk Assessment Worksheet: Risk Factors* is a summary document of Risk Factors 1 - 13 provided for agency convenience.

- **Easy to use scale to identify high risk business processes.** Provides an easy to use scale to help agencies refine business processes and focus on those that pose the highest inherent risk to the agency mission and goals (1 = High Risk, 2 = Medium Risk, 3 = Low Risk.)

- **Clear and defined model to help agencies define risk tolerances.** New resources help agencies identify and define “risk tolerances,” includes clear answers to frequently asked questions like: (1) what is risk tolerance? (2) who defines agency risk tolerances? and (3) how does an agency define risk tolerances?

- **Communication and agency risk assessment implementation templates.** Offers e-mail and communication templates to simplify agency implementation of existing risk assessment requirements.

- **Consistent and comprehensive statewide internal control and risk assessment documentation.** *Agency Risk Assessment Worksheet* provides statewide consistency for internal control documentation.

- **Increased statewide internal control expertise.** Statewide procedural consistency improves the enterprise internal control system and increases individual state agency capacity to train new internal control and/or audit professionals in risk assessment.

- **Centralized training and individualized agency feedback.** New ICA Unit agency training, workshops, individualized agency consultation to integrate existing agency risk assessment infrastructure, and timely ICA Unit written feedback on agency submissions supports agency internal control success and growth. Additional ICA Unit training available by request.

- **Customized worksheet for each risk assessment agency.** Gives agencies personalized support through *Agency Risk Assessment Worksheets* customized by ICA Unit staff with samples of agency specific goals and statutory citations, where available - [intended release of March 2018.]
- **Detailed step-by-step slides provide an agency training resource.** The Internal Control Roundtable meeting slides from February 1, 2018 include a detailed step-by-step explanation of the MMB Statewide Operating Procedure, 102-01.2, *Agency Risk Assessment* and an in-depth description of the *Agency Risk Assessment Worksheet* reviewed briefly at the meeting. Additional in-depth training under development.