

## Control environment self-assessment tips

### Highlights

- Control environment is the foundation and infrastructure of an effective internal control system.
- Maintaining a strong control environment increases the likelihood that your agency will be able to meet its mission and objectives.
- Your agency's internal control certification, control environment self-assessment tool and, if applicable, risk assessment plan, are due to MMB on July 31.

Control environment is the foundational component of an effective internal control system. It provides organizational discipline and infrastructure, which affect the overall quality of internal control. The control environment established by agency management sets the attitude toward internal controls throughout the organization, and influences how objectives are defined and how control activities are structured.

Without an effective control environment, it is unlikely an agency would be able to meet its objectives, especially during times of severe stress or adversity. The five principles of control environment are:

1. Management and, if applicable, the oversight body, should demonstrate a commitment to integrity and ethical values.
2. The agency head and senior management and, if applicable, the oversight body, should actively oversee the entity's internal control system.
3. Senior management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
4. Management should demonstrate a commitment to recruit, develop, and retain competent staff.
5. Management should evaluate performance and hold staff accountable for completion of assigned tasks, including internal control responsibilities.

Every executive branch agency is currently in the process of assessing its control environment. These assessments are required to support each agency head's annual internal control certification, pursuant to Minnesota Statute 16A.057, subdivision 8.

To guide the agency self-assessments, MMB developed the [Control Environment Self-Assessment Tool](#) (the Tool). The Tool

identifies 20 goals of desirable internal control behaviors organized by the five control environment principles, and outlines the specific control environment objectives and control activities that agency management teams must evaluate. The Tool also includes references and links to the statutes, rules, policies, etc. that mandate internal controls.

Following are some best practices for making your agency's self-assessment more effective:

- Conduct the assessment as a group management exercise versus having one or a few staff complete the Tool. The exchange of ideas and different perspectives from across the organization will provide a more comprehensive review and a more accurate status of the control objectives and recommended controls.
- Document the rationale for all ratings. This documentation will help management recall, from one year to the next, why they ranked the recommended controls as they did. This information could also serve as an excellent overview of the organization for any leadership personnel new to the agency.
- If applicable, consider involving your oversight board or commission in the self-assessment process. As the party responsible for overseeing the agency's operations, members may have additional insights and perspectives to add. They are also in a position to offer constructive criticism and suggestions to management for improving areas of weakness.
- Monitor the status of your agency's control environment and track progress of any planned improvement measures resulting from the self-assessment throughout the year versus only during the annual certification period.

**Suggested Action Step:** Think about the self-assessment process that your agency follows and determine whether implementing these best practices could improve the effectiveness of the evaluation.

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