



Internal control monitoring as a continuous process

- **Monitoring is a critical part of a well-functioning internal control system.**
- **Internal control systems evolve and can become less effective over time.**
- **“Leave internal control alone and they will go away.”**

The internal control component of monitoring is generally depicted at the tip of the COSO internal control pyramid. Although it is shown as the smallest part of the COSO’s five interrelated components, it is a critical part of a well-functioning internal control system. Monitoring, or assessing the effectiveness of an organization’s internal controls, is not a one-time process. Rather, an organization’s internal control system must be constantly reevaluated to ensure that it continues to operate as intended.

Internal control systems evolve and can become less effective over time. There are many reasons for this, including changes in the agency’s systems and technology, budget pressures, and a basic lack of awareness and understanding of internal controls.

Internal controls should always be reevaluated when the agency introduces new processes, systems, or technology. While the underlying business risks might not have changed, the control procedures most effective in managing those risks may be significantly different as a result of changes. Process changes, such as new computer systems or significant staff turnover, should always prompt a reassessment of internal controls, so that key risks are still adequately addressed.

Agencies might be tempted to abandon important internal controls as a result of budget pressures. Internal control procedures are often viewed as inefficient or redundant. When streamlining processes, it may appear logical to have all key tasks performed by one person. Other control procedures, such as reconciliations and approvals, may also appear unnecessary. However, in each case, having more than one person involved (i.e. providing adequate segregation of duties) furnishes the

oversight and review needed to reduce the risk of errors or inappropriate actions.

Finally, make sure that internal controls are not deemphasized or discarded due to a lack of basic internal control awareness and understanding. All agency employees must have a baseline of internal control knowledge, so that they can identify the relevance and importance of established control procedures. For employees with accounting, auditing, financial reporting, or tax filing duties, internal control recognition and understanding will be reinforced each year through the annual code of conduct recertification process. An agencywide control consciousness will help ensure that critical control procedures are not inadvertently circumvented or omitted as extraneous.

“Leave internal controls alone and they will go away” is a common saying among internal control professionals. Be vigilant concerning your internal control system, to ensure that it continues to be relevant, operates effectively, and adequately addresses your agency’s risks.

If you have questions, please contact Jeanine Kuwik, Statewide Internal Control and Accountability Director at (651) 201-8148 or Jeanine.Kuwik@state.mn.us.

To review Minnesota Management & Budget Operating Policy and Procedure 0102-01, *Internal Control*, access: <http://mn.gov/mmb/accounting/state-financial-policies/ch1.jsp>.