



## Who owns your internal controls?

- **Internal controls are mission-critical for the state to achieve its objectives.**
- **Internal controls are the responsibility of every state employee.**
- **Employees must understand their specific internal control responsibilities and be held accountable for meeting those expectations.**

A strong system of internal controls is critical for the state to achieve its broad, far-reaching objectives. It is the employees, not state entities, that make the system strong or not.

The state, as an institution, cannot execute the internal controls needed to make operations efficient and effective or reduce fraud, waste, and abuse. Agencies, boards, and commissions, as individual organizations, cannot execute the checks and balances necessary to ensure compliance with laws and regulations. Senior leadership teams cannot perform all of the individual activities required to make certain that financial information is reliable. Rather, it takes the collective efforts of every state employee, each carrying out their individually assigned internal control responsibilities, to achieve those internal control objectives and the state's overall business objectives.

Management's key responsibilities within the internal control system include:

- Making each staff member understand and accept that internal control is his/her personal responsibility.
- Informing staff members of the specific control activities they are required to perform, including how and when.
- Monitoring staff and holding each accountable for the performance of his/her internal control responsibilities.
- Taking corrective action when employees fail to meet their internal control responsibilities.

Policy and procedure documents provide a logical spot for management to detail the specific internal control activities to be performed, why those activities are necessary, and how and when those activities are to be executed. These documents must be kept up-to-date to be relevant, reliable, and effective resources and reference guides for employees.

Position descriptions offer another important

vehicle to communicate internal control expectations and responsibilities to staff. Position descriptions, at a minimum, should include the "key" control activities for each job position. Key control activities are those critical to the success of the organization's objectives and mission. Key controls are identified by performing formal risk assessments on the mission-critical business processes and functions.

Routinely discussing the importance of internal controls with employees and holding them accountable for the performance of assigned control activities is an extremely important element of a strong internal control system. Annual employee performance evaluations provide the perfect opportunity for supervisors and staff to have these conversations. Absent consequences for failure to perform, employees may be less diligent in the execution of their internal control duties which increases the risk of undesirable events, including failure to meet organizational objectives.

### *Suggested Action Steps:*

Consider the following:

- Do your organization's policy and procedures document the key control activities for each of the business processes critical to the organization's objectives?
- Do all of your agency's position descriptions outline the key internal control activities and responsibilities for each job?
- Do your institution's annual performance evaluation processes include discussion and assessment of employee performance of internal control responsibilities?

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