



## Going green: MN adopts updated internal control standards

### Highlights

- The state is switching from the COSO *Framework* to the federal standards for internal control, known as the *Green Book*, as its internal control framework.
- Several important components of the *Green Book* are the same as the COSO *Framework*.
- The statewide internal control policy and related procedures will conform to the *Green Book* for the 2015 internal control certification.

When it comes to a standard for internal controls, the State of Minnesota is making the switch and “going green.” The state is switching from the COSO *Internal Control Integrated Framework* as its standard model for internal controls to the U.S. Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*, also known as the *Green Book*. The *Green Book* provides a standard model for organizing, documenting, and discussing internal controls. The MMB Internal Control & Accountability Unit made the decision to switch to the *Green Book*, because of its government focus, use of government terminology, and its similarities to the COSO *Framework*.

Fundamentally, there are few differences between the COSO *Framework* and the *Green Book*. In fact, several important components are the same, including the:

- Core definition of internal control
- Three categories of control objectives (operations, reporting, and compliance)
- Five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring)
- Requirement that all five components of internal control be present and functioning for an effective internal control system
- Role of judgment in designing, implementing, and assessing internal control effectiveness

One significant change is the codification of seventeen principles that support the five internal control components. The seventeen principles of effective internal control for agencies to implement are as follows:

#### *Control Environment*

1. *Demonstrate commitment to integrity and ethical values*
2. *Exercise oversight responsibility*

3. *Establish structure, responsibility, and authority*
4. *Demonstrate commitment to competence*
5. *Enforce accountability*

#### *Risk Assessment*

6. *Define objectives and risk tolerances*
7. *Identify, analyze, and respond to risk*
8. *Assess fraud risk*
9. *Analyze and respond to change*

#### *Control Activities*

10. *Design control activities*
11. *Design activities for the information system*
12. *Implement control activities*

#### *Information & Communication*

13. *Use quality information*
14. *Communicate internally*
15. *Communicate externally*

#### *Monitoring*

16. *Perform monitoring activities*
17. *Remediate deficiencies*

For effective internal controls, the updated *Green Book* requires that each of the five components and the seventeen relevant principles be present and functioning; and that the five components operate together in an integrated manner.

In the coming months, the MMB Internal Control & Accountability Unit will update *Statewide Operating Policy 0102-01, Internal Controls* to conform to the *Green Book*. All policy, procedures, and related guidance updates will be complete for the 2015 internal control certification.

*Suggested action steps:* Read and become familiar with the revised [Green Book](#) ([www.gao.gov/greenbook/overview](http://www.gao.gov/greenbook/overview)). Watch for updated internal control materials that incorporate *Green Book* components and principles.

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