

## Workforce planning for strong internal control

### Highlights

- By the year 2030, 1 in 5 Americans will be age 65 and older.
- Changes in the workforce have an impact on internal controls.
- Strong internal controls include effective workforce management to achieve agency goals and objectives.

The truth is we are not getting any younger. This truth is readily apparent reading the March 2015 U.S. Census Bureau's *Projections* report. The latest census data confirms that the American workforce is getting older, and by 2030, 1 in 5 Americans will be age 65 and over. MMB supports this trend with data compiled in the *Minnesota State Workforce Report for Fiscal Year 2014*. One common theme throughout this report is that retirements are increasing as a high percentage of the state's workforce continues to reach retirement age. This trend raises concerns about maintaining institutional knowledge, planning for transition, and retaining talent.

Do not be mistaken, this is not an attempt to scare people out of their retirements, but rather raise agency awareness to plan ahead. Changes in the workforce have an impact on internal controls. As the workforce retires, the state loses valuable organizational knowledge that will be difficult to replace. New employees will be harder to find and more expensive to keep. There is also an increased risk for internal control gaps and deficiencies due to employment vacancies and loss of knowledge.

Put simply, employees are what make internal controls work. Employees at every level throughout an agency play important roles in implementing and operating an effective internal control system. Employees possess valuable institutional knowledge gained from years of performing their job duties and the internal control responsibilities associated with those duties. Institutional knowledge helps employees efficiently perform and understand the control activities linked to their job duties, recognize red flags, and bring them to management's attention.

Vacancies and employment gaps can cause internal control weaknesses. Adequate separation of duties may no longer exist,

requiring additional oversight and compensating controls. To handle these gaps, focus on cross-training employees and documenting procedures. Requiring remaining employees to shoulder additional job duties to compensate for gaps without adequate knowledge or training causes frustration, fatigue, errors, and missed red flags.

Strong internal controls include effective workforce management to achieve agency goals and objectives. Workforce planning provides management with a strategic basis for making human resource decisions. It allows management to anticipate and prepare for changes, such as retirements, turnover, promotions, and transfers. Workforce planning is a critical factor in achieving agency goals and for operating a strong system of internal controls efficiently and effectively.

Therefore, while not everyone may be ready for retirement, it is important to plan ahead. Workforce planning allows agencies to plan and prepare for impending changes in the workforce, ensure employee knowledge transfer occurs, meet objectives, and maintain a strong system of internal controls.

*Suggested action steps:* Have you thought about how workforce changes affect internal controls within your agency? Does your agency have a current workforce plan? For more information, visit MMB's Workforce Planning website at <http://mn.gov/mmb/employee-relations/workforce-planning/> or contact Emily Paoli Johnson, Workforce Planning Consultant, at (651)-259-3778 or [emily.johnson@state.mn.us](mailto:emily.johnson@state.mn.us).

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