



Internal Controls: An Introduction to the Commission's Agency Oversight Responsibilities

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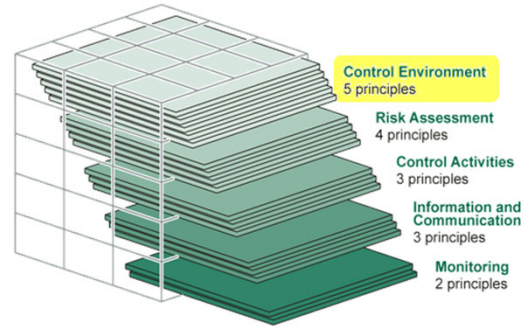
Minnesota's Internal Control System

- Minnesota Management & Budget (MMB) is responsible for the internal control (IC) system across the executive branch (Minn. Stat. § 16A.057)
- MMB must establish IC standards and policies for agencies to follow
- The IC system must—
 - Safeguard public funds & assets
 - Minimize fraud, waste, and abuse
 - Ensure statutory compliance
 - Require documentation & evaluation of IC procedures

Key Takeaways from MMB's Policy

Per MMB Statewide Operating Policy 0102-01, *Internal Control System*—

1. The State of Minnesota adopts the federal *Green Book* IC standards
2. "Oversight body" includes a board, council, **commission**, or committee responsible to oversee the agency's IC system
3. For the agency's annual IC self-assessment, the oversight body must—
 - Review it (or designate a member to review it)
 - Prepare one of its members to certify it



Source: GAO. | GAO-14-704G

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Green Book: Five Principles of the Control Environment

- **The oversight body and management** should—
 - Demonstrate a commitment to integrity and ethical values
- **The oversight body** should—
 - Oversee the agency's IC system
- **Management** should—
 - Establish an organizational structure, assign responsibility & delegate authority to achieve agency objectives
 - Demonstrate a commitment to recruit, develop, & retain competent individuals
 - Evaluate performance and hold individuals accountable for their IC responsibilities

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Green Book: Oversight Body's IC System Responsibilities

The oversight body oversees management's design, implementation, and operation of the agency's internal control system. These responsibilities include—

- **Control Environment:** Establish integrity and ethical values, establish oversight structure, develop expectations of competence and maintain accountability to all members of the oversight body and key stakeholders
- **Control Activities:** Provide oversight to management in the development and performance of control activities
- **Information and Communication:** Analyze and discuss information relating to the agency's achievement of objectives
- **Monitoring:** Scrutinize the nature and scope of management's monitoring activities as well as management's evaluation and remediation of identified deficiencies.

The Road Ahead

Between now and July 31, we would like to report to the Commission on the agency's compliance with the various components of the IC self-assessment tool, including—

- Control environment
- Control activities
- Information and communication
- Monitoring