



# **Biennial Report: System of Internal Controls and Internal Auditing in Executive Agencies**

January 2013

We are pleased to present this report on the State of Minnesota's system of internal auditing and internal controls in executive agencies for 2011 and 2012. We believe that internal controls within the executive branch have been greatly enhanced during the last two years, primarily through the efforts of the state's internal auditors, internal control professionals, and agency management.

Minnesota Management & Budget's Internal Control and Accountability (ICA) unit has coordinated the efforts of those dedicated to strong internal controls through the following work products:

- Increased awareness of internal controls through publications, consultation, and outreach
- Developed practical tools and guidance for agencies, including the control environment self-assessment tool and guidance on risk assessment and control activities
- Required the first ever agency head control environment certifications in 2012, pursuant to Minn. Stat. Section 16A.057
- Positioned the state for continuous improvement by training agencies on internal controls and facilitating business process risk assessments
- Reinforced the work of the Office of Legislative Auditor (OLA) by monitoring reports and findings, attending audit exit conferences and counseled agencies in their efforts to remediate outstanding audit findings
- Provided early intervention and leadership in situations causing increased statewide risk, including the implementation of the Statewide Integrated Financial Tools (SWIFT) and the 2011 state government shutdown
- Partnered with agencies and government organizations in a variety of ways to promote strong internal controls and best practices throughout the executive branch of state government

All of these efforts have served to improve internal controls throughout Minnesota state government.

### **Internal Control and Accountability Unit Mission and Strategies**

M.S. 16A.057, as passed by the 2009 legislature, made the Minnesota Management & Budget (MMB) commissioner responsible for the design, implementation, and maintenance of an effective system of internal controls and internal auditing for all executive branch agencies. As a result of the legislation, the ICA unit was created.

The primary mission of the unit is to improve internal controls in the executive branch of state government. The unit has the following statutory responsibilities:

- Adopt statewide internal control standards and policies
- Coordinate executive branch agency internal control training and assistance
- Promote and coordinate the sharing of internal audit resources
- Monitor Office of the Legislative Auditor (OLA) reports and corresponding corrective action plans
- Report biennially on the system of internal controls and internal auditing in executive branch agencies

The unit uses multiple strategies to promote internal controls. Through its activities, the unit translates theoretical internal control concepts into practical steps that executive branch agencies can take to strengthen their internal control systems and minimize the occurrence of errors, fraud, and waste.

The unit writes and publishes monthly internal controls bulletins. The bulletins, now in their fifth year of publication, remain one of the unit's most visible reminders to employees throughout state government of their ongoing internal control responsibilities. Each bulletin provides a short discussion on a selected topic, along with suggested action steps.

Some recent comments on the monthly internal control bulletins included the following:

*“What I find most helpful with all of the bulletins is that it helps me convey to management the need for strong internal controls.”*

*“This is stimulating stuff...thanks!”*

*“Another good issue – well done.”*

*“Thank you for your continued words of wisdom.”*

*“Very good article. I hope this is taken seriously at all levels in state government.”*

*“Very thought provoking...”*

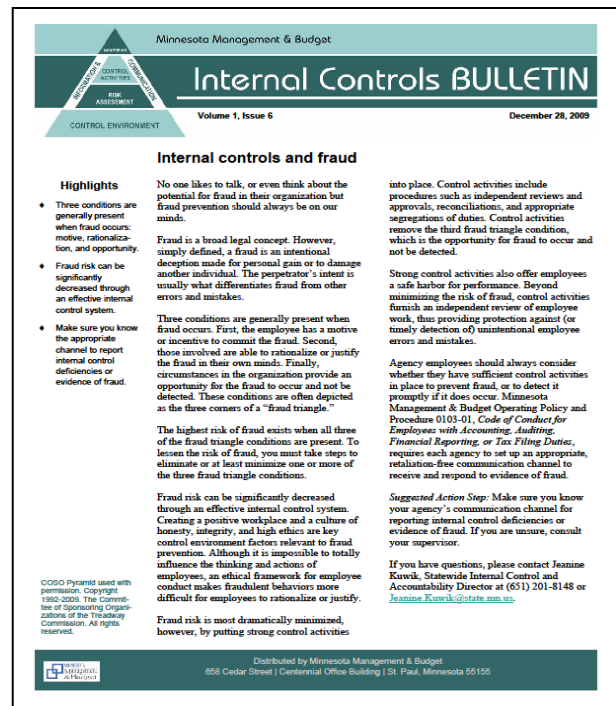


Figure 1 - Internal Control Bulletin

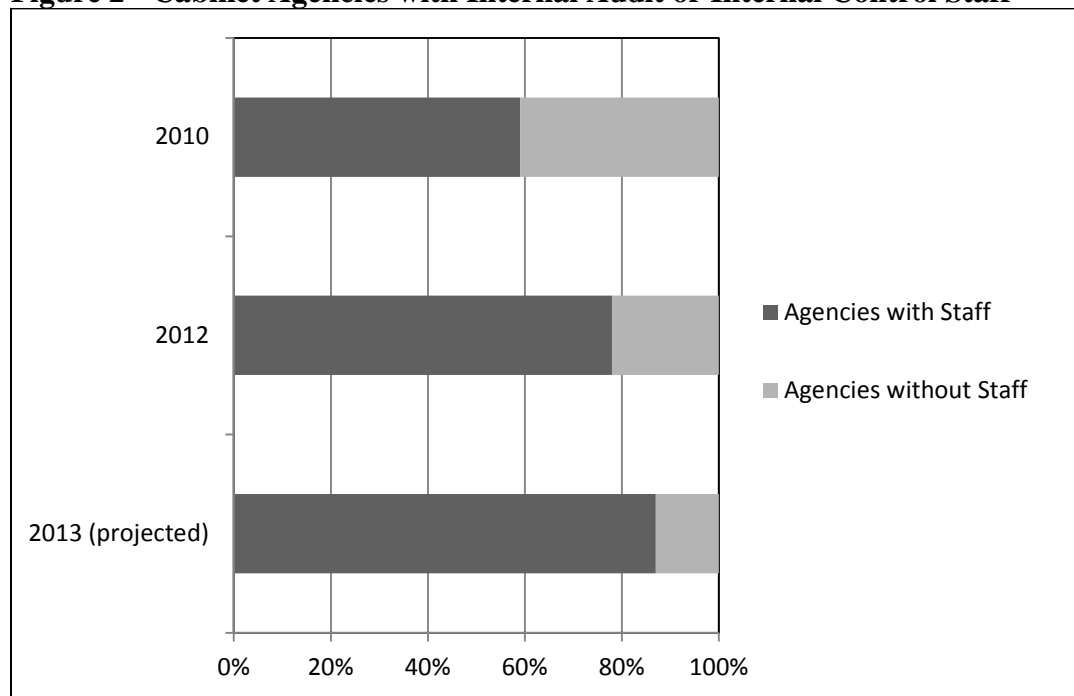
## Executive Agency Internal Audit and Internal Control Efforts

The state's internal auditors and other internal control professionals play a crucial part in promoting sound internal controls throughout the state. Within the executive branch, there are agencies that maintain audit departments, staffed by internal auditors whose primary job responsibilities focus on traditional assurance and compliance testing. However, there are also agencies that employ "internal control specialists" whose job responsibilities include tasks that have typically been part of management's responsibilities or perhaps outsourced, such as risk assessment facilitation, internal controls training, policy drafting, and management consulting in addition to performing traditional audit tasks.

The executive branch’s internal audit and internal control offices and professionals work autonomously for individual state agencies. This decentralized structure is appropriate, as it allows audit and internal control professionals to focus attention and expertise solely on their own unique organizations, of whose businesses, objectives, operating culture, and personnel they are thoroughly familiar.

There is currently no legal requirement for agencies to employ internal auditors or internal control specialists. As a result, the presence of internal auditors and internal control professionals remains inconsistent across the executive branch. In spite of the lack of legal mandate, the number of executive branch agencies with employees responsible for internal audit and internal controls has increased since December 2010, as is illustrated in the chart below.

**Figure 2 - Cabinet Agencies with Internal Audit or Internal Control Staff**



The 2013 projected figure in the chart above is based upon results from a recent cabinet agency survey, as well as from preliminary budget discussions. Two cabinet agencies that currently lack internal audit/internal control resources plan to establish an internal audit function within the next 12 months, each with one full-time employee, if funding permits.

The number of audit/internal control professionals employed at cabinet agencies is also increasing. In aggregate, cabinet agencies currently employ 35.1 full-time equivalent (FTE) internal audit and/or internal control staff. According to survey results, five of the cabinet agencies that already have an audit/internal control presence plan to increase those resources by 11.2 FTE within the next 12 months. If those plans materialize, as do those of the two agencies planning to establish an audit function next year, cabinet agency resources would increase by 13.2 FTE by the end of 2013. According to the same survey, no cabinet agencies plan to eliminate or reduce staff in this area over the next 12 months.

It is important to note that the state's three retirement systems, the state courts system, the Minnesota State Colleges and Universities (MnSCU) system, and one non-cabinet agency also employ internal audit and internal control professionals. However, these agencies were not included in the referenced survey and their audit/internal control resources are not reflected in the chart and statistics presented above.

The internal audit profession and the role internal audit plays within the state, as well as private enterprise, have changed significantly in recent years and continue to evolve. The internal audit profession is changing from a discipline traditionally comprised solely of accountants and financial professionals to a discipline made up of generalists who may have expertise in other areas, such as information technology, management theory, and human resources. Similarly, the functional role of internal audit is progressing from one that traditionally provides monitoring, testing, and evaluation of internal controls and compliance to one that partners with management on matters more strategic in nature, such as risk assessment, risk management, internal controls training, and management consulting. These trends are consistent with what is taking place across Minnesota's executive branch agencies.

The internal audit/internal control professionals throughout the executive branch continue to assist management by bringing a systematic, disciplined approach to assessing the effectiveness of the design and execution of their respective agency's internal control structure. These objective internal control assessments provide management, the governor, and external stakeholders with independent assurance that agency and statewide risks have been appropriately mitigated. Because the state's internal auditors and internal control professionals are experts in understanding organizational risks and internal controls available to mitigate these risks, they assist management in understanding these topics and provide recommendations for improvements.

Information technology (IT) remains an area lacking audit coverage within agencies, as only four cabinet agencies reported doing any audit work in this area in the past two years. The specialized nature of IT audit, the higher salaries commanded by IT audit professionals, and state budgetary constraints severely limit individual agency's ability to hire specialized IT audit resources.

### **Statewide Internal Audit Roundtable**

To coordinate and support the state's internal audit/internal control offices and efforts, and to partner with those offices on the common mission of improving internal controls across state government, the ICA unit facilitates a statewide Internal Audit Roundtable. The roundtable was first convened in May 2010, and has doubled in membership since that time. Currently, the membership consists of professionals from 37 state agencies, including representatives from cabinet and non-cabinet agencies, the MnSCU system, three retirement system agencies, the State Board of Investment, and the state courts system. The group is comprised of internal auditors, audit managers, and audit directors, internal control specialists, chief financial officers, accounting managers and directors, and others who have specific internal control responsibilities, among their other primary job responsibilities.

The roundtable continues to serve as an effective vehicle for promoting strong internal controls throughout state government and for coordinating the state's internal audit and internal control

efforts. The group meets every six weeks to discuss internal control and internal audit issues, provide networking opportunities, receive and provide training, and share ideas and best practices. Some meetings are attended by non-roundtable members, both management and line staff, depending upon the topics being discussed. The practice of inviting non-audit/internal control professionals to select meetings provides training and insight on internal control related matters that might not otherwise be available to those individuals. This practice also serves as another conduit for spreading the message to a wider audience that good internal controls are mission-critical for the achievement of the state's objectives.

### **2012 Executive Agency Control Environment Certification**

The State of Minnesota has adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework as its internal control standard. The COSO framework has five components: control environment, risk assessment, control activities, information and communication, and monitoring. Control environment is the foundation of an effective internal control structure, setting the tone of the organization and influencing the control consciousness of its people. Establishing an organizational culture of honesty, integrity, and ethical behavior is management's most critical internal control responsibility. As a result, the ICA unit has continued to focus on strengthening the control environment in executive branch agencies--ensuring that they have a strong internal control foundation on which to build.

To help executive agencies assess their own control environments, the ICA unit created a control environment self-assessment tool. To produce the tool, the unit translated theoretical COSO control environment factors into 20 goals that demonstrate sound control environment specifically for the State of Minnesota. For each goal, the tool links related Minnesota statutes, laws, rules, and policies that provide real-life expectations of the state legislature and executive branch management. The tool shows how seemingly disparate state requirements in areas such as budget monitoring, data practices, human resources, and management style all work together to create a healthy and effective organization.

As of June 30, 2012, each executive branch agency head was required to certify that he or she had assessed their agency's control environment and had developed written action plans to address all weaknesses identified. This certification was the first step in fulfilling M.S. 16A.057, Subdivision 8, which states in part:

*The head of each executive agency must annually certify that the agency had reviewed the agency's internal control systems, and that these systems are in compliance with standards and policies established by the commissioner [of MMB].*

The control environment self-assessment tool leads agency executives to reflect on 20 organizational goals, comment on what the agency is doing well, and highlight any action items for further work. As of September 30, 2012, 67 of 72 executive branch agencies completed the assessment of control environment. Table 1 lists the 20 goals and shows what percentage of respondent agencies identified action items to improve control environment in that goal area. In their comments, the management of many executive branch agencies indicated a need to increase employee training, including ethics and code of conduct considerations within new and ongoing

employee orientation. They also expressed a need to update their policies and procedures and employee position descriptions, to more closely follow actual operating procedures and what employees are actually responsible to do.

Out of all 20 goals, the following specific areas were identified as needing the most improvement:

**Goal 9: The agency is able to maintain its priority services during an event that might threaten to disrupt those services.**

Over 50% of the agencies reported action needed in this area, by far the goal with the largest percentage of agencies indicating a need for improvement. This was also an area of concern cited by cabinet agencies in their transition materials in 2010.

Agency comments generally focused on three areas needing improvement:

- Training, especially for smaller agencies
- Development, implementation, updating, and testing of agency Continuity of Operations Plans (COOP)
- Designation of an agency COOP officer.

As business continuation and COOP are primarily the responsibility of the Minnesota Office of Enterprise Technology (MN.IT Services), we have shared these agency concerns with them for their consideration.

**Goal 11: Management ensures that agency information is appropriately protected against loss, corruption, and misuse.**

This goal was cited by 35.8% of the responding agencies as needing additional actions or improvement. Agencies also cited lack of adequate resources in this area. Agency comments focused mostly on the need for additional training and guidance in the following areas:

- The Data Practices Act, including a refresher course offered to agency personnel on a regular basis, as many employees are not clear about the requirements
- The development or revision of agency-specific policies and procedures relating to Data Practices Act and records retention
- The review of SWIFT security roles and access permissions
- Policy and procedure development to address agency specific security and separation of duties issues

Agencies also cited their need to develop comprehensive information technology (IT) security programs that would identify access and employee separation issues, IT security audits, and employee IT security awareness training.

The ICA unit has worked with SWIFT subject matter experts to provide agencies with better security access information. Also, the relevant agency concerns relating to data practices were shared with Department of Administration staff whom are primarily responsible for that function.

Goal No.	<p style="text-align: center;"><b>TABLE 1</b></p> <p style="text-align: center;">Control Environment Goal Description</p>	Percentage of Agencies Needing Improvement
1	Agency management fosters and encourages an agency culture that emphasizes the importance of integrity and ethical values.	19.4%
2	The agency's positive culture promotes appropriate moral and ethical behavior in dealings with co-workers. Employees know what kind of behavior is acceptable.	34.3%
3	Management has a sound basis for setting and monitoring budgets and does not pressure employees to circumvent budget statutes, rules, and instructions.	9.0%
4	The agency provides the legislature and other oversight bodies with timely and accurate information to allow monitoring of agency activities.	4.3%
5	Agency employees have a clear understanding of the organization's mission, goals, and objectives.	14.9%
6	Employees understand how their job duties and responsibilities help to promote a strong internal control environment.	26.9%
7	Management looks externally for opportunities to improve the internal control process.	7.5%
8	The agency's organizational structure facilitates coordination and flow of information throughout the agency.	7.5%
9	The agency is able to maintain its priority services during an event that might threaten to disrupt those services.	52.2%
10	The agency assigns authority and delegates responsibility to the proper personnel to achieve the agency goals and objectives.	17.9%
11	Management ensures that agency information is appropriately protected against loss, corruption, and misuse.	35.8%
12	Valuable assets are appropriately safeguarded.	17.9%
13	Agency facilities are protected against unauthorized physical access.	10.4%
14	Agency management strives to recruit and retain competent people to carry out agency mission, goals, and objectives.	23.9%
15	Management ensures new hires have the appropriate level of knowledge and skills needed to satisfactorily perform their jobs.	7.5%
16	New hires are aware of the agency's mission, goals, objectives and expected ethical behavior. They clearly understand their responsibilities and the expectations of their jobs.	25.4%
17	The agency continually seeks to improve or maintain employee knowledge and skills.	29.9%
18	Management values opportunities to improve internal controls and correct deficiencies.	19.4%
19	Management performs top level reviews of actual performance.	22.4%
20	The agency actively engages with the legislature, oversight committees and/or oversight boards.	1.5%



**Goal 14: Agency management strives to recruit and retain competent people to carry out agency mission, goals, and objectives, and Goal 17: The agency continually seeks to improve or maintain employee knowledge and skills.**

These two goals are grouped together because they both relate to human resource development. Actions needing improvement were reported by 23.9 % (Goal 14) and 29.9 % (Goal 17) of agencies in their control environment self-assessments. Specifically, agencies highlighted the following needs:

- Timely and consistent completion of performance evaluations
- Updates to employee position descriptions
- Succession planning
- Need for additional training resources

Human resource management is primarily the responsibility of the MMB's Enterprise Human Resources Division. These concerns were shared with them for consideration.

Going forward, each agency head will be required to continue to assess and certify to the agency's control environment annually. As a result of the information gleaned from this first control environment certification process, the ICA unit will do the following:

- 1) Make summaries of the action items and best practices noted in each annual assessment available to all state agencies
- 2) Update and modify the control environment self-assessment tool, based on feedback received
- 3) Expand the 2013 annual control environment certification process to include other COSO internal control components, including risk assessment, control activities, and information and communication

### **Executive Branch Audit Report Monitoring**

Unresolved audit findings represent ongoing risks to the state. As a result, prompt resolution of the OLA issues is essential to strengthen the state's internal controls. The ICA unit works with executive branch agencies to promote prompt resolution of all audit issues. The unit's involvement includes attending the exit conferences held between the OLA and agency management. This allows the unit to better consult with agency management, if necessary, and to assist them in understanding the audit issues involved in order to work towards implementing resolution. M.S. 16A.057, subdivision 5 provides authority to the unit to "review audit reports from the Office of the Legislative Auditor and take appropriate steps to address internal control problems found in executive agencies."

To monitor the status of OLA findings and corresponding agency corrective action plans, the unit developed a tracking database for OLA audit findings. When the OLA issues a financial audit report, each audit finding contained in the report is classified by audit type, process area, and internal control weakness, and is entered into the tracking database. The database's classification capabilities allow the unit to identify areas of statewide concern, as well as trends in audit findings, such as instances where multiple agencies are being cited for similar issues.

To enhance the state’s comprehensive control structure, agencies must become more proactive in their approach to internal controls over time. Agency employees and management are in the best position to assess their business processes and put effective internal controls into place. By continuing to resolve action items identified through control environment self-assessment, and by performing risk assessments on key business processes, agencies will better position themselves to identify and mitigate control weaknesses before the OLA arrives.

Figure 3 below shows the distribution of 2009-2010 versus 2011-2012 audit findings among the executive branch’s various business processes. It also illustrates the level of diversity within the state’s activities and underscores the variety of internal control issues being reported by the OLA.

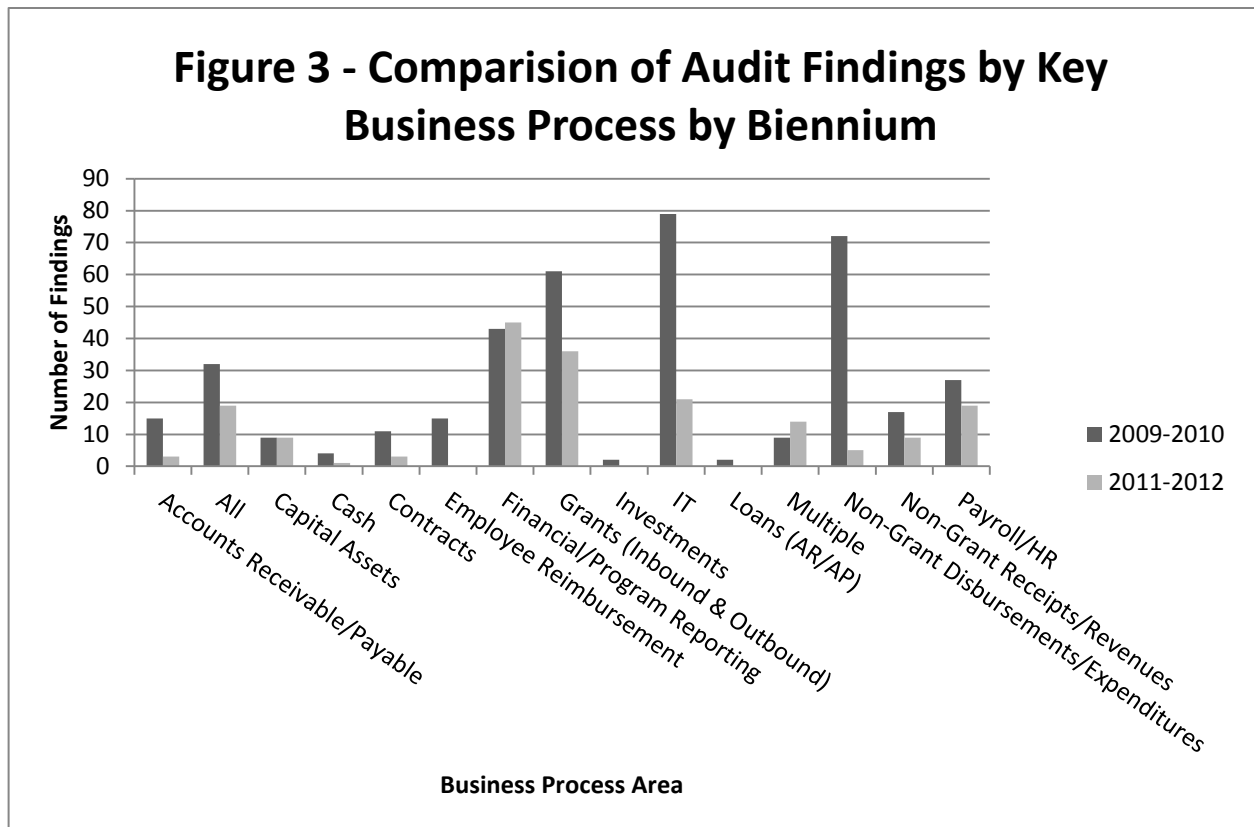
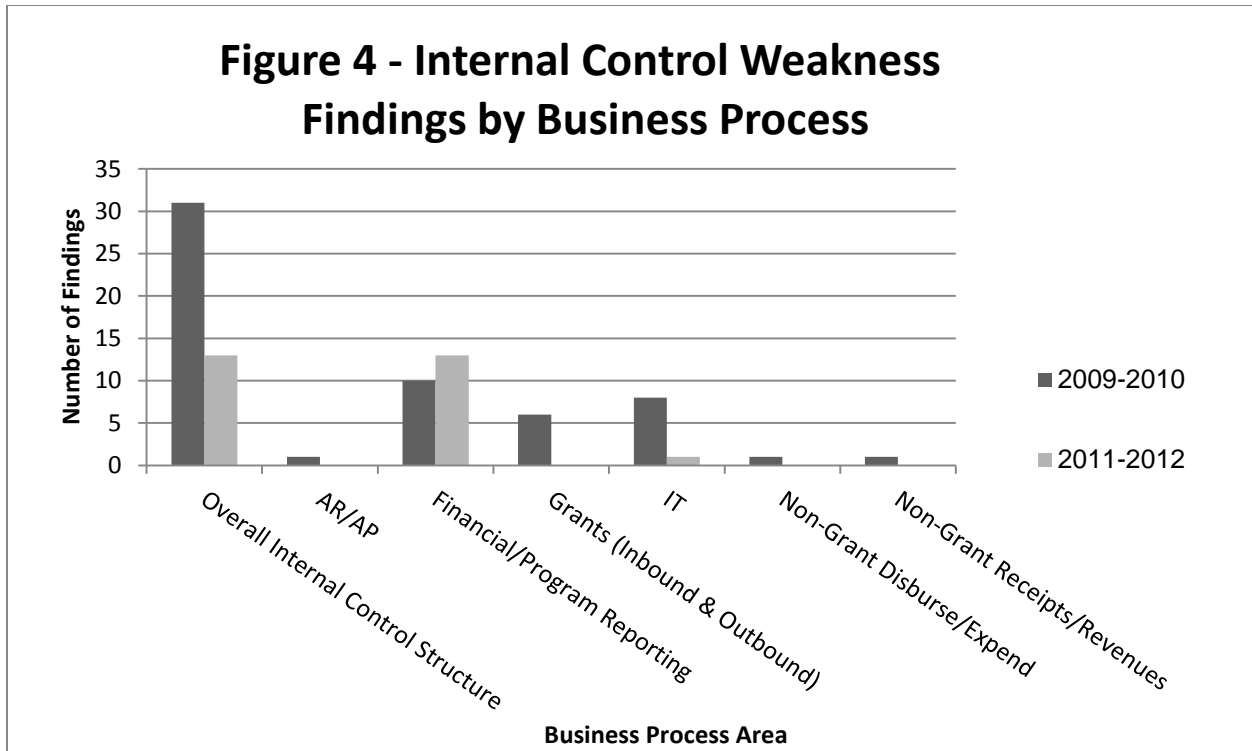


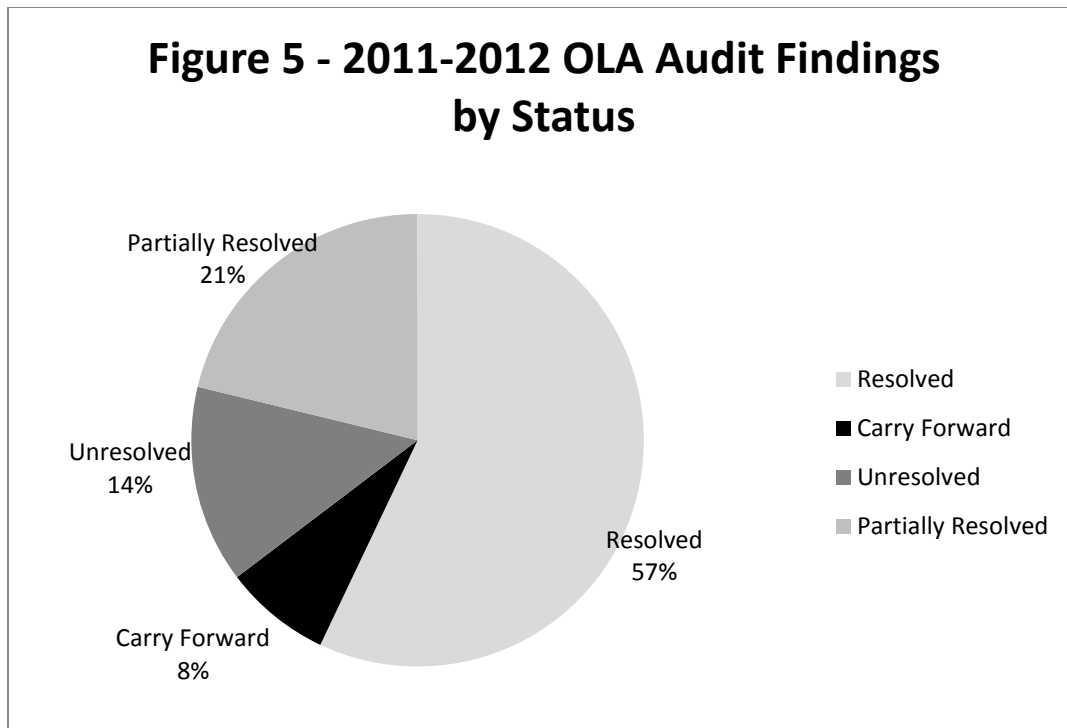
Figure 4 shows the instances of report findings in which the OLA cited an internal control weakness as an underlying cause of the finding. Although the instances of internal control findings declined during 2011 and 2012, the gross number of findings reported by the OLA to executive branch agencies also declined during the two-year period from the previous two years. The number of executive branch findings we tracked also decreased from 398 to 184, so drawing any conclusions concerning internal control improvement is not possible.



An indication of improved internal controls throughout the executive branch is the decline of instances where the OLA indicated that an individual state agency “lacked a comprehensive internal control structure”. As indicated above, while the OLA wrote 31 overall internal control structure findings in 2009-2010, the number of similar findings decreased to 13 during 2011-2012.

The unit obtains status updates for each unresolved OLA finding from the applicable agency quarterly. Using this information, the unit updates the database accordingly. The quarterly update process reminds agencies of their responsibilities to review and resolve outstanding audit findings promptly.

Figure 5 below shows the status of all 2011 and 2012 financial audit findings. Figure 5 shows agencies have resolved fifty seven percent of all 2011 and 2012 reported financial audit findings as of December 31, 2012. Thirty-five percent of the findings remain unresolved or partially resolved as of December 31, 2012. This percentage is not unexpected, as some of the more complex audit issues may take months or even years to completely resolve. The unit will continue to monitor the resolution and implementation status percentages of these findings, and will assist agencies in determining effective and realistic resolution plans, as needed. Eight percent of the findings are considered “carried forward” and no longer being tracked because they were repeat findings from the OLA. These findings may have been resolved in subsequent periods.



### **Statewide System Access and Security**

On July 1, 2011, the state implemented the Statewide Integrated Financial Tools (SWIFT), a new accounting and procurement system. The implementation of the new system presented increased risks within each agency, and to the state as a whole. The ICA unit began working with the SWIFT team in 2010. The unit concentrated on the proposed security roles and permissions regulating the system screens that users can access and update. The unit wanted to ensure that agency management and agency security administrators had adequate tools and guidance make good security role assignments. The unit also assisted with the development of statewide policies and procedures necessitated by the system change.

There are two primary objectives for agencies to meet when assigning security roles: 1) To assign employees sufficient access and input capabilities to the screens and data needed to perform their specific job functions; and, 2) To maintain adequate separation of incompatible duties to reduce opportunities for and concealment of fraud, waste or errors.

The initial review of proposed security roles completed by the unit prior to go-live, identified a number of internal control concerns and risks, most of which were confirmed by the OLA in a subsequent audit report.

To address these concerns and resolve the OLA audit findings, the unit helped revise the statewide security and access policy and partnered with the SWIFT team throughout 2012 to reevaluate the security roles, rewrite the security role descriptions, and update the conflict matrix which identified combinations of security roles to be avoided to maintain adequate separation of duties. During the last week of 2012, MMB distributed the new role descriptions and conflict matrix. These efforts have significantly improved the state's internal control structure and

effectively resolved the OLA audit findings. Furthermore, the enhanced guidance and tools better position the agencies to perform their annual security role certifications, pursuant to MMB Statewide Operating Policy 1101-07, Security and Access.

### **State Government Shutdown Guidance**

In July 2011, the state experienced an unprecedented government shutdown. From an internal control perspective, the shutdown represented a period of extreme high risk for transaction errors and irregularities. During this time, staffing levels were very thin, resulting in consequences such as not processing and depositing incoming receipts. Also, in some cases, employees were assigned certain duties to which they were unfamiliar and unaccustomed.

Because of the heightened risk, the ICA unit worked with the statewide contingency planning team to send out correspondence reminding agency heads of their internal control responsibilities during the disruption. The unit also provided control considerations to agencies, especially in the areas of incoming receipts, payroll, and non-payroll disbursements. Agencies were encouraged to retroactively review and approve transactions, if necessary, as well as to resume key reconciliations, once the shutdown was over. Most agencies established internal processes to review the financial transactions that occurred during the shutdown, to ensure the propriety and accuracy of those agency transactions after the fact.

In his internal controls and compliance audit of the state government shutdown (OLA Report 12-12), the legislative auditor concluded, “The state’s internal controls were generally adequate to ensure that it effectively prepared for, managed, and reviewed financial activities during the July 2011 shutdown and complied with significant finance-related legal requirements.” The legislative auditor named only three agencies that he believed did not adequately document their shutdown risks or the key control activities identified to mitigate these risks.

### **Partnering with Others to Promote Strong Internal Controls**

The primary mission of the ICA unit is to improve internal controls throughout state government. Therefore, one of the unit’s primary responsibilities is to assist executive branch agencies in establishing, implementing, and strengthening internal controls within their individual agencies. This responsibility is achieved through a combination of training, management consultation, facilitation, resource sharing, and networking. The Table 2 below highlights the results of the unit’s partnerships in statewide efforts to improve internal controls for the two year period ended December 31, 2012.

<b><u>Group</u></b>	<b><u>Audience</u></b>	<b><u>Objective</u></b>	<b><u>Accomplishments</u></b>
Internal Audit/Control Roundtable	Internal auditors and internal control professionals throughout state government	To provide opportunities for training and discussion of internal control and internal audit issues/concepts, networking, and to share ideas and best practices.	Held 16 meetings over the last two years. Recent meeting topics: <ul style="list-style-type: none"> <li>- Ethics and code of conduct</li> <li>- OLA investigative authority</li> <li>- SWIFT data mining</li> <li>- Risk assessment experiences</li> <li>- Office of Grants Management policies</li> <li>- Computer forensics</li> </ul>
Agency Annual Certification Outreach	All executive branch agencies subject to Minn. Stat. Section 15A.057	To promote an understanding of internal controls among the senior leadership of each executive branch agency. Specifically in 2012 to explain the process for the statutorily required (Minn. Stat. Section 16A.57, Subd.8) internal control certification.	Met in person with all cabinet level agency chief executives to discuss internal controls in general, the control environment tool, and the 2012 certification process in particular.  Reached out in person, by telephone or by email to non-cabinet level chief executives to explain the 2012 control environment certification process.
Statewide Financial Policy and Procedures Team	All executive branch agencies	To ensure that all new or revised statewide financial policies and procedures contain adequate internal control activities, to provide agencies with internal control best practices.	Participated in policy and procedure workgroup overseeing the rollout of new policies resulting from SWIFT implementation.  Authored policies on internal control, monitoring of Office of the Legislative Auditor, records management, and security and access.  Reviewed each new published financial policy and procedure to ensure it contained adequate internal controls.

Office of Grants Management /Internal Control Joint Training	Agency grant program and financial staff	To promote strong internal controls in grant making and monitoring.	Conducted three statewide training sessions, including: <ul style="list-style-type: none"> <li>• Risk Assessments for Grants,</li> <li>• The ABCs of OMB Circular A-133, and</li> <li>• Sub-recipient Monitoring</li> </ul>
American Recovery and Reinvestment Act (ARRA) Outreach	All executive branch agencies receiving ARRA funding	To promote transparency in the reporting of federal stimulus funds received and expended by Minnesota state agencies.	Met with the senior management of every state agency that was a direct recipient of ARRA funds to discuss their responsibility for internal controls under the Act.  Provided agency ARRA coordinators with training on internal controls.  Issued two memos on Sec. 1512 reporting to assist MMB's Budget Division with internal controls over ARRA reporting.  Tracked federal ARRA-related findings and provided updates to agency ARRA coordinators where appropriate.
Training and workshops	Various metro and greater Minnesota state agencies	To provide control environment and risk assessment training and workshops, to prepare agencies to assess and document their internal controls.	Conducted formal and informal control environment and risk assessment training sessions to employees at all levels. Provided practical guidance on applying internal control concepts.
Sub-Recipient Monitoring Workgroup	State grant auditors and administrators	To educate state agencies on federal government requirements for sub-recipient monitoring. Specifically, to assist agencies in understanding the process for identifying the designated state cognizant agency, the location of sub-recipient audit reports, federal requirements for resolving outstanding findings, and expectations for monitoring sub-recipients.	Facilitated three meetings with interested parties. Presenters included staff from the State Auditor's Office and the statewide financial reporting group. The workgroup agreed to disband because it had met its objectives.

Risk Assessment Pilot Projects	Various state agencies	To demonstrate the application of risk assessments, with the goal of teaching agency to be facilitators for ongoing risk assessments within their own agencies.	Facilitated pilot risk assessments to train agency staff on how to conduct their own business process risk assessments. Agencies served include: <ul style="list-style-type: none"> <li>• Minnesota Management &amp; Budget</li> <li>• Department of Transportation</li> <li>• Department of Human Services</li> </ul>
Enterprise LEAN Initiatives	Various state agencies	To represent the voice of internal controls while agencies are streamlining business processes	Attended training on LEAN principles (three staff) and on LEAN Kaizen event facilitation (one staff). Participated in one Kaizen event, representing internal controls. Incorporated LEAN facilitation techniques into ongoing risk assessment facilitation.
Legacy Funds Indirect Cost/Administrative workgroup	All state agencies	To provide state-wide guidance on the treatment of administrative costs by legacy funds	Participated in a workgroup that drafted a policy to guide agencies on the application of direct and indirect costs to legacy fund programs.
Enterprise Grants Management Committee (EGMC)	Grant administrators throughout state government	To update members on internal control matters, promote grant risk assessments, and provide feedback on statewide grant policy proposals.	Attended quarterly EGMC meetings and provided internal control-related updates to the group. Provided risk assessment training to EGMC members.
Health Insurance Exchange (HIX) Oversight and Monitoring Workgroup	HIX management and staff	To provide internal control-related counsel as the Minnesota state Health Insurance Exchange is created.	Participated in the HIX Legal/Compliance and the Finance workgroups tasked with providing compliance support to the new insurance exchange. Conducted risk assessments on proposed HIX business processes.



Internal Audit Roundtable Auditor Classification Workgroup	Various state agencies	To revise and update the internal auditor job classification specifications.	Facilitated a workgroup comprising representatives from various state agency internal audit departments and MMB's Enterprise Human Resources group. The workgroup is working to develop new classifications that more accurately reflect the modern-day internal audit function.
U.S. State Department's International Visitor Leadership Program	Delegations from other countries	To provide insights on internal controls and transparent government to visiting foreign government delegations through local higher education institutions	Presented overviews of Minnesota's state government approach to transparency with an emphasis on the publication of audited state financial statements and a strong internal control structure to various international delegations.

For more information on any of the topics presented in this report, please visit our website at <http://www.mmb.state.mn.us/fin/ic>.