



Monitoring for change

- **Changes in process, personnel and/or operating environment can have an impact on existing internal controls.**
- **Agencies must periodically reevaluate risks and existing controls to assess the impact of change.**
- **Do not be afraid to discontinue control activities with marginal effectiveness or no cost-benefit.**

Change is a basic part of life. Our everyday lives are full of change, both big (e.g. buying a house or getting married) and small (e.g. trying new foods or rearranging your furniture). However, when change occurs in an agency (e.g. new processes, new systems, changes in job responsibilities, and/or changes in personnel), it often affects the control activities that were designed to prevent or reduce risk. Therefore, it is important and necessary for agencies to continuously monitor and reassess the effectiveness of their internal control systems after initial risk assessments are completed.

Agencies need to anticipate and monitor for change and its impact on internal controls. The type of risks an agency faces may not change, but the agency's response to each risk (i.e. key control activities) may need to change due to new or changing circumstances. Management assesses the impact of change on the internal control structure by reviewing the existing risk assessments for the business processes affected by the change, and developing and implementing new mitigating controls when necessary.

The following are common circumstances that should prompt agencies to reassess risk to determine if internal controls are still in place and functioning as intended after a change occurs:

Operating environment – Changes in legislation, federal requirements or the economic environment may result in both financial and service delivery risks, resource constraints, and the emergence of new risks not addressed by current controls.

Personnel – Changes in personnel may

compromise existing internal controls or, in the case of certain management positions, the functioning of the entire control structure. Retirements, staff turnover, or layoffs may render control systems ineffective. The remaining employees may not understand the importance of their assigned control activity responsibilities, or may be unable, or too few in number, to continue performing all existing key controls.

Rapid growth – Controls that were effective under previous conditions may break down under the stresses of increased activity.

New technology – Current controls can become obsolete or ineffective when an agency deploys new technology or new information systems. Controls that were effective under an old system may not function at all or the same under a new system and might need to be reconsidered.

Agencies must periodically reevaluate risks and existing key controls to assess the impact of change. Ongoing monitoring and reevaluation of the internal control structure guarantees functionality and reliability, even in the event of change.

Suggested action steps: Monitor for the continued effectiveness of existing internal controls after changes have occurred by periodically reviewing and updating the agency's risk assessments. Update policies, procedures, and employee position descriptions to reflect any control activity changes.

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