

I have to do what?!?!?!?!?

- **Most executive branch agencies must create risk assessment plans by July 31, 2013.**
- **Risk assessments add value.**
- **Risk assessments confirm the effectiveness of the agency's internal control structure.**

This year, most executive branch agencies must create risk assessment plans and complete targeted risk assessments over the next few years. One could almost hear the groans of the affected agency heads as they contemplated this new requirement.

Understandably, you already have a mountain of things you “have to do.” You may believe this is just one more bureaucratic requirement with little or no added value to your agency.

The truth is, risk assessments *can* benefit your agency. A few of the benefits are:

Reality is better than perception. The effectiveness of the agency's internal control structure can be confirmed by conducting risk assessments. Relying solely on audit results and past experiences may promote a false sense of security. Changes occur over time, such as employee turnover, regulatory changes, technology updates and workflow realignment. The *old* control activities (e.g., approvals, system access or documentation) may have become ineffective, non-existent or even discontinued over time.

Proactive is better than reactive. Risk assessments identify under-controlled or uncontrolled risks that could threaten achievement of an agency's goals and objectives. Being proactive allows sufficient time to plug any gaps before a negative event occurs. The upfront cost of implementing controls is significantly less than recovery costs after a negative event happens.

Everything is okay...until it isn't. Implementing controls incurs an identifiable cost in a quest to prevent an unidentifiable, but potentially large, loss. Similar to buying insurance, you want to focus “coverage” on

events where the losses could be catastrophic to your agency. Risk assessments assist in identifying those potentially damaging events (risks) and focus controls on managing those risks to protect employees, resources, citizens and the agency's reputation.

Quality is better than quantity. There is such a thing as too many controls. A risk assessment can identify areas where lower priority risks are over-controlled and provide justification for eliminating less effective control activities.

Agency personnel are “in the know.” No one knows how the agency operates better than your own employees. Employees participating in risk assessments gain a broader overall understanding of agency processes and the importance of internal controls. This knowledge can be carried forward into daily responsibilities, such as participating in discussions of process changes and the potential impact on risks and control activities.

It's the law. Minnesota Statute Section 16A.057, Subd. 8, requires agency heads to design, implement and maintain an internal control structure; risk assessments are an integral part of a well-designed structure.

Suggested Action Steps: Identify “high risk” and “critical” processes for inclusion in your agency's risk assessment plan (see MMB Statewide Procedure on Risk Assessment at <http://www.mn.gov/mmb/internalcontrol/internalcontrolframeworkandtools/riskassessment/>). Finalize and submit your agency plan by July 31, 2013, if applicable.

If you have questions, please contact Jo Kane at Jo.Kane@state.mn.us or (651) 201-8174.