

Creating an ethical framework for state employee conduct

- **Control environment is foundation of all internal control components.**
- **Commitment to strong control environment through Code of Conduct implementation.**
- **Initial Code of Conduct training must be completed by December 31, 2009.**

An organization's control environment is the foundation for all other internal control components. As such, the COSO Internal Control – Integrated Framework often depicts control environment as the base of a pyramid, with risk assessment, control activities, and monitoring occupying increasingly smaller sections above, and information and communication running up and down the sides.

The control environment includes your agency's integrity and ethical values, its commitment to competence, its personnel policies and procedures, and the assignment of authority and responsibility for operating activities. An appropriate control environment begins with the "tone at the top"—the words and actions of the agency's top management. This tone at the top helps to establish the control consciousness of the entire organization and sets an atmosphere favorable to appropriate employee actions and behavior.

One critical way for senior management to demonstrate their commitment to a strong control environment is to promptly and vigorously implement the state's Code of Conduct policy, contained in Minnesota Management and Budget Operating Policy and Procedure 0103-01, *Code of Conduct for Employees with Accounting, Auditing, Financial Reporting, or Tax Filing Duties*.

The objective of the Code of Conduct is to improve accountability, identify governance processes, facilitate the timely detection of significant internal control deficiencies, and ensure the reliability of financial information. The Code of Conduct policy requires each

agency head to demonstrate an ethical tone within his/her agency, to administer and support ethics and training programs for employees, and to ensure effective internal control systems within the agency.

Initial Code of Conduct training must be completed by December 31, 2009 and revisited each subsequent year. All employees with accounting, auditing, financial reporting, or tax filing duties within state agencies, along with the supervisors and managers assigned to oversee those duties, must be trained and certified on the Code of Conduct. All department heads and relevant employees must sign an annual statement, indicating that they understand and agree to abide by the Code of Conduct. Agency heads must also agree to set an ethical tone within the organization as a foundation for the agency's internal control structure, thus enhancing their agencies' control environment.

If you have questions, please contact Jeanine Kuwik, Statewide Internal Control and Accountability Director at (651)201-8148 or Jeanine.Kuwik@state.mn.us.

To review Minnesota Management & Budget Operating Policy and Procedure 0103-01, *Code of Conduct for Employees with Accounting, Auditing, Financial Reporting, or Tax Filing Duties*, access <http://mn.gov/mmb/accounting/state-financial-policies/ch1.jsp>.