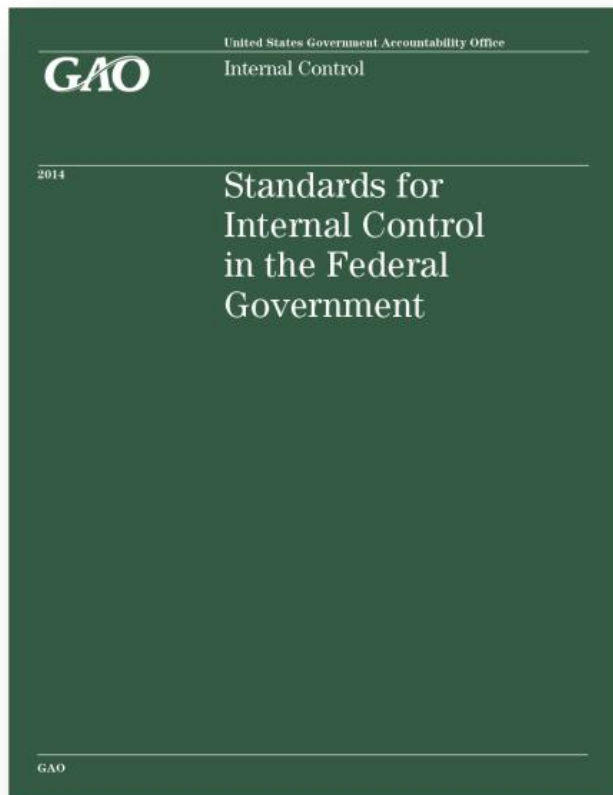


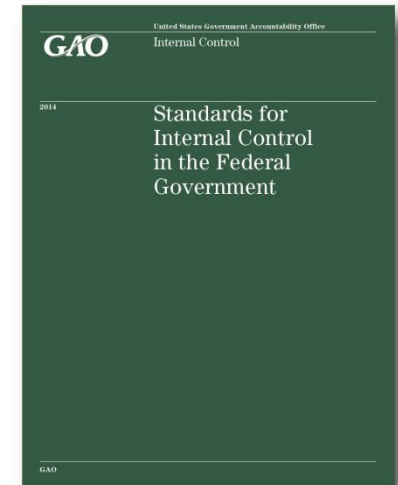
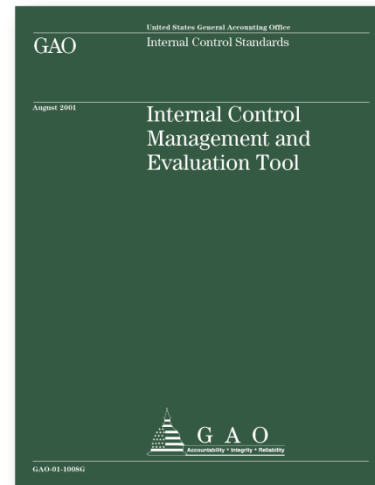
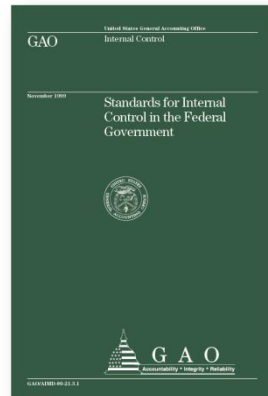
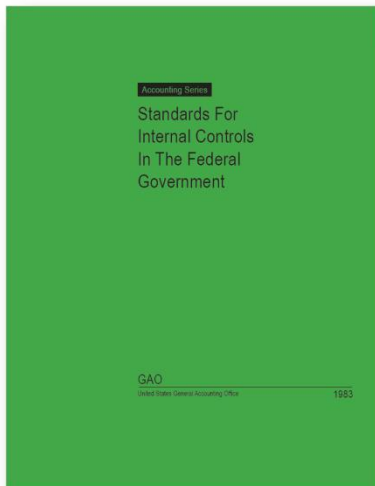
Standards for Internal Control in the Federal Government



Going Green



Green Book Through the Years



1983



Present

Green Book Revision Proposed Timeline



What's in Green Book for the Federal Government?

- Reflects federal internal control standards required per Federal Managers' Financial Integrity Act (FMFIA)
- Serves as a base for OMB Circular A-123
- Written for government
 - Leverages the COSO Framework
 - Uses government terms

What's in Green Book for State and Local Governments?

- May be an acceptable framework for internal control on the state and local government level under proposed OMB Uniform Guidance for Federal Awards
- Written for government
 - Leverages the COSO Framework
 - Uses government terms

What's in Green Book for Management and Auditors?

- Provides standards for management
- Provides criteria for auditors
- Can be used in conjunction with other standards, e.g. Yellow Book

Revision to the Green Book

What is not changing

- Core definition of internal control
- Three categories of objectives and five components of internal control
- Each of the five components of internal control are required for effective internal control
- Important role of judgment in designing, implementing and operating an internal control system and evaluating its effectiveness



What is changing

- Changes in operating environments considered
- Operations and reporting objectives expanded
- Fundamental concepts underlying five components articulated as principles
- Additional consideration given to operations, compliance, and non-financial reporting objectives

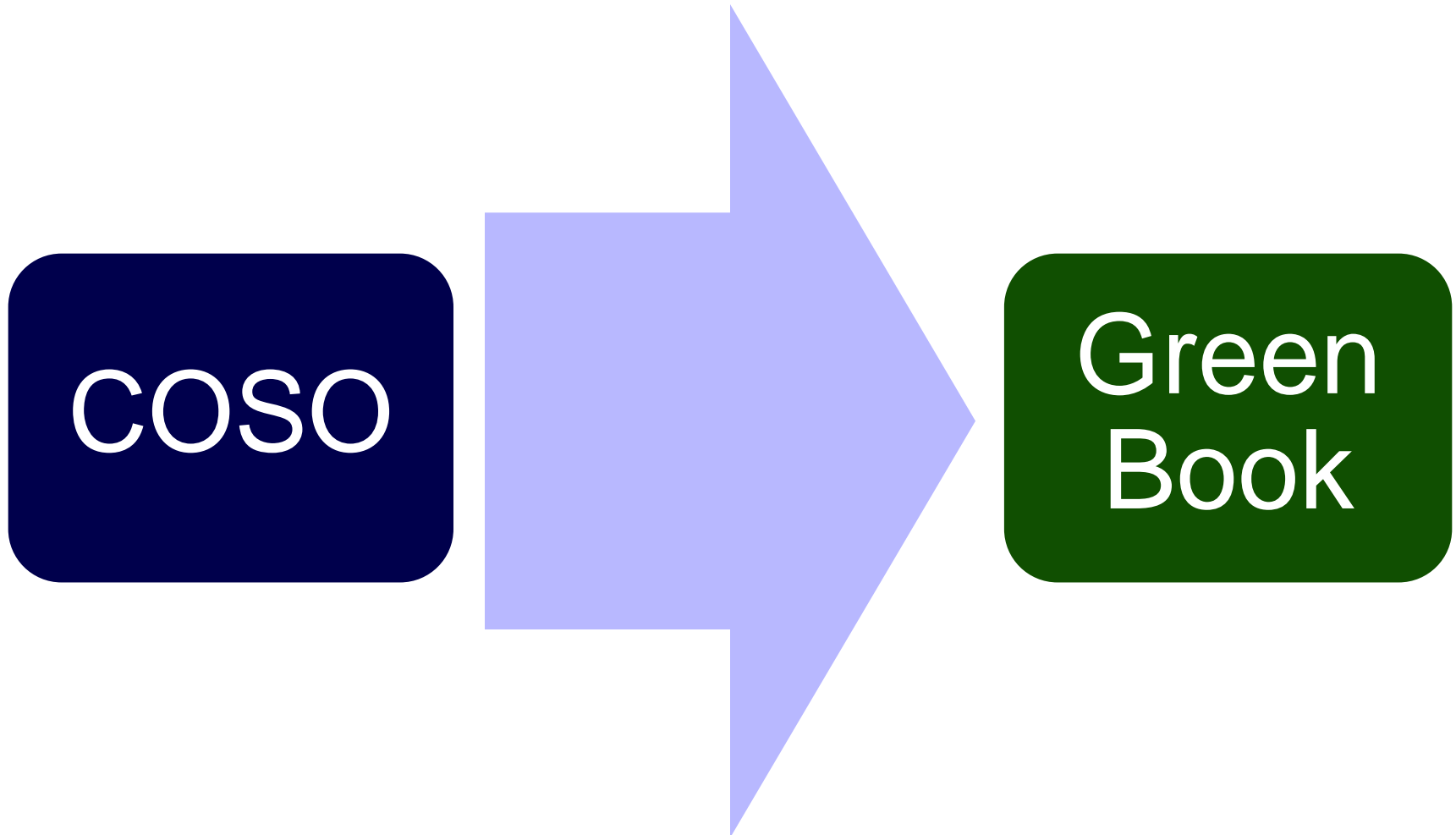
The COSO Framework

- Relationship of Objectives and Components
 - Direct relationship between objectives (which are what an entity strives to achieve) and the components (which represent what is needed to achieve the objectives)
- COSO depicts the relationship in the form of a cube:
 - The three objectives are represented by the columns
 - The five components are represented by the rows
 - The entity's organization structure is represented by the third dimension



Source: COSO

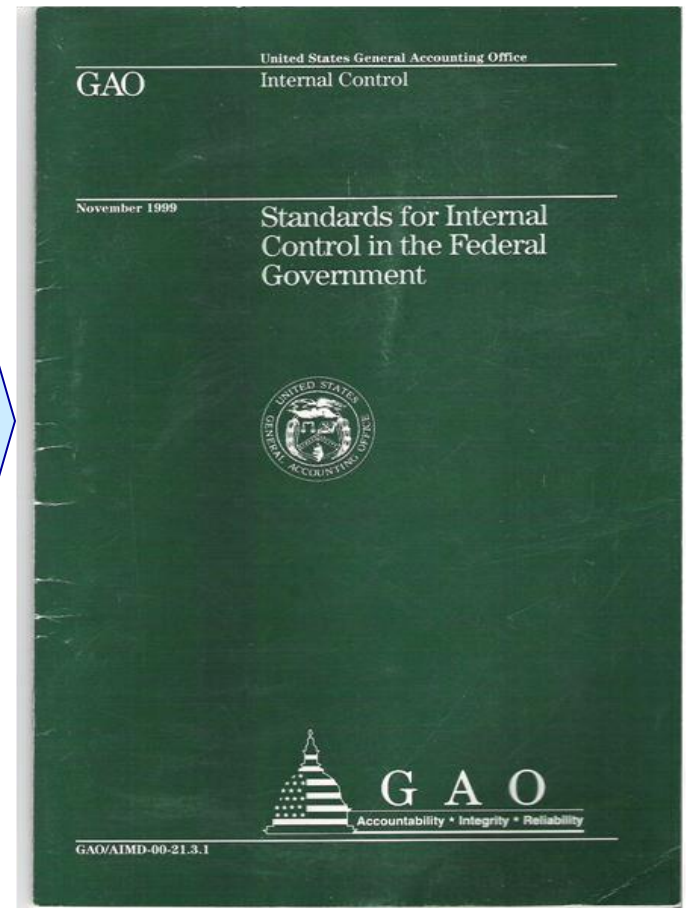
From COSO to Green Book: Harmonization



Revised Green Book: Standards for Internal Control in the Federal Government

Overview

Standards



Revised Green Book: Principles

Control Environment

1. Demonstrate Commitment to Integrity and Ethical Values
2. Exercise Oversight Responsibility
3. Establish Structure, Responsibility, and Authority
4. Demonstrate Commitment to Competence
5. Enforce Accountability

Risk Assessment

6. Define Objectives and Risk Tolerances
7. Identify, Analyze, and Respond to Risk
8. Assess Fraud Risk
9. Analyze and Respond to Change

Control Activities

10. Design Control Activities
11. Design Activities for the Information System
12. Implement Control Activities

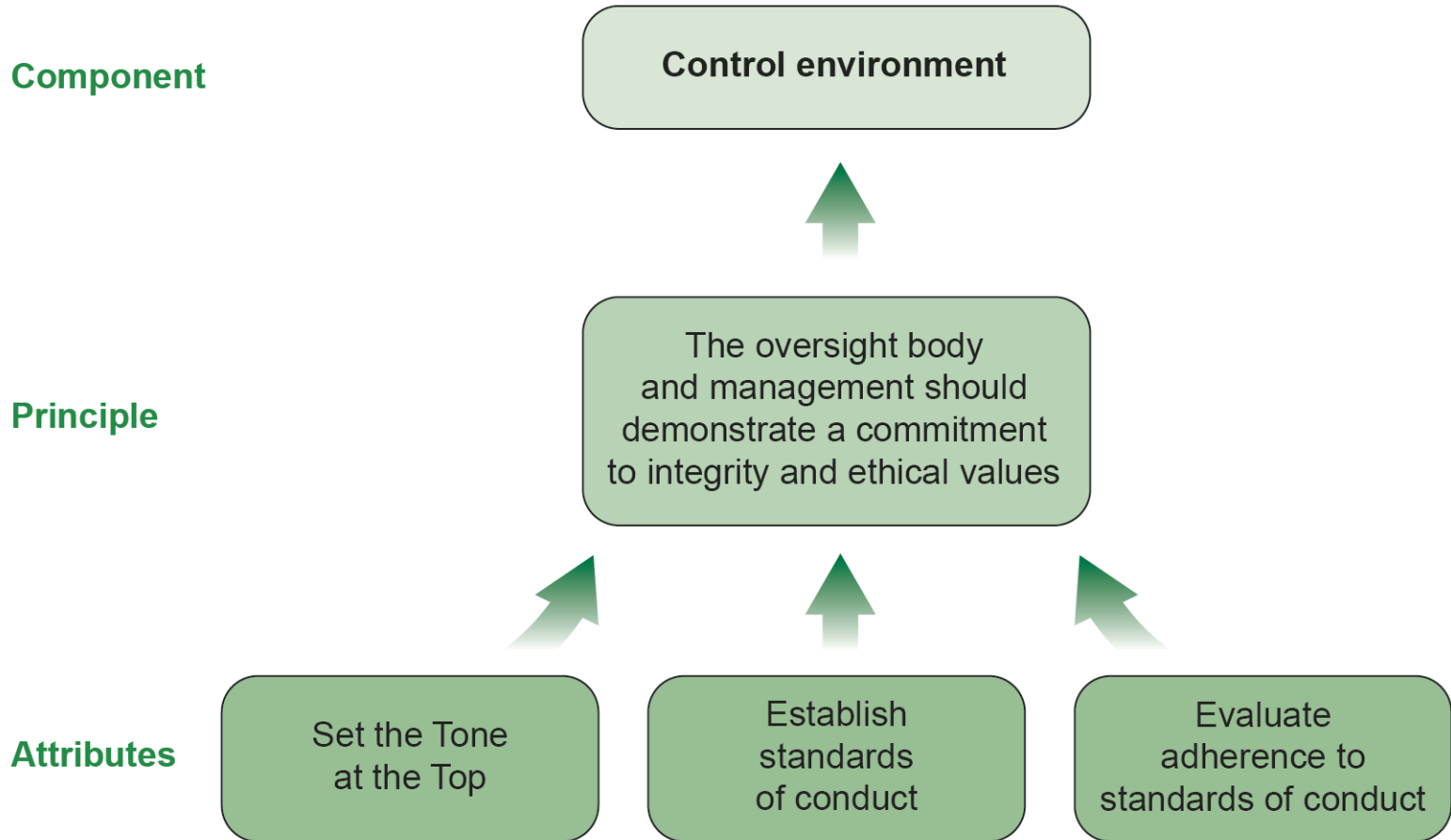
Information & Communication

13. Use Quality Information
14. Communicate Internally
15. Communicate Externally

Monitoring

16. Perform Monitoring Activities
17. Remediate Deficiencies

Component, Principle, Attribute



Documentation Requirements

- If management determines a principle is not relevant, management supports that determination with documentation that includes the rationale of how, in the absence of that principle, the associated component could be designed, implemented, and operated effectively.

Documentation Requirements (cont.)

- Control Environment
 - Management develops and maintains documentation of its internal control system.
- Control Activities
 - Management documents in policies the internal control responsibilities of the organization.

Documentation Requirements (cont.)

- Monitoring
 - Management evaluates and documents the results of ongoing monitoring and separate evaluations to identify internal control issues.
 - Management evaluates and documents internal control issues and determines appropriate corrective actions for internal control deficiencies on a timely basis.
 - Management completes and documents corrective actions to remediate internal control deficiencies on a timely basis.

Where to Find Us

- The Yellow Book is available on GAO's website at:
www.gao.gov/yellowbook
- The Green Book is available on GAO's website at:
www.gao.gov/greenbook
- For technical assistance, contact us at:
yellowbook@gao.gov or greenbook@gao.gov
or call (202) 512-9535

Thank You

Questions?