SSA/OIG has reviewed the above referenced exposure draft of the GAO Green Book, issued on September 3, 2013, and offers the following comments and suggested revisions:

1. **Overview Section, first paragraph, last sentence, page 1.** It appears that the word "should" was inadvertently left out between the words "management" and "continually".

2. **01.01, page 4**. The compliance bullet should include compliance with "policies", since compliance with policy can be a substantial element of internal control. Policy compliance can also include authoritative guidance from OMB designed to implement laws and regulations. Therefore, we suggest revision of the compliance bullet to read as follows:

   *Compliance – Compliance with applicable laws, regulations and policies

3. **Section 02.05, page 6**. It appears that the word "required" is missing from the last sentence of this Section between the word "a" and "principle".

4. **Section 02.06, page 7**. It appears that the word "should" should be inserted as the first word on page 7 and the word "supports" in the same sentence should be modified to delete the "s", in order to delineate a documentation requirement.

5. **Section 02.18, pages 11-12.** As previously suggested in comment number 2, consideration should be given to incorporating policy compliance into compliance objectives. For consistency purposes, this would require modification of the third bullet on page 11 to read as follows:

   *Compliance – Compliance with applicable laws, regulations and policies

   Similarly, if policy compliance is deemed an appropriate modification, Sections 02.22 and 02.23 on page 12 should be modified to address compliance with applicable policies that are elements of the system of internal control.

6. **Section 03.02, page 13.** The manner in which this section is worded presupposes that management evaluates the effect of internal control deficiencies. It may be more appropriate to state (after the comma) that "management should evaluate the effect of internal control deficiencies on the internal control system." The suggested revision would impose a clear requirement on management to conduct such an evaluation.

7. **Section 03.03, first sentence, page 13.** The manner in which this sentence is worded presupposes that management evaluates control deficiencies identified by its ongoing monitoring of the internal control system. It may be more appropriate to state that "Management should evaluate control deficiencies identified by management's ongoing monitoring of the internal control system…" The suggested revision would impose a clear requirement on management to conduct such an evaluation.

8. **Section 03.05, first sentence, page 13.** The manner in which this sentence is worded presupposes that management determines if controls individually and in combination with other

controls are capable of achieving an objective and addressing related risks. It may be more appropriate to state (after the comma) that "management should determine if controls individually and in combination with other controls are capable of achieving an objective and addressing related risks." The suggested revision would impose a clear requirement on management to conduct such a determination.

9. **Section 03.05, second sentence, pages 13-14.** The manner in which this sentence is worded presupposes that management determines if the control exists and if the entity has placed the control into operation. It may be more appropriate to state (after the comma) that "management should determine if the control exists and if the entity has placed the control into operation." The suggested revision would impose a clear requirement on management to conduct such a determination.

10. **Section 03.06, first sentence, page 14.** The manner in which this sentence is worded presupposes that management determines if controls were applied at relevant times during the period under evaluation. It may be more appropriate to state (after the comma) that "management should determine if controls were applied at relevant times during the period under evaluation." The suggested revision would impose a clear requirement on management to conduct such a determination.

11. **Section 03.06, second sentence, page 14.** The manner in which this sentence is worded presupposes that if substantially different controls were used at the different times during the period under evaluation, "management evaluates operating effectiveness separately for each unique control system." It may be more appropriate to state (after the comma) that "management should evaluate operating effectiveness separately for each unique control system." The suggested revision would impose a clear requirement on management to conduct such an evaluation.

12. **Section 03.07, first sentence, page 14.** The manner in which this sentence is worded presupposes that management evaluates the significance of identified deficiencies. It may be more appropriate to state that "Management should evaluate the significance of identified deficiencies." The suggested revision would impose a clear requirement on management to conduct such an evaluation.

13. **Section 03.07, second sentence, page 14.** The manner in which this sentence is worded presupposes that "To evaluate the significance of the deficiency, management assesses its effect on achieving the defined objectives at both the entity and transaction level." It may be more appropriate to state that "To evaluate the significance of the deficiency, management should assess its effect on achieving the defined objectives at both the entity and transaction level." The suggested revision would impose a clear requirement on management to conduct such an assessment.

14. **Section 03.07, third sentence, page 14.** The manner in which this sentence is worded presupposes that "Management evaluates the significance of a deficiency by considering the magnitude of impact, likelihood of occurrence, and nature of the deficiency." It may be more appropriate to state that "Management should evaluate the significance of a deficiency by

considering the magnitude of impact, likelihood of occurrence, and nature of the deficiency." The suggested revision would impose a clear requirement on management to conduct such an evaluation.

15. **Section 03.07, last sentence, page 14.** The manner in which this sentence is worded presupposes that "The oversight body oversees management's evaluation of significance of deficiencies to ensure that deficiencies have been properly considered." It may be more appropriate to state that "The oversight body should oversee management's evaluation of the significance of deficiencies to ensure that deficiencies have been properly considered." The suggested revision would impose a clear requirement on oversight body to oversee management's evaluation of the significance of deficiencies.

16. **Section 03.08, first sentence, page 15.** The manner in which this sentence is worded presupposes that "Deficiencies are evaluated both on an individual basis and in the aggregate." It may be more appropriate to state that "Deficiencies should be evaluated both on an individual basis and in the aggregate." The suggested revision would impose a clear requirement to evaluate deficiencies on both on an individual basis and in the aggregate.

17. **Section 03.08, second sentence, page 15.** The manner in which this sentence is worded presupposes that "Management considers the correlation among different deficiencies or groups of deficiencies when evaluating their significance." It may be more appropriate to state that "Management should consider the correlation among different deficiencies or groups of deficiencies when evaluating their significance." The suggested revision would impose a clear requirement on management to consider the correlation among different deficiencies or groups of deficiencies when evaluating their significance.

18. **Section 03.09, third sentence, page 15.** The manner in which this sentence is worded presupposes that "management considers the elements underlying the attribute and whether controls are properly designed, implemented, and operating effectively to achieve each element of the attribute." It may be more appropriate to state that "For each attribute, management should management consider the elements underlying the attribute and whether controls are properly designed, implemented, and operating effectively to achieve each element of the attribute." The suggested revision would impose a clear requirement on management.

19. **Section 03.09, fifth and sixth sentence, page 15.** The manner in which this sentence is worded presupposes that "management considers the elements underlying the attribute and whether controls are properly designed, implemented, and operating effectively to achieve each element of the attribute." It may be more appropriate to state that "For each attribute, management should management consider the elements underlying the attribute and whether controls are properly designed, implemented, and operating effectively to achieve each element of the attribute." The suggested revision would impose a clear requirement on management. To further reinforce this requirement, we suggest inserting the word "should" after the word "consideration" in the sixth sentence and deleting the "s" to make the word "includes" singular.

20. **Section 03.10, first sentence, page 15.** The manner in which this sentence is worded presupposes that "For each principle, management makes a summary determination as to whether

the principle is designed, implemented, and operating effectively by considering whether the related attributes are achieved." It may be more appropriate to state that "For each principle, management should make a summary determination as to whether the principle is designed, implemented, and operating effectively by considering whether the related attributes are achieved." The suggested revision would impose a clear summary determination requirement on management.

21. **Section 03.11, first sentence, page 15.** The manner in which this sentence is worded presupposes that "management… evaluates the design, implementation, and operating effectiveness of each of the five components of internal control and whether they operate together effectively." It may be more appropriate to state that "Based on the results of this evaluation, management should then evaluate the design, implementation, and operating effectiveness of each of the five components of internal control and whether they operate together effectively." The suggested revision would impose a clear evaluation requirement on management.

22. **Section 04.02, first sentence, page 16.** The manner in which this sentence is worded presupposes that "Management also considers the complementary entity user controls identified by the service organization or its auditors." It may be more appropriate to state that "Management should also consider the complementary entity user controls identified by the service organization or its auditors." The suggested revision would require management to consider such user controls.

23. **Section 04.02, second sentence, page 16.** The manner in which this sentence is worded presupposes that "Management determines whether established internal controls are sufficient to ensure the entity achieves objectives and addresses risks related to the outsourced process or to incorporate the complementary user entity controls into the entity's internal control system." It may be more appropriate to state that "Management should determine whether established internal controls are sufficient to ensure the entity achieves objectives and addresses risks related to the outsourced process or to incorporate the complementary user entity controls into the entity's internal control system." The suggested revision would require management to determine whether such internal controls are sufficient.

24. **Section 1.04, first and second sentences, page 20.** The manner in which these sentences are worded presupposes that the oversight body and management leads by example and set the tone. It may be more appropriate to state that "The oversight body and management should lead by example that demonstrates the organization's values, philosophy, and operating style. The oversight body and management should set the tone at the top and throughout the organization by their example, which is fundamental to an effective internal control system." The suggested revisions would require such management and oversight body behavior.

25. Comments 6 through 24 above are indicative of language throughout the draft Green Book that presupposes certain actions by management or oversight bodies. It may be more appropriate to restate all the actions that are currently presented in a presupposed manner as definitive requirements throughout the final version of the Green Book to ensure there is no ambiguity related to internal control requirements. Enumerating all the detailed requirements in all the sections and subsections of the Green Book is particularly important because page 3 on How to

Use the Green book states that "We have clearly marked the requirements for the Green Book through the use of 'must' and 'should'." Yet, the use of the terms "must" and "should" are conspicuously absent from most of the detailed language explaining how internal controls are to be implemented. Thus, any implication of detailed internal control requirements existing in the absence of a "must" or " should" clause is invalidated by the How to Use the Green Book instructions. Further, specifying **detailed** internal control requirements through the use of the words "must" and "should" will provide more definitive criteria for audit and other review findings related to internal control weaknesses.

26. **Section 10.14, last bullet, page 51.** This bullet states that "A control activity that is directly related to an operational process generally is more likely to prevent or detect than a control activity that is only indirectly related." It appears that one or more words are missing after the word "detect".

27. We also recommend adding a specific section on budgetary controls in the *Control Activities* section of the draft document. Sequestration and the potential for future reduced spending going forward elevates the necessity to highlight budgetary controls elevated to its own section under control activities.