Comments on Green Book Exposure Draft
David M. Coontz II
[redacted]

Thank you for your consideration of the following coments:

General Comment: The draft talks about applying internal controls to entity objectives. However, the internal control "cube" does not have a plane in it reflective of entity objectives. Design a cube that shows entity objectives as part of it and how this fits with the other three planes – the five internal control principles, the three internal control objectives, and the four organizational levels of control. Do I not have to review controls for those divisions, operating units, or functions that do not directly support agency objectives? Is the use of agency objectives intended to tell me where I should focus my limited resources – more controls, testing and monitoring for those functions pertaining to entity objectives, and less for those functions that do not? Is the point to classify as high inherent risk those functions and programs that directly carry out entity objectives and therefore direct more attention to them?

Exposure Draft 02.15: Would like to see this statement squared with the following statement in OMB A-123 (revised December 21, 2004): OMB A-123, para. 4.c. states "Consideration should be given to involving the IG in consulting capacity but not to conduct management's assessment of internal controls."

Exposure Draft 02.19: I work for a small agency (approx budget $350 million) and part of the challenge in assessing the efficiency of programs is that we lack the capability to assign and track costs by program or objective (e.g. we lack activity based costing). Since this is a key component in assessing efficiency we are often left coming up with creative, and less accurate, ways of assessing efficiency.

Exposure Draft 03.01: Is "achieve its objectives" intended to refer to agency objectives, such as goals and performance targets set by management through the strategic planning process OR is it meant to indicate achievement of the three objectives of internal control as stated in OMB A-123 (effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations)?

Exposure Draft 03.04: Can a better definition of "material weakness," and "reportable condition" be developed for operational or administrative controls? The definitions in OMB A-123 appear to have evolved from the definitions for financial controls and are vague and open to interpretation. Every year as we prepare our agency statement of assurance there is disagreement between the OIG and Senior Management as to the materiality and impact of operational/administrative control deficiencies.

Exposure Draft 03.07: Does management's evaluation of deficiencies have to be numeric? Does the guidance expect agencies to develop a scoring system or mathematical equation of "Severity x Probability" in order to determine the significance of deficiencies (e.g the relative risk of deficiencies)?

Comments on Green Book Exposure Draft
David M. Coontz II
[redacted]

Exposure Draft 06.02 b.: Examples of management defined risk tolerances would be very helpful. An illustration of a management defined objective used to illustrate real world application of the various principles and attributes would be extremely helpful. And not an illustration of a financial objective – setting risk tolerances for financial objectives is easy. We are encountering much more difficulty setting risk tolerances for strategic and operational goals.