

From: Jeff Hart [REDACTED]
Sent: Thursday, January 16, 2014 1:54 AM
To: GreenBook
Subject: Comments

I respectfully submit the following comments on the September 2013 GAO Green Book Exposure Draft:

In response to Exposure Draft question #1:

- It is unclear and confusing why "Safeguarding of Assets" is listed separately on page 12. I would suggest it be included under "Operation Objectives" on page 11.
- The discussion concerning "Complimentary entity user controls" in paragraph O4.02 on page 16 is unclear.

In response to Exposure Draft question #7:

- I believe the exposure draft does not adequately and appropriately describe management's responsibility when engaging external parties (i.e., "service organizations") to perform certain operational processes. On page 16 the exposure draft states that, "Management...retains responsibility for the performance of processes assigned to service organizations...." and that, "...management needs to understand the controls each service organization has...", and "...how the service organization's internal control system impacts the entity's internal control system." However, these statements do not adequately hold management accountable for, or provide management adequate guidance, when management uses such service organizations.

I suggest applying a concept from the GAO Yellow Book concerning "Using the Work of Others" as described in the Yellow Book paragraphs 6.40 and 6.41. I would include something similar to the following in the Green Book:

Management should determine whether the service organization has conducted an adequate review of the relevant internal controls. If management relies on the internal control review work of the service organization, management should perform procedures that provide a sufficient basis for relying on that work. Management should obtain evidence concerning the scope, quality, and timing of the internal control review work performed by the service organization and whether that work should be relied upon. Procedures that management may perform in making this determination include reviewing the service organization's internal control review report and/or performing tests of the service organization's review work.

- Under "Enforce Accountability", paragraph 5.84 states that, "These actions can range from informal feedback provided by the direct supervisor to disciplinary action taken by the oversight body depending on the significance of the deficiency to the internal control system." To make clear that

more often it would be management that must take action, I suggest rewording as follows: “These actions can range from informal feedback provided by the direct supervisor to disciplinary action taken by the ***management or*** the oversight body...” (bold italics added).

Other matters:

The definition of “Attract” in paragraph 4.08 is inaccurate. The definition provided concerns assessing or evaluating candidates after they have been attracted to the organization. An accurate definition for the stated context based on Merriam-Webster’s on-line dictionary (“cause someone to be involved...”) would be something like this: Attract qualified candidates that fit the organization’s needs and has the necessary competencies.

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