

Green Book Presentation

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Management Directive 325.12, Standards for Internal Controls in Commonwealth Agencies

- Adopts and implements the internal control framework outlined in *Standards for Internal Control in the Federal Government* (Green Book)
- Further establishes requirements to assess and report on internal controls
- Applies to all departments, boards, commissions, and councils under the Governor's jurisdiction (agencies)
- All aspects of an agency's operations

Agency Responsibilities

- Designate an internal controls oversight body
- Conduct an annual assessment of internal controls within the agency
- Develop an ongoing internal control monitoring plan
- Submit an internal control assurance statement each September, for the previous fiscal year ending June 30

Implementation Tools

- Training
- Assessment Templates
- FAQs
- Monitoring Plan Guidance
- Interagency Work Groups

- Internal Controls Website:

http://www.budget.pa.gov/Services/ForAgencies/Auditing/Pages/InternalcontrolAnalysis.aspx#.VzsclWfD_nN

Initial Assessments

- Defined Assessable Units (bureaus, functions, and/or processes)
- “Translated” Green Book attributes into open ended questions
- Conducted interviews
- Top Down/Bottom Up questionnaires and/or surveys
- Assessment Templates Completed
 - by Agency
 - by Assessable unit

Assessable Units - DOR

- Tax Processing
- Financial Reporting
- Cash Receipts
- Cash Disbursements
- Enforcement
- Administration
- IT
- Lottery

How we plan to complete the Assessment Template

Internal Control Assessment Template for the Fiscal Year Ended June 30, 20xx

Agency _____

Assessable Unit _____

To be completed for all significant deficiencies or material weaknesses

Control Factor	Green	Yellow	Red	N/A	How do we fill out?	Controls Implemented	Action Items/Areas Needing Improvement	Weakness Level	Corrective Action Plan	Responsible Party	Target Completion Date
Control Environment											
Principle #1 – Demonstrate Commitment to Integrity and Ethical Values											
1.1 Executive management has established a “tone at the top” that has been communicated to and is practiced by executives and management throughout the agency.					Agency Questionnaire						
1.2 Management enforces a formal code or codes of conduct communicating appropriate ethical and moral behavioral standards through policy/training and addresses acceptable operational practices and conflicts of interest. Appropriate disciplinary action is taken in response to departures from such. (Management Directive 205.9)					Agency Questionnaire						
1.3 Management has an updated internal control plan which has been communicated to applicable personnel.					This Template is the plan						
Principle #2 – Exercise Oversight Responsibility											
2.1 Procedures are in place to monitor when controls are											

Agency Questionnaire

Agency Questionnaire

Agency:

Print Name:

Signature:

Date:

Instructions: Please answer each question by including any controls your Agency has in place in the "Controls Implemented" column. Also, please attach any written policy that is in place.

	Control Factor	Question	Controls Implemented	Attach Applicable Policy
Control Environment				
Principle #1 – Demonstrate Commitment to Integrity and Ethical Values				
1.1	Executive management has established a “tone at the top” that has been communicated to and is practiced by executives and management throughout the agency.	Does your Agency effectively communicate its Mission, Vision, Goals, and Objectives to all Bureaus? Where are these principles located? How often are these principles reemphasized to the Bureaus (i.e. annually, change of administration)?		
1.2	Management enforces a formal code or codes of conduct communicating appropriate ethical and moral behavioral standards through policy/training and addresses acceptable operational practices and conflicts of interest. Appropriate disciplinary action is taken in response to departures from such. (Management Directive 205.9)	Does your Agency maintain a code of conduct and comply with Management Directive 205.9 (financial interest conflict check)? How is the code of conduct communicated to Bureau personnel? Where is it maintained?		
Principle #2 – Exercise Oversight Responsibility				
2.1	Procedures are in place to monitor when controls are overridden and to determine if the override was appropriate.	Are procedures in place to monitor when controls are overridden and to determine if the override was appropriate (i.e. journal entries entered by top level		

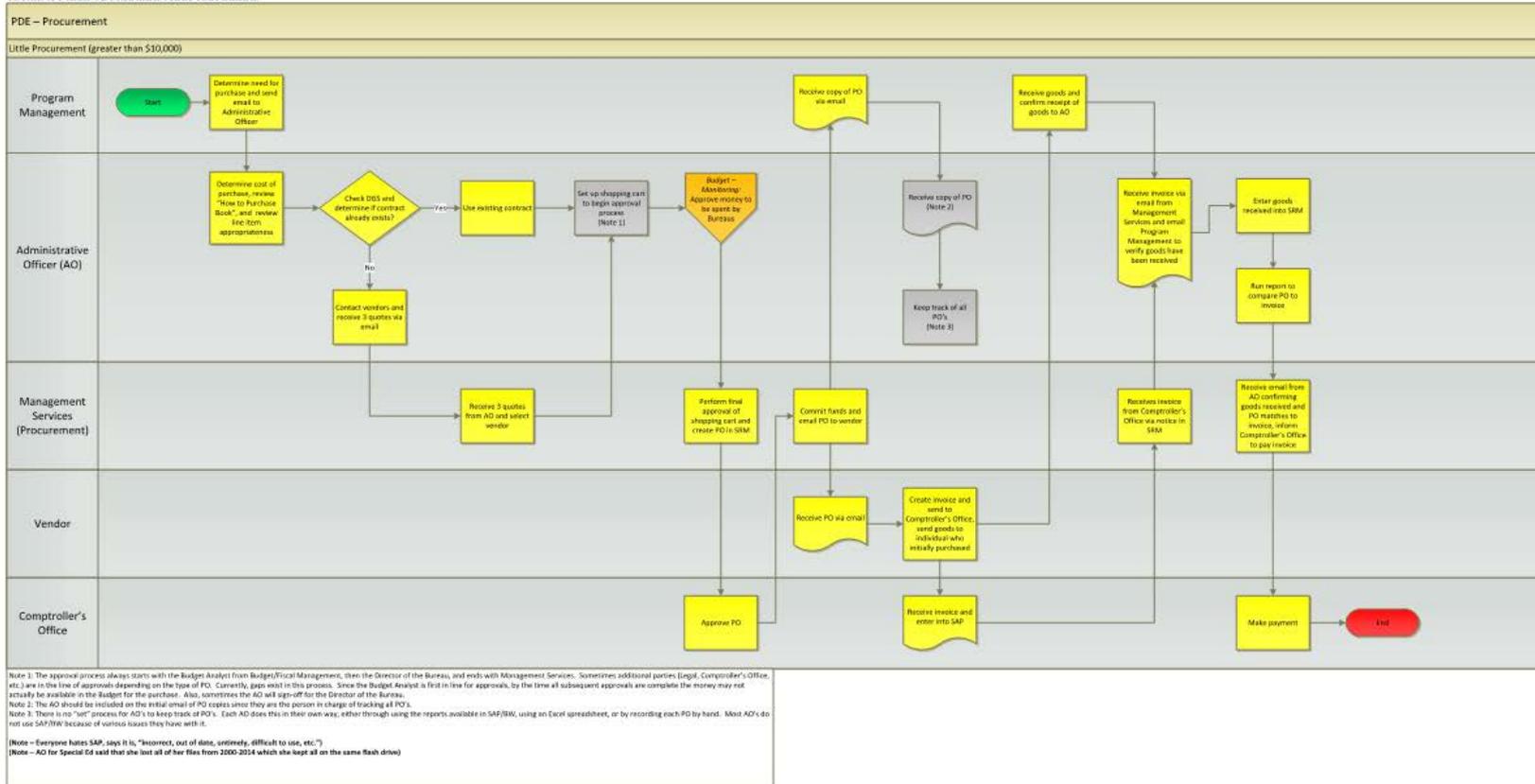
Agency Questionnaire (cont.)

Principle #6 – Define Objectives and Risk Tolerances			
6.2	Success factors that are critical to achievement of agency objectives are identified by the assessable unit. Resources are appropriately allocated between critical success factors and objectives of lesser importance. Measurement criteria are used in assessing whether agency objectives are achieved over time by the assessable unit.	Does your Agency monitor each Bureau's efficiency using measurement criteria (quantitative or qualitative)? If so, what measurement criteria do you use?	
6.3	The agency has an integrated management strategy and risk assessment plan that considers the assessable unit objectives and relevant sources of risk from internal management factors and external sources and establishes a control structure to address those risks.	Does your Agency implement new strategies on an annual basis to fall in line with budgetary needs (i.e. budget cuts) and review the control structure related to the new strategy?	
6.4	Long and short-range plans are developed and written. Changes in direction are made only after sufficient study is performed. Management has established a process to periodically review and update agency-wide strategic plans and objectives as they relate to the assessable unit.	Does your Agency have a process to periodically review and update Agency-wide strategic plans and objectives as they relate to each Bureau? If so, what is your process?	
6.5	The assessable unit has activity-level objectives that are critical to the success of the overall agency-wide objectives. Realistic objectives are established for all critical activities including operations, financial reporting and compliance	Does each Bureau within your Agency have realistic objectives in place that contribute to the success of the overall Agency-wide objectives?	
6.6	Employees at all levels of the assessable unit are aware of and understand the objectives.	Are all employees made aware of changes in objectives with the Bureau as they occur (i.e. annual training/meeting)?	
6.9	The activity level objectives are consistent with effective past performance and best business practices that apply to the assessable unit's operations.	Does Executive Management review current performance with historical past performance and compare to other governmental agencies?	
Principle #7 – Identify, Analyze, and Respond to Risks			
7.1	A process exists to identify and consider the implications of	Does a process exist within your Agency to identify and	

Principles 10 & 12 – Process Maps

Control Activities									
Principle #10 – Design Control Activities									
10.1	Physical safeguarding policies and procedures have been developed, implemented and communicated to all employees: 1) Physical controls ensure equipment, supplies, inventory, cash, negotiable securities, and other assets are physically secured, periodically counted, and reconciled to the amounts shown on control records. 2) Management and control of capital assets are obtained through an inventory system, assets are assigned numbers and marked upon delivery. 3) Management designates an Inventory Coordinator to emphasize the importance of effective inventory management and duties. 4) Surplus property is accounted for, recorded, and disposed of as is required. 5) When an employee leaves commonwealth service, or transfers to another position, management completes and retains an "employee separation checklist" to help ensure that the commonwealth's assets and systems are protected and that all commonwealth owned property is returned.				Must talk to each Assessable Unit and understand their processes (Process Maps)				
10.2	Policies and procedures address the handling of confidential or sensitive information such as social security numbers or protected health information.				Must talk to each Assessable Unit and understand their processes (Process Maps)				
10.3	The agency has established and monitors performance measures and indicators.				Must talk to each Assessable Unit and understand their processes (Process Maps)				
10.4	Key duties and responsibilities are divided or segregated among different people to reduce the risk of error, waste, or fraud. For example, no one person should initiate transactions, approve transactions, record transactions, reconcile balances, handle assets and review reports.				Must talk to each Assessable Unit and understand their processes (Process Maps)				
10.5	Management requires transactions exceeding a specified dollar threshold to be escalated to a higher-level manager for additional approval.				Must talk to each Assessable Unit and understand their processes (Process Maps)				

Principles 10 & 12 – Process Maps



Principle 11 - IT

Principle #11 – Design Activities for the Information System										
Access to Programs and Data										
11.1	Management classifies information resources according to their criticality and sensitivity.						IT			
11.2	<u>Information Security Policy/User Awareness:</u> 1) Information security policies and procedures are documented, and include user security administration, password management, login requirements, data security, privacy, and e-mail usage. 2) Information security policies are disseminated to all users (i.e. online shared document repository or web portal with documents available for employee review/access).						IT			
11.3	Microsoft Active Directory and other application settings are in place to control access to systems through password parameter settings. Passwords are required to be a minimum of 8 characters, one numeric and alpha character is required, and passwords expire every 30 days. User sessions are terminated after four invalid login attempts and users IDs are placed in a suspended status.						IT			
11.4	<u>Access Administration:</u> 1) Network and application access requests for new employees are communicated through e-mail notification from the HR department to the system administrators. Upon receiving notification, the member of this group will grant access based upon job responsibilities.									

Next Steps

- Develop Corrective Action Plans (“CAPs”)
- Implement Monitoring Plan
- Revisit initial Assessment Template
- Prepare Assurance Statement for FY 16-17
- Evaluate the initial assessment process again

Thank You

Discussion?