



Internal Control Tips from the Internal Audit Department

Standards for Internal Control in the Federal Government

The Comptroller General of the United States has published Standards for Internal Control in the Federal Government, commonly known as the Green Book, establishing standards which apply to OCPS in our handling of federal funds. <http://www.gao.gov/assets/670/665712.pdf>

Federal funds we receive include, but are not limited to:

- U.S Department of Agriculture Child Nutrition funds
- U.S. Department of Defense JROTC funds
- U.S. Department of Education Pell grants, special education funds, and Title I

The Green Book describes internal controls as having five components and 17 principles that are established by management as follows:

Control Environment

1. The board and management should demonstrate a commitment to integrity and ethical values
2. The board should oversee the internal control system
3. Management should establish the organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives
4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals
5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities

Risk Assessment

6. Management should define objectives clearly to enable identification of risks and define risk tolerances
7. Management should identify, analyze, and respond to risks related to achieving the defined objectives
8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks
9. Management should identify, analyze, and respond to significant changes that could impact the internal control system

Control Activities

10. Management should design control activities to achieve objectives and respond to risks
11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks
12. Management should implement control activities through policies

Information and Communication

13. Management should use quality information to achieve the entity's objectives
14. Management should internally communicate the necessary quality information to achieve the entity's objectives
15. Management should externally communicate the necessary quality information to achieve the entity's objectives

Monitoring

16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results
17. Management should remediate identified internal control deficiencies on a timely basis

Effective internal control starts with everyone sitting around the table in superintendent's executive management team or the superintendent's cabinet. Managers sitting around the table should be able to point to documentation, data and data analytics that explain the scope and depth of internal controls related to their primary roles and responsibilities in the school district. Minimum documentation requirements explained in the Green Book are as follows:

- "If management determines that 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. (paragraph OV2.06)
- Management develops and maintains documentation of its internal control system. (paragraph 3.09)
- Management documents in policies the internal control responsibilities of the organization. (paragraph 12.02)
- Management evaluates and documents the results of ongoing monitoring and separate evaluations to identify internal control issues. (paragraph 16.09)
- Management evaluates and documents internal control issues and determines appropriate corrective actions for internal control deficiencies on a timely basis. (paragraph 17.05)
- Management completes and documents corrective actions to remediate internal control deficiencies on a timely basis. (paragraph 17.06)"

Management is key in all aspects of these internal control standards.

For more information about this or any internal control matter, please contact the Internal Audit Department at 407-317-3200, 2002897 or Internal.Audit@ocps.net.

