

# Overview of Internal Control

## Green Book, Internal Controls, and the Oversight Body

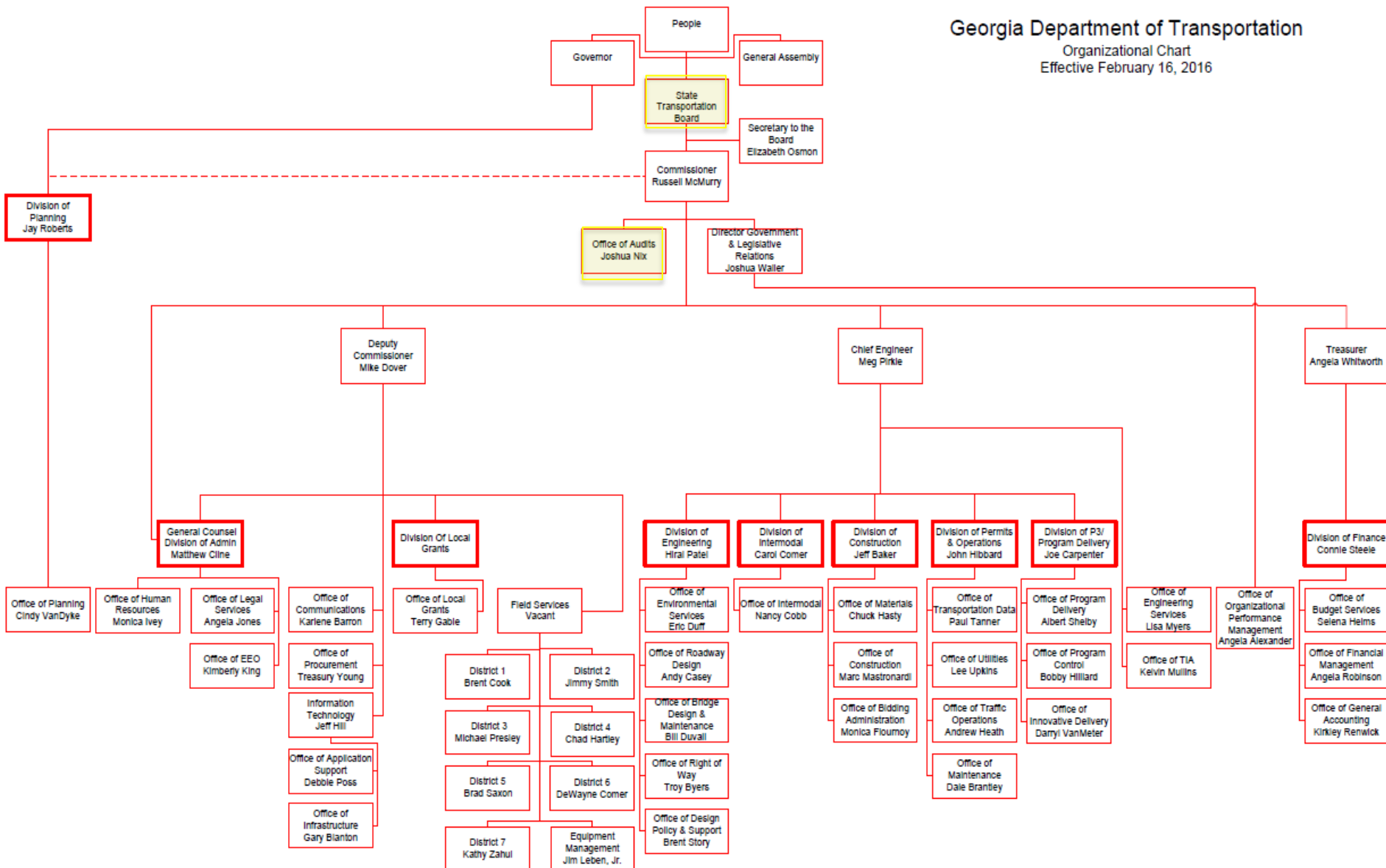
Presented by: Josh Nix, *CPA, CFE, CGFM*  
Administrator, Office of Audits

# Agenda

- Provide Overview of the Office of Audits
- Discuss the *Standards for Internal Control in the Federal Government* (known as the Green Book) issued by the U.S. Government Accountability Office
- Review the Oversight Body Responsibilities
- Questions
- Vote on Board Policy 21-3 – Standards for Internal Control to adopt the *Standards for Internal Control in the Federal Government* issued by the U.S. Government Accountability Office

# Georgia Department of Transportation

Organizational Chart  
Effective February 16, 2016



# Office of Audits - Mission

Provide independent, objective assurance and advisory services based on a systematic examination of evidence to ensure that the organization, programs, activities, and functions of the Department are operating as intended.

Provide reasonable assurance that federal and state costs proposed and charged to the Department via contracts and agreements with contractors, consultants, and subgrantees are accurate, reasonable and comply with all applicable federal and state laws, regulations, and provisions of contracts.

# Office of Audits - Vision

In keeping with GDOT's vision of "Enhancing Georgia's competitiveness through leadership in transportation", our vision is to provide on-going value to GDOT by:

- Enhancing the accountability and integrity of GDOT's operations.
- Demonstrating competency and leadership as audit professionals.
- Maintaining open and effective communication with all levels of management and internal and external customers.
- Dedicating ourselves to continuous improvement of our processes and development of our team members.
- Setting high expectations for ourselves as audit professionals.

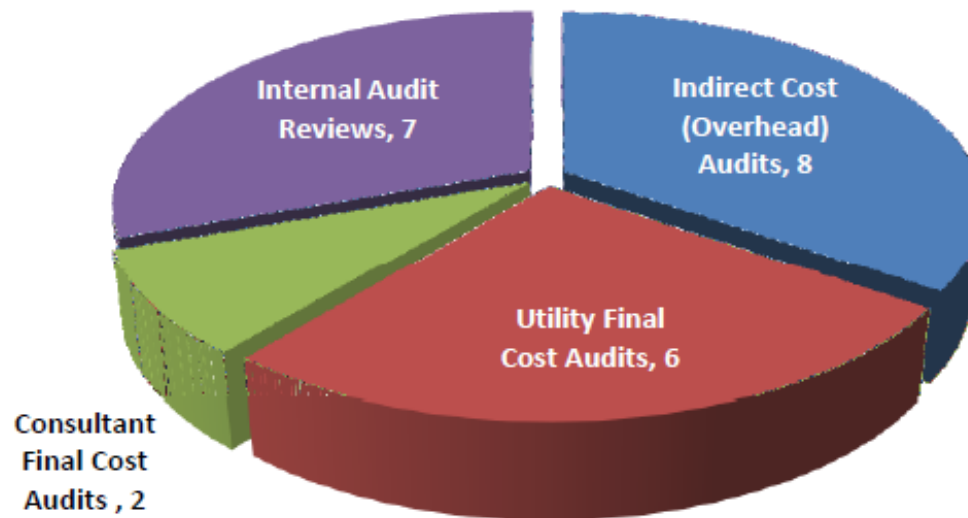
# Key Responsibilities

- Complete audits, reviews, and other audit activities.
- Communicate audit findings and offer recommendations related to fraud, abuse, or compliance deficiencies.
- Identify current and potential risks to GDOT and its operations.
- Advise executive management and other GDOT division and office management on audit and accounting standards, federal and state compliance regulations, development of policies and procedures, and programmatic best practices.

***Note: See Handout A for additional information***

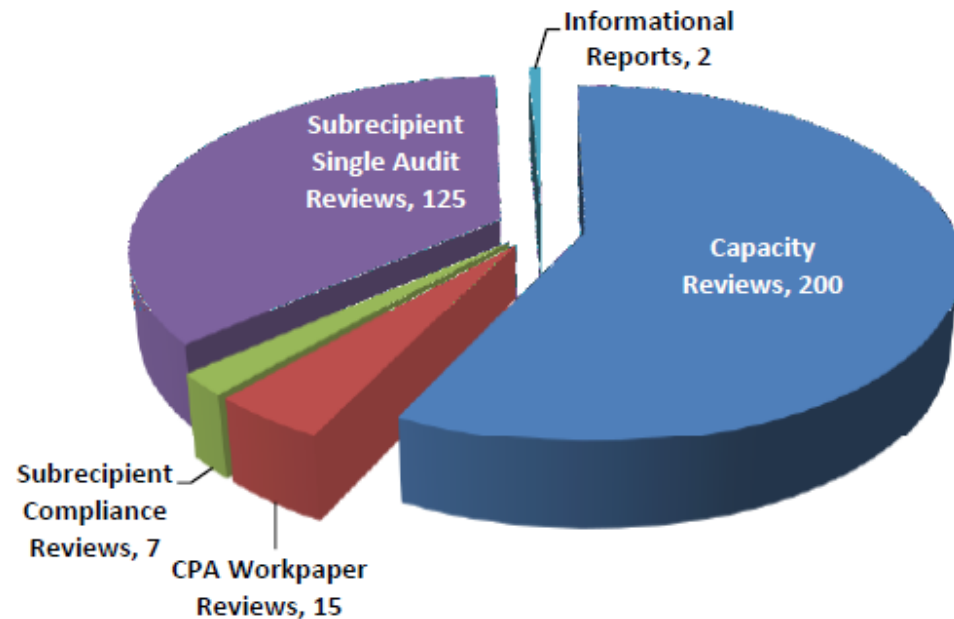
# Audit Activities

- Completed 23 audit engagements during FY15:



# Audit Activities

- Completed 349 reviews/activities classified as non-audit advisory services during FY15:



## ***Standards for Internal Control in Federal Government (Green Book)***

- Published by the U.S Government Accountability Office.  
(See Handout B)
- Sets internal control standards for federal entities.
- Clarifies the role of the oversight body.
- Adopted by the State Accounting Office December 22, 2015. (See Handout C)
- *GDOT's upcoming FY 2016 audit conducted by the Department of Audits and Accounts*

# ***Standards for Internal Control in Federal Government (Green Book)***

- Internal control is defined as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. (*Green Book, Page 5, Section OV1.01*)
- Objectives can be broadly classified into the following categories:
  - Effectiveness and efficiency of operations.
  - Reliable internal and external financial and non-financial reporting.
  - Compliance with applicable laws and regulations.
- Internal controls are the first line of defense in safeguarding public resources.

# Internal Control Framework

**OV2.09** Figure 3 lists the five components of internal control and 17 related principles.

## Control Environment

1. The oversight body and management should demonstrate a commitment to integrity and ethical values.
2. The oversight body should oversee the entity's internal control system.
3. Management should establish an 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 the 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.

# Oversight Body Responsibility

- Overseeing the strategic direction of the entity and obligations related to the accountability of the entity including overseeing management's design, implementation, and operation of an internal control system. (Green Book, Page 11, Section OV2.14)
- Examples:
  - O.C.G.A. §32-2-1 – Composition of department – states the department shall consist of the State Transportation Board, the Commissioner...
  - O.C.G.A. §32-2-21 – Powers and duties of the board generally – requires approval of all long-range plans and programs of the department
  - Board Policy 2a-6 – Bylaws of the State Transportation Board
  - Board Policy 2a-8 – Ethics Resolution of the State Transportation Board
  - Board Policy 2d-13 – Long-Range State Transportation Plan – requires Board approval in accordance with the O.C.G.A. §32-2-41
  - O.C.G.A. §32-2-22 – Definitions, responsibilities of director of Planning Division, approval of program and plan – requires Board approval of the state transportation improvement program and the state-wide strategic transportation plan
  - GDOT Policy 7191-2 – Annual Operating Budget and Amendments – requires Board review and approval prior to submission to the Office of Planning and Budget (OPB)

# Action

Adopt the *Standards for Internal Control in the Federal Government* issued by the U.S. Government Accountability Office.

# Board Policy 21-3 Standard for Internal Controls



## GDOT Publications Policies & Procedures

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**Policy:** 21-3- Standard for Internal Controls

**Section:** Board Policies - General

**Office/Department:** oSTATE TRANS BOARD

**Reports To:** oDEPT OF TRANSPORTATION

**Contact:** 404-631-1000

The State Transportation Board recognizes the importance of internal controls to assure the efficient and ethical management of Department resources. The State Transportation Board recognizes that standards of control play an integral role in assuring that the Department operates in an efficient and ethical manner. To assure the Department maintains its operations in an efficient and ethical manner, the State Transportation Board hereby adopts the [Standards for Internal Control in the Federal Government](#), known as the "Green Book", as the standard for internal controls within the department.

### References:

Click here to enter Policy references, if any.

### History:

new policy: