

# GAO Issues Revised Standards for Internal Control in the Federal Government

By Kristen A. Kociolek

Policymakers and program managers are continually seeking ways to improve accountability in achieving an entity's mission. A key factor in improving accountability in achieving an entity's mission is to implement an effective internal control system. An effective internal control system helps an entity adapt to shifting environments, evolving demands, changing risks, and new priorities.

In an effort to help all federal agencies improve their performance, the U.S. Government Accountability Office (GAO) issued its revised *Standards for Internal Control in the Federal Government*, also known as the "Green Book," in September 2014. This revision incorporates comments received in response to GAO's Green Book 2013 Exposure Draft. (See related [Government Brief](#).)

The Green Book sets the standards for an effective internal control system for federal agencies, a crucial safeguard over public resources. State, local, and quasi-governmental entities, as well as not-for-profit organizations, may adopt the new Green Book standards as a framework for an internal control system.

Internal control helps an entity run its operations efficiently and effectively, report reliable information about its operations, and comply with applicable laws and regulations. These standards provide the overall framework for designing, implementing, and operating an effective internal control system.

This new edition of the Green book has greater detail and depth. While retaining the five components of internal control found in past editions, which apply to all organizational levels and to all categories of objectives, the 2014 version also presents 17 new principles that enumerate management responsibilities

in implementing and overseeing an effective internal control system. GAO has adopted the key concepts from the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) *Internal Control—Integrated Framework*, and adapted them for a government environment.

Section 3512 (c) and (d) of Title 31 of the United States Code (commonly known as the Federal Managers' Financial Integrity Act (FMFIA)) requires that federal agency executives periodically review and annually report on the agency's internal control systems. FMFIA further requires the Comptroller General to prescribe internal control standards. The revised Green Book will be effective beginning fiscal year 2016 and will apply to the FMFIA reports covering that year. Federal management, at its discretion, may elect early adoption of the 2014 Green Book.

The 2014 Green Book is available on GAO's website at <http://www.gao.gov/greenbook>.

## Author's Bio

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Kristen A. Kociolek is an assistant director on the Government Accountability Office's (GAO) Financial Management and Assurance Team. Kristen is a member of GAO's audit standards team responsible for developing, drafting, and maintaining Government Auditing Standards (the Yellow Book) and Standards for Internal Control in the Federal Government (the Green Book). Prior to joining GAO, Kristen worked as an audit manager with Ernst & Young where her work focused on financial audits of state and local governments. She is a Certified Public Accountant and a Certified Government Financial Manager. Kristen is a member of the AICPA Government Performance and Accountability Committee.

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