

**Pennsylvania**  
**Office of Comptroller Operations**  
**Comments on Standards for Internal Control 2024**

Questions for comment, Page 12

1. New Documentation Requirement
  - Concur
  
2. Relevance of Attributes
  - OV2.08 – Concur.
  - OV2.09 – Consideration should be given to adding “intentionally” in the last sentence so one cannot interpret the original verbiage as being a shortfall. “The Green Book, however, intentionally does not prescribe how management designs, implements and operates an internal control system.”
  - OV3.10 Consideration should be given to modifying to:
    - If a principle is not designed and implemented properly then the respective component cannot be effective. If a principle is not operating effectively, then the respective component may be deficient.
  
3. Collaboration and Responsibility within the Internal Control System
  - OV1.07 – Consider adding “Tone at the Top” in 3<sup>rd</sup> sentence to ensure all levels of management, not simply operational management, understand that the integrity of the internal control environment emanates from the Executive and Oversight levels. While the phrase is noted within 1.03 and 1.04, such a key phrase should be in Section 1, Fundamental Concepts of Internal Control, it should be introduced in IV1.07 to alert executive and oversight personnel to their ultimate role in internal controls.
  - OV1.07 – Consider including in second sentence “assesses risks” after implements controls.
  - OV1.07 - Consider changing from “is responsible” to “are responsible”.
    - Also, not sure “including program and financial managers” is necessary verbiage as all members of management are responsible...
    - Recommendation: “Management—at all levels and within all functions in the entity’s organizational structure are responsible for an effective internal control system.”
  
4. External Parties
  - Consideration should be given to adding “grantors” to 15.02 as could be an entity other than a state or local government.
  
5. Application Guidance in the Risk Assessment Component
  - (1) 7.02 – 3<sup>rd</sup> sentence - Word “periodic” is not necessary as remainder of the sentence specifies the timeliness.
  - (2) 8.02 – Consideration should be given to adding “Conflicts of Interest” and “Related Party Transactions”

- 8.12, in the bulleted examples provided for “the volume of payments made through the program or activity”, consider revising to, “total dollar amount”.
6. Adds Requirements to Assess Improper Payments and Information Security Risks
- Concur
7. Application Guidance Related to Assessing Fraud Risk
- 8.06 – Consideration should be given to adding a bullet related to “Conflicts of Interest and Related Party Transactions” as these the internal controls over these specific types of fraud usually fall on senior and executive management to oversee, while the magnitude of failure could be material financially and organizationally.
8. Identifying and Responding to Significant Changes
- 9.07 Consideration should be given to including verbiage such as: “Management should consider including verbiage in documents, policies, and procedures related to Business Continuity, Incident Command, Emergency Operations, etc. to ensure those involved with those types of incidents understand their responsibility to ensure any changes to the internal control system are memorialized.”
9. Discrete Processes to Manage Certain Entity Risks
- 8.20 - Consideration should be given to adding a bullet related to “Conflicts of Interest and Related Party Transactions” as these the internal controls over these specific types of fraud usually fall on senior and executive management to oversee, while the magnitude of failure could be material financially and organizationally.
10. Categories of Control Activities
- Concur
11. Prioritizing Preventative Control Activities
- 10.09 – Consideration should be given to adding following after 4<sup>th</sup> sentence – “Management should place increased emphasis on ensuring effective preventative controls are developed and implemented to reduce and/or eliminate the susceptibility to an unintended event. While detective controls are just as important, they may or may not detect such activity, and material financial and other non-recoverable losses could occur until discovered, or if at all. The key internal control is a robust preventative internal control environment.”
12. Changes Related to Information Technology
- 11.15 – Consideration should be given to modifying 2<sup>nd</sup> sentence to: “To reasonably assure that changes to the configuration of information technology are necessary, work as intended, and do not cause loss of data or program integrity, changes go through a formal change management process in which they are authorized, documented, retained, tested, and independently reviewed.”
13. Focus of Information and Communication
- Concur

#### 14. Monitoring Component

- Concur

#### 15. New Appendixes

- Concur

#### Other potential considerations

- Glossary - Recommend defining the terminology “periodic and ongoing basis” to ensure reader/user has a better understanding.
- Glossary - Recommend defining “acceptable levels”.
- OV2.10 – Consideration should be given to changing the word “vary” to “may vary” in second sentence.
- 8.09 – Consideration should be given to adding “the tone at the top,” as repeated overrides could set the tone of management that control circumvention is acceptable.
- 12.02 – Consider revising to state the following “Management establishes control activities by documenting in policies what is required/expected and in procedures what specified actions are to be performed.”
- 12.03 - 2<sup>nd</sup> sentence – revise “doing so mitigates” to “doing so eliminates or mitigates.”
- 14.06 – Consider adding last sentence – “Management should have established policies and procedures on the processing, investigation, and management handling of such matters to ensure an environment of accountability.”
- 14.08 – 2<sup>nd</sup> sentence – remove word “periodically” as “periodic” is used later in sentence, and verbiage is not consistent with same sentence in 15.08.
- 17.03 – 3<sup>rd</sup> sentence suggested edit: “Depending on the nature of the issues, personnel may consider reporting certain issues to the oversight body or an established hotline.”
- 17.04 – consider adding “grantors, office of inspector general,”
- 17.08 – add to end – “Management should subsequently validate that implemented corrective actions are present and functioning as designed and are effective.:
- Consider adding hyperlinks to future drafts to ensure ease for reviewers/commenters.
- Consider adding a crosswalk to future drafts to ensure ease for reviewers/commenters.