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From: Bridges III, John H. (ATF [REDACTED])
Sent: Thursday, August 22, 2024 1:18 PM
To: Green Book Comments
Cc: Green Book Comments
Subject: Standards for Internal Control in the Federal Government - 2024 Exposure Draft

[REDACTED] [REDACTED]

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GAO,

I have been reviewing the subject exposure draft “Green Book” of June 2024. Some great material which can be supported by the various risk practitioners across the federal government. After reviewing Principle 2, a gap may exist between section 2.09 through 2.13 between “deficiencies and 10.14, 17.07, 17.08 and Glossary, when addressing risk.

If appropriate, would it be suitable to redefine risk and deficiency as highlighted below based on the term - likelihood of occurrence.

risk: The possibility that a **deficiency escalation or event occurring that could adversely affect** the achievement of objectives

deficiency: When the design, implementation, or operation of a control does not allow management or personnel, in the normal course of performing their assigned functions, to achieve the entity’s objectives **then the likelihood of occurrence is considered a risk.** (7.06 applies)

internal control: A process effected by an entity’s oversight body, management, and other personnel, designed to provide reasonable assurance that the objectives **does not pose a vulnerability or risk** of an entity will be achieved.

Justification is based on decades of observations that a better bridge needs to be established between operational risk, enterprise risk management, auditors and internal controls guidance. Most risk practitioners observe a deficiency as a risk, although some deficiencies are not risk, but may indicate the likelihood of occurrence. Internal control or audit practitioners may not observe a deficiency as a risk, which presents a gap if deficiency escalates.

If additional clarity can be provided to the above citations could enhance management design and control activities by addressing existing control activities to mitigate risks to acceptable levels within management’s defined risk tolerance and risk appetite thresholds.

John

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