Internal Controls Presentation

Office of Inspector General

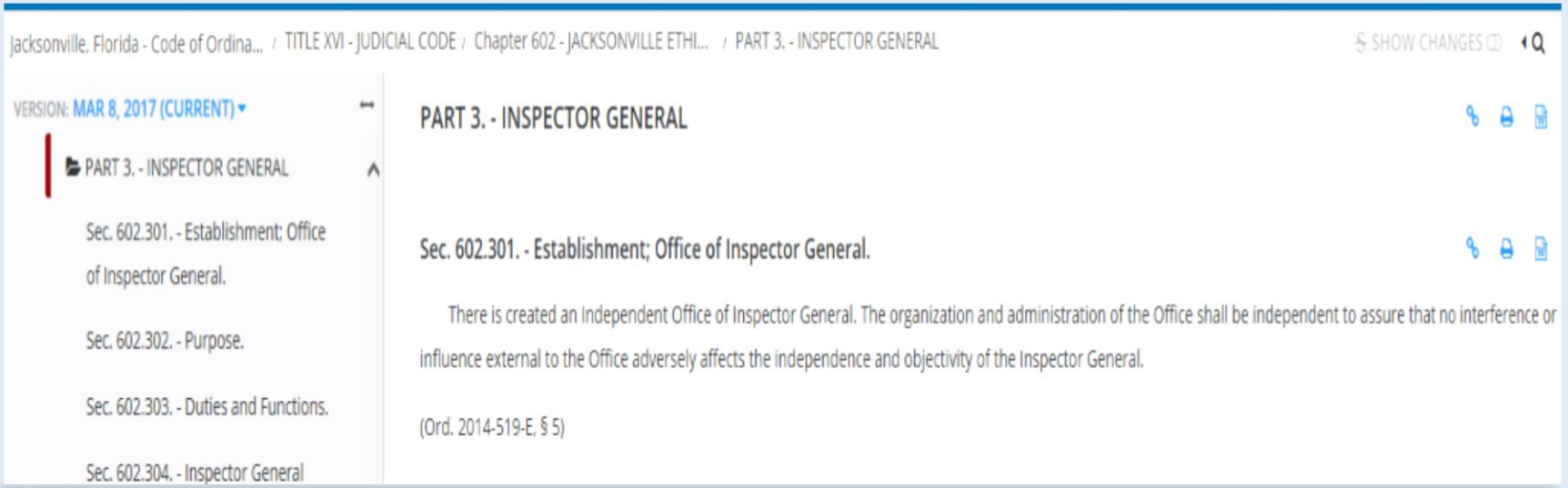
City of Jacksonville

Presentation Outline

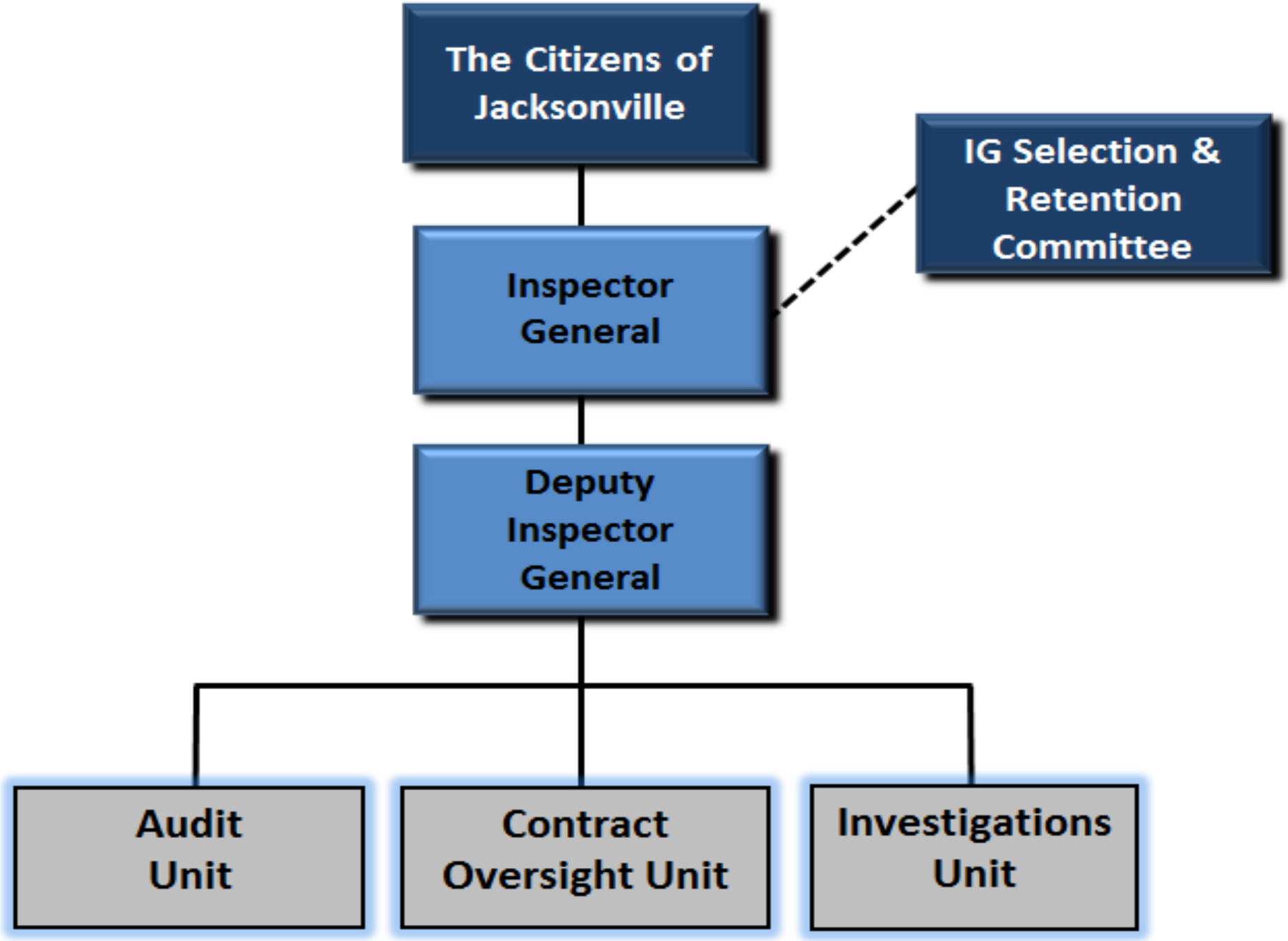
- OIG Overview and Structure
- OIG Responsibilities
- Inspector Generals vs Internal Auditors
- Internal Controls and Professional Standards

Creation Of Jacksonville's OIG

The City of Jacksonville's OIG was created by ordinance (***Chapter 602, Part 3***) in October 2014 and amended by Charter referendum in March 2015 to include Constitutional Offices and Independent Agencies.



CONSOLIDATED GOVERNMENT


The Citizens of Jacksonville
IG Selection & Retention Committee
Inspector General
Deputy Inspector General
Audit Unit
Contract Oversight Unit
Investigations Unit

Audit Unit

Conducts audits that focus on strengthening management controls in areas most susceptible to fraud, waste, and abuse.

Improves the economy and efficiency of operations in Consolidated Government.

Contract Oversight Unit

Reviews the City's procurement processes, resulting in recommendations to address shortcomings, irregularities, and/or opportunities for improvement.

Investigations Unit

DETECT,

PREVENT,

DETER,

ELIMINATE

Fraud,

Waste,

Mismanagement,

Other Abuses

OIG Investigations

EMPLOYEE MISCONDUCT

- *Theft, Bribery*
- *Time and Attendance Fraud*
- *Misuse of City Property and Equipment*
- *Misuse of Position*

CONTRACT FRAUD

- *Falsification of Records*
- *Bid Rigging*
- *Failure to follow City Procurement Procedures*
- *Conflict of Interest*

OIG Responsibilities

Fact Finders

Issue **Recommendations** to Enhance Policies, Procedures, Rules and Internal Controls

Make Re**commendations** to Take Appropriate Corrective Action(s)

Provide **Transparency** to the Public

Inspector Generals versus Internal Auditors

Areas of difference include:

- Investigation , Contract Oversight, and Audit are all under the IG structure.
- The duties of the IG are defined by ordinance or statute and not just a charter.
- There may be a greater level of independence, (since IG's do not directly report to Administration and are shielded from retaliatory action by law).
- There is heightened emphasis on ethics and accountability.
- There is a heightened emphasis on fraud, waste and abuse.
- The ultimate accountability and reporting is to the public rather than to an audit committee.
- Reliance on another set professional standards (OIG Principles and Standards).
- Additional certification requirements.

Inspector Generals versus Internal Auditors

Areas of similarity include:

- Adhere to the same professional standards (GASB, GAGAS, and IIA)
- Educational and experience requirements are the same
- The review and importance of internal controls
- Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework

COSO Update

Monitoring
Information &
Control Activities
Communication
Risk Assessment
Control Environment

Operations
Reporting
Compliance
Control Environment
Risk Assessment
Control Activities
Information & Communication
Monitoring Activities
Entity Level
Division
Operating Unit
Function

Professional Standards

- Quality standards in the Principles and Standards for Offices of Inspector Generals recommend audits performed by OIGs follow the Government Auditing Standards issued by the Comptroller General of the United States or Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors(IIA).
- The Standards for Internal Controls in the Federal Government, also referred to as the Green Book, sets the standards for internal controls in the federal government.
- The Green Book is an adoption of the COSO Framework.
- Section 4.10 in the overview of the Green Book states the Green Book may be applied as a framework for an internal control system for state, local, and quasi-government entities, as well as not-for-profit organizations.

Professional Standards

IIA 2130.A1 states internal audit activity must evaluate the adequacy and effectiveness of internal controls in responding to risks within the organization's governance, operations and information systems regarding the :

- The achievement of the organization's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programs;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

What is the Green Book and how is it used?

Important facts and concepts related to the Green Book and internal control

Internal control and the Green Book

What is internal control?

Internal control is a process used by management to help an entity achieve its objectives.

How does internal control work?

Internal control helps an entity

- Run its operations efficiently and effectively
- Report reliable information about its operations
- Comply with applicable laws and regulations

How is the Green Book related to internal control?

Standards for Internal Control in the Federal Government, known as the Green Book, sets internal control standards for federal entities.

How does an entity use the Green Book?

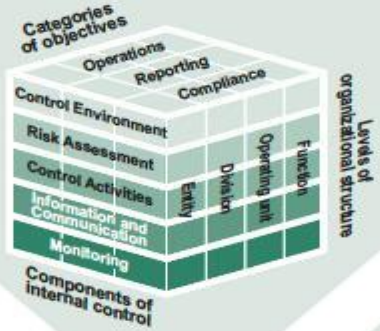
An entity uses the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance.

Who would use the Green Book?

- A program manager at a federal agency
- Inspector general staff conducting a financial or performance audit
- An independent public accountant conducting an audit of expenditures of federal dollars to state agencies
- A compliance officer responsible for making sure that personnel have completed required training

The cube

The standards in the Green Book are organized by the five components of internal control shown in the cube below. The five components apply to staff at all organizational levels and to all categories of objectives.



Principles

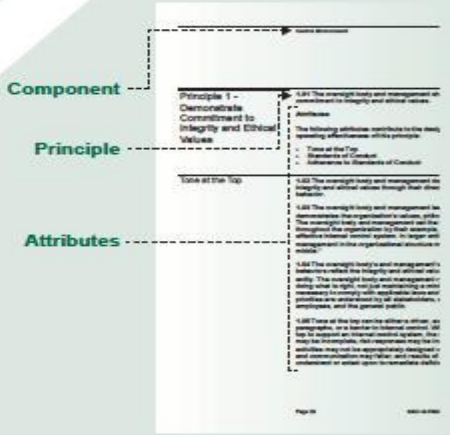
Each of the five components of internal control contains several principles. Principles are the requirements of each component.

Attributes

Each principle has important characteristics, called attributes, which explain principles in greater detail.

Page structure

Green Book pages show components, principles, and attributes.



Sources: GAO and COSO.

GAO.GOV/GREENBOOK

GAO-14-704G