

FEDERAL FUNDING TERMS DEMYSTIFIED

GREEN BOOK

The Green Book is the *Standards for Internal Control in the Federal Government*. Per the GAO, the Green Book could be used by someone who manages programs for federal, state or local governments; someone conducting a performance audit or a financial audit; or someone responsible for making sure that the personnel follow policies and procedures related to any and all job responsibilities related to government funding controls.

The Green Book organizes internal control into five components 1) Control Environment, 2) Risk Assessment, 3) Control Activities, 4) Information and Communication and 5) Monitoring. Each component is made up of separate control principles which detail certain control attributes that combined help to provide a cohesive system of internal controls.

The Uniform Guidance notes that non-federal entities establish and maintain internal control over the federal awards that provides reasonable assurance that the non-federal entity is managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards. The guidance notes that the internal controls established “should” be in compliance with the Green Book or the “Internal Control Integrated Framework (revised in 2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission” (COSO). The use of the term “should” indicates that this is not *required*, but is considered to be a best practice and, therefore, entities would want to review the Green Book or COSO in their entirety to help ensure that an adequate system of internal control is designed and maintained. Part 6 of the yearly OMB Compliance Supplement helps auditors and non-federal entities by providing illustrative controls for each type of compliance requirement and is another good tool to help understand the practical application of the Green Book standards.

In summary, the federal government strives to maintain a process whereby the use of government funds is effectively and efficiently monitored to limit waste, fraud or abuse. When you receive any funds from the federal government, it is imperative to carefully read the terms and conditions of the grant agreement, utilize the beta.sam.gov website to obtain information on the funding and speak with the funding agency to understand the audit requirements that will be expected. It is critical to maintain detailed records of how the funds are spent or amounts charged to federal awards were in compliance with the agreement. Even if the entity is not ultimately required to have an audit in accordance with the Yellow Book or the Single Audit, it is responsible for complying with all requirements and maintaining appropriate documentation.