

Internal Controls



Internal Control Submissions

- **Why all these submissions anyway.....**
- **Let us go back to the Green Book, and look at some quotes relating to documentation:**
 - “Documentation is a necessary part of an effective internal control system.”
 - “Documentation is required for the effective design, implementation, and operating effectiveness of an entity’s internal control system.”

The Green Book includes minimum documentation requirements as follows:

- “Management develops and maintains documentation of its internal control system.”
- “Management documents in policies the internal control responsibilities of the organization.”
- “Management evaluates and documents the results of ongoing monitoring and separate evaluations to identify internal control issues.”

- All of those steps in Onspring help to satisfy the Green Book minimum documentation standards as it
- Documents internal controls currently in place.
- Documents areas of potential risk for control activities not currently in place.
- Contains graphs/charts to visually show certain aspects of internal controls.

Therefore, it is important to have accurate information in Onspring.

Onspring Submissions



Onspring Reminder




- **SAO brought in prior year answers, for both:**
 - Risk Assessment/Control Activity
 - Control Environment
- **Then prior to CFO certification, Organization was to review and update Onspring information as necessary.**
- **However, SAO found numerous areas that had not been updated from the original information brought in to Onspring.**

Common Updates Needed

1. Risk Ratings and Justifications:

- Likelihood, impact, inherent risk justifications still including control activities
 - Also, this could inappropriately lower risk rating
- Risk ratings not supported by risk justification

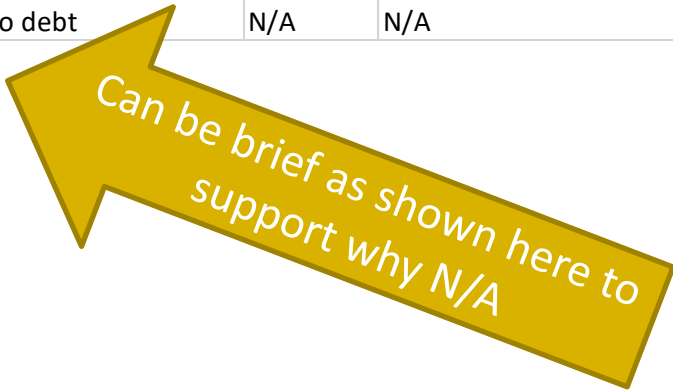
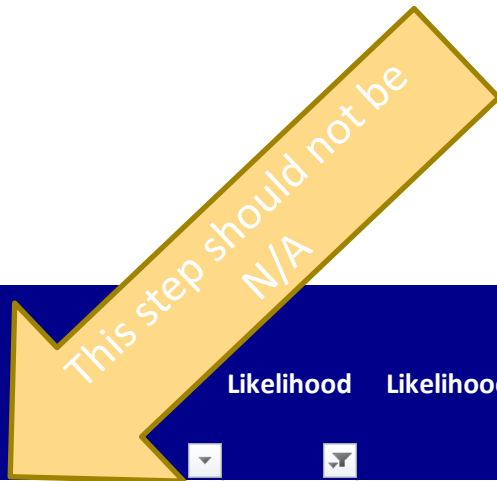
Specific Risk Examples*	Likelihood	Likelihood Justification
Recording - Cash (e.g. credit card, lockbox collections, cash on hand, LGIP, investments, etc.) is not recorded in the correct chartfields in the accounting records.	 High	Bank reconciliation is performed on a daily basis related to revenue collections to ensure cash is properly recorded and received.
Recording - Revenues are not all included in the accounting records.	High	Bank reconciliation not being performed
Reporting - Cash and Deposits Form: - fund, amounts and account codes, etc. reported do not agree with accounting records and/or supporting documentation	Low	Likelihood is low due to bank reconciliations are completed before submission; the report is reviewed by the Accounting Director and approved by the CFO.

Remember risk justification should explain the risk rating level assigned and should not include control activities.

Common Updates Needed

1. Risk Ratings and Justifications:

- Justification not provided for N/A responses



Specific Risk Examples*	Likelihood	Likelihood Justification	Impact	Impact Justification
Reporting - Long-term Liabilities Form: - appropriate research not done to include all needed items	N/A	...	N/A
Recording - Debt (e.g. items owed that have a payment schedule, interest rate, etc.) is not all included in the accounting records.	N/A	N/A - no debt	N/A	N/A

Common Updates Needed

1. Risk Ratings and Justifications:

- Risk rating not correlating to other risk ratings

Specific Risk Examples*	Inherent Risk	Likelihood	Impact
Recording - Revenues are not recorded at the correct amounts in the accounting records.	High	N/A	Low

In this example, would expect risk ratings to all be N/A or only High/Medium/Low ratings (not N/A).

Common Updates Needed



1. Risk Ratings and Justifications:

- Residual Risk ratings low, however, key control activities utilized answered No

Risk Statement	Control Name	Detailed Description	Control Utilized?	Inherent Risk	Likelihood	Impact	Residual Risk	Residual Risk Justification
Reporting - Lease Agreement Data Form: - not completely filling out all of the required information - not including step information - included leases that are no longer valid - did not include the correct payment frequency with dollar amount reported - did not include correct lease duration or steps time period	Reconciliation	Reconciliations between year-end form and accounting records and/or supporting documentation are performed accurately and timely (before submission to SAO).	No	High	Medium	Medium	Low	Controls are in place to minimize the risk of incorrectly reporting leases.
Reporting - Lease Agreement Data Form: - not completely filling out all of the required information - not including step information - included leases that are no longer valid - did not include the correct payment frequency with dollar amount reported - did not include correct lease duration or steps time period	Accounting Guidance Review	Accounting standards and guidance from SAO (such as applicable Accounting Policies) are reviewed/consulted when completing year-end form.	No	High	Medium	Medium	Low	Controls are in place to minimize the risk of incorrectly reporting leases.
Reporting - Lease Agreement Data Form: - not completely filling out all of the required information - not including step information - included leases that are no longer valid - did not include the correct payment frequency with dollar amount reported - did not include correct lease duration or steps time period	Review - Approval of form	Management reviews year-end form (before submission to SAO) to ensure form is complete and accurate.	No	High	Medium	Medium	Low	Controls are in place to minimize the risk of incorrectly reporting leases.
Reporting - Lease Agreement Data Form: - not completely filling out all of the required information - not including step information - included leases that are no longer valid - did not include the correct payment frequency with dollar amount reported - did not include correct lease duration or steps time period	Review - Form completion	Management reviews reconciliations (before submission to SAO) to ensure they are being performed timely and accurately.	No	High	Medium	Medium	Low	Controls are in place to minimize the risk of incorrectly reporting leases.


Remember residual risk is the risk remaining after management's response (or consideration of internal controls)

Guidance Reminder

Remember there is internal control guidance on SAO's website:

- <https://sao.georgia.gov/policies-and-procedures/internal-controls>

Internal Controls Guidance

-  [Introduction](#)
-  [Control Environment](#)
-  [Risk Assessment](#)
-  [Control Activities](#)
-  [Information and Communication](#)
-  [Monitoring](#)

Internal Controls Submissions

-  [Onspring User Guide](#)

Green Book

- [The Green Book](#)

Risk Assessment Guidance:

7.2. Analysis of Risks

Concept

The analysis of risks estimates the significance of their impact on achieving defined objectives. The specific risk analysis methodology used can vary because of differences in the organization's mission and difficulty in qualitatively and quantitatively defining risk tolerances.

Management Responsibilities

- Management analyzes risks, including fraud risks³, on an individual basis or collectively by grouping related risks, and considers the correlation among different risks or groups of risks when estimating their significance.
- Management estimates the significance of the identified risk's impact on the achievement of objectives, at both the organization and transaction levels, by considering:
 - Magnitude of impact – likely scale of the deficiency that could result from the risk and is impacted by factors such as the size, pace, and duration of the risk's impact
 - Likelihood of occurrence – level of possibility that a risk will occur
 - Nature of risk – factors such as the degree of subjectivity and whether the risk arises from fraud or from complex or unusual transactions



Guidance relating to
Impact and Likelihood

Common Updates Needed



2. Control Activity Utilized:

- Risk ratings and justifications are N/A, however, control activity utilized has No or Yes answers

Risk Ratings

Risk Statement	Control ID	Control Name	Detailed Description	Control Utilized?	Statement Risk	Likelihood	Impact	Response
SEFA - Reconciliation of Schedule of Expenditures of Federal Awards (SEFA) to Federal Revenues form: - fund, amounts and account codes, etc. reported do not agree with accounting records and/or supporting documentation	SEF9	SEFA Management/Program Staff Inquiry	Appropriate personnel at the organization are consulted to ensure SEFA Webportal submission and related year-end forms are complete (contains all necessary information).	No	High	N/A	N/A	N/A
SEFA - Reconciliation of Schedule of Expenditures of Federal Awards (SEFA) to Federal Revenues form: - fund, amounts and account codes, etc. reported do not agree with accounting records and/or supporting documentation	SEF7	SEFA Reconciliation to RBE/URP forms	SEFA webportal submissions and related year-end forms along with RBE/URP year-end forms are performed accurately and timely (before submission to SAO).	No	High	N/A	N/A	N/A
SEFA - Reconciliation of Schedule of Expenditures of Federal Awards (SEFA) to Federal Revenues form: - fund, amounts and account codes, etc. reported do not agree with accounting records and/or supporting documentation	SEF15	Review - Staff Competence	Management reviewing the SEFA webportal submission, reconciliations, and year-end forms are competent (have appropriate degrees, training and/or experience).	No	High	N/A	N/A	N/A

Most likely the control utilized should have been answered as N/A

Common Updates Needed

2. Control Activity Utilized:

- Control activity details are blank, however, control activity utilized has Yes answers
 - Control activity details is now a mandatory field

Risk Statement	Control ID	Control Name	Detailed Description	Control Utilized?	Inherent Risk	Likelihood	Impact	Response	Control Activity Details
Reporting - Post-Closing Adjustments Form: - not completely filling out all of the required information	RPT14	Accounting Guidance Review	Accounting standards and guidance from SAO (su	Yes	High	Low	Low	N/A	0
Reporting - Post-Closing Adjustments Form: - fund, amounts and account codes, etc. reported are not accurate and do not agree with accounting records and/or supporting documentation	RPT14	Accounting Guidance Review	Accounting standards and guidance from SAO (su	Yes	High	Low	Low	N/A	0
Recording - Cash (e.g. credit card, lockbox collections, cash on hand, LGIP, investments, etc.) is not all included or not recorded at the correct amounts in the accounting records.	RCD9	Bank Reconciliation	Reconciliations between bank and accounting re	Yes	High	0	0	0	0
accordance with accounting Standards and SAO Accounting Policies.	RCD33	Accounting Guidance Review	Accounting standards and guidance from SAO are	Yes	Medium	0	0	0	0

Common Updates Needed

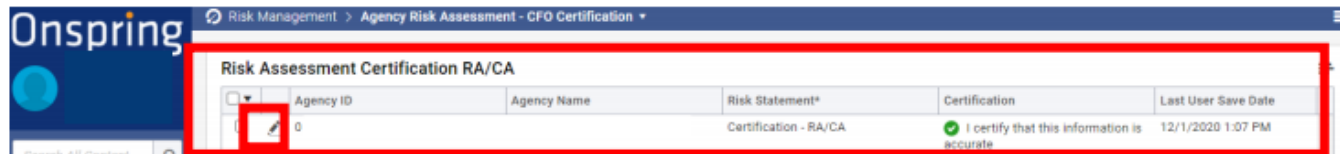
2. Control Activity Utilized:

- Control activity utilized answered No, however, control activity details are listed

Risk Statement	Control ID	Control Name	Detailed Description	Control Utilized?	Inherent Risk	Likelihood	Impact	Response	Control Activity Details
Recording - Expenditures, by fund type, are not recorded in accordance with accounting Standards and SAO Accounting Policies.	RCD33	Accounting Guidance Review	Accounting standards and guidance from SAO are	No	Medium	Low	Low	Reduction	- Reconciliation process is being established to review the Combined Detail Report monthly to ensure accuracy and is reviewed post-closing to ensure expenditures are recorded in accordance with State Policies.

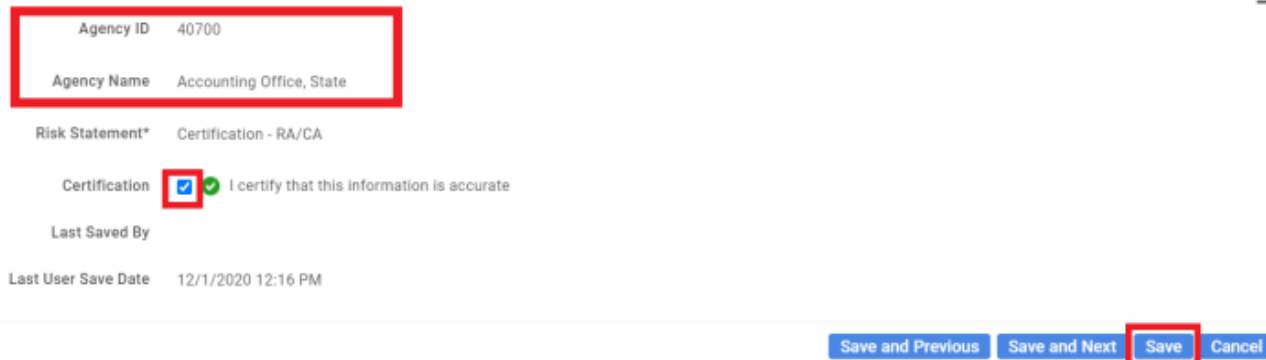
Common Updates Needed

3. Certification step not done



Agency ID	Agency Name	Risk Statement*	Certification	Last User Save Date
0		Certification - RA/CA	<input checked="" type="checkbox"/> I certify that this information is accurate	12/1/2020 1:07 PM

- f. In the Quick Edit window, validate that the “Assessing Organization/Agency” field is displaying the name of your Organization/Agency. If it is correct and you are ready to Certify the information, click the checkbox in the “Certification” field stating “I certify that this information is accurate”.



Agency ID 40700

Agency Name Accounting Office, State

Risk Statement* Certification - RA/CA

Certification I certify that this information is accurate

Last Saved By

Last User Save Date 12/1/2020 12:16 PM

Save and Previous Save and Next **Save** Cancel

- g. Click Save and the record will close. The CFO validation is now complete.

Steps from Onspring User’s guide on SAO’s website:

<https://sao.georgia.gov/policies-and-procedures/internal-controls>

Control Activities Utilized



Control Activity Utilized No?

Now let us look at certain key control activities, reported as not in place, but they are important.....

- **Reconciliations between bank and accounting record balances are performed accurately and timely (at least 30 days of month end).**
 - 61 Agencies have 325 risk steps where this is No for control utilized

Control Activity Utilized No?

What risk steps do not have reconciliations between bank and accounting records in place.....

<input type="checkbox"/> No	Recording - Cash (e.g. credit card, lockbox collections, cash on hand, LGIP, investments, etc.) is not all included or not recorded at the correct amounts in the accounting records.	11
	Recording - Cash (e.g. credit card, lockbox collections, cash on hand, LGIP, investments, etc.) is not recorded in the correct chartfields in the accounting records.	36
	Recording - Cash (e.g. credit card, lockbox collections, cash on hand, LGIP, investments, etc.) that is not valid (such as cash that does not exist) is recorded in the accounting records.	17
	Recording - Expenditures are not all included in the accounting records.	42
	Recording - Expenditures are not recorded at the correct amounts in the accounting records.	41
	Recording - Expenditures are not recorded in the correct chartfields in the accounting records.	41
	Recording - Expenditures that are not valid are recorded in the accounting records.	38
	Recording - Revenues are not all included in the accounting records.	32
	Recording - Revenues are not recorded at the correct amounts in the accounting records.	33
	Recording - Revenues that are not valid are recorded in the accounting records.	34
No Total		325

Control Activity Utilized No?

- **Reconciliation between State Organizations of amounts due to and from other State Organizations. (at least prior to year end)**
 - 67 Agencies have 181 risk steps where this is No for control utilized

Control Utilized? <input type="checkbox"/>	Risk Statement	Total
<input type="checkbox"/> No	<input type="checkbox"/> Recording - Receivables are not all included in the accounting records.	58
	<input type="checkbox"/> Recording - Receivables are not recorded at the correct amounts in the accounting records.	58
	<input type="checkbox"/> Recording - Receivables that are not valid (such as receivables that are no longer collectible) are recorded in the accounting records (note: also consider State write-off limits).	65
No Total		181

These amounts are eliminated for CAFR reporting, so important the amounts are in agreement.

Control Activity Utilized No?

- Reconciliations between State allotment receivable and State Treasury Account performed accurately and timely (at least 30 days of month end).
 - 64 Agencies have 180 risk steps where this is No for control utilized

Control Utilized? <input type="checkbox"/>	Risk Statement <input type="checkbox"/>	Total
<input type="checkbox"/> No	<input type="checkbox"/> Recording - Receivables are not all included in the accounting records.	59
	<input type="checkbox"/> Recording - Receivables are not recorded at the correct amounts in the accounting records.	60
	<input type="checkbox"/> Recording - Receivables are not recorded in the correct chartfields in the accounting records.	61
No Total		180

Control Activity Utilized No?

- Reconciliations between SEFA webportal and accounting records and/or supporting documentation are performed accurately and timely (before submission to SAO). Includes agreement of amounts fund sources, etc.
- 64 Agencies have 342 risk steps where this is No for control utilized

Control Utilized?	Risk Statement	Total
<input type="checkbox"/> No	SEFA - All grant expenditures or loan activities are not reported accurately, which includes: - at the correct amounts - with the correct CFDA number - properly identifying monetary or non-monetary - properly identifying if research and development - properly identifying amounts passed-through to others (and match information reported by pass-through organization)	44
	<input type="checkbox"/> SEFA - All grant expenditures, pass-through activities and loan activities are not included.	40
	SEFA - All pass-through amounts received are not reported accurately, which includes: - at the correct amounts (and match Provider amounts reported) - with the correct CFDA number (and match Provider CFDA reported) - properly identifying if research & development (and match Provider R&D designation reported) - properly identifying entity name that federal awards were received from - properly identifying amounts passed-through to others	56
	SEFA - Items are not reported based on GAAP, such as: - encumbrances are included or - expenditures are not reported on the modified accrual basis for general fund organizations and not reported on the full accrual basis for proprietary fund organizations	37
	SEFA - Reconciliation of Schedule of Expenditures of Federal Awards (SEFA) to Federal Revenues form: - fund, amounts and account codes, etc. reported do not agree with accounting records and/or supporting documentation	59
	SEFA - Subsequent events form: - appropriate research not done to include all needed items - amounts not reported at the correct amounts	59
	SEFA - Supplemental information (DUNS, EIN numbers and De minimis Rule answers) are not accurately reported	47
No Total		342

Control Activity Utilized No?

- Reconciliations between beginning fund balance recorded and the previous year's final ending fund balance amount are performed and any necessary adjustment (prior to year-end).
 - 56 Agencies have 192 risk steps where this is No for control utilized

Control Utilized? <input type="checkbox"/>	Risk Statement	Total
<input type="checkbox"/> No	<input type="checkbox"/> Recording - Fund balance is not all included in the accounting records.	50
	<input type="checkbox"/> Recording - Fund balance is not recorded at the correct amounts in the accounting records.	49
	<input type="checkbox"/> Recording - Fund balance is not recorded in the correct chartfields in the accounting records.	47
	<input type="checkbox"/> Recording - Fund balance that is not valid is recorded in the accounting records.	46
No Total		192

Accounting records must start where prior year left off.

Reconciliations

- **Remember reconciliations are a key detective control for many risk areas, as they identify errors, misstatement, theft, etc.**
 - If the answer actually is No, do other yes control activity steps provide mitigating controls to offset this No?
 - Should the process be changed to implement this key control activity?
- **OR...consider should the control activity utilized answer really be:**
 - No
 - Not Applicable
 - Yes (and it just was not updated)

Control Activity Utilized No?

- Segregation of duties such that one person can not do all of these duties: enter voucher/purchase order, enter receipt of goods, approve purchase/invoice, and approve payment.
 - 72 Agencies have 638 risk steps where this is No for control utilized

Control Utilized?	Risk Statement	Total
<input type="checkbox"/> No	<input type="checkbox"/> Recording - Encumbrances are not all included in the accounting records.	65
	<input type="checkbox"/> Recording - Encumbrances are not recorded at the correct amounts in the accounting records.	58
	<input type="checkbox"/> Recording - Encumbrances are not recorded in the correct chartfields in the accounting records.	57
	<input type="checkbox"/> Recording - Encumbrances that are not valid are included in the accounting records (such as amounts are recorded that are not actually owed).	59
	<input type="checkbox"/> Recording - Expenditures are not all included in the accounting records.	62
	<input type="checkbox"/> Recording - Expenditures are not recorded at the correct amounts in the accounting records.	47
	<input type="checkbox"/> Recording - Expenditures are not recorded in the correct chartfields in the accounting records.	49
	<input type="checkbox"/> Recording - Expenditures that are not valid are recorded in the accounting records.	47
	<input type="checkbox"/> Recording - Payables are not all included in the accounting records.	51
	<input type="checkbox"/> Recording - Payables are not recorded at the correct amounts in the accounting records.	48
	<input type="checkbox"/> Recording - Payables are not recorded in the correct chartfields in the accounting records.	48
	<input type="checkbox"/> Recording - Payables that are not valid are included in the accounting records (such as amounts are recorded that are not actually owed).	47
No Total		638

Control Activity Utilized No?

- Segregation of duties such that one person can not do all of these duties: record the entries or adjustments in to the accounting system, have access to the money/bank account and perform bank reconciliations.
 - 70 Agencies have 361 risk steps where this is No for control utilized

Control Utilized? <input type="checkbox"/>	Risk Statement	Total
<input type="checkbox"/> No	Recording - Cash (e.g. credit card, lockbox collections, cash on hand, LGIP, investments, etc.) is not all included or not recorded at the correct amounts in the accounting records.	30
	Recording - Cash (e.g. credit card, lockbox collections, cash on hand, LGIP, investments, etc.) is not recorded in the correct chartfields in the accounting records.	45
	Recording - Cash (e.g. credit card, lockbox collections, cash on hand, LGIP, investments, etc.) that is not valid (such as cash that does not exist) is recorded in the accounting records.	30
	Recording - Receivables are not all included in the accounting records.	63
	Recording - Receivables are not recorded at the correct amounts in the accounting records.	62
	Recording - Receivables are not recorded in the correct chartfields in the accounting records.	65
	Recording - Receivables that are not valid (such as receivables that are no longer collectible) are recorded in the accounting records (note: also consider State write-off limits).	66
No Total		361

Segregation of Duties

- **Remember segregation of duties is a key preventive control for many risk areas, to help reduce errors, misstatement, theft, fraud, etc.**
 - If the answer actually is No, what other mitigating control is in place?
 - Should the process be changed to implement this key control activity?
- **OR... consider should the control activity utilized answer really be:**
 - No
 - Not Applicable
 - Yes (and it just was not updated)

Control Activity Utilized No?

- Management reviews reconciliations (before submission to SAO) to ensure they are being performed timely and accurately.
 - 82 Agencies have 3,255 risk steps where this is No for control utilized

Control Utilized? <input type="checkbox"/>	Risk Statement	Total
<input type="checkbox"/> No	Reporting - Allowance for Doubtful Accounts Form: - appropriate research not performed to include all needed items	64
	Reporting - Appropriations Receivable Reconciliation Form: - appropriate research not performed to include all needed items	61
	Reporting - Capital Assets/Depreciation/CIP Form: - appropriate research not performed to include all needed items	58
	Reporting - Cash and Deposits Form: - appropriate research not done to include all needed items	54
	Reporting - Classification of Revenue Form: - appropriate research not performed to include all needed items	63
	Reporting - Deferred Outflows, Deferred Inflows and Nonexchange Financial Guarantees Form: - appropriate research not done to include all needed items	59
	Reporting - Deferred Outflows, Deferred Inflows and Nonexchange Financial Guarantees Form: - appropriate research not done to include all needed items	

Management Oversight

- **Remember management is directly responsible for all activities of an organization, including the design, implementation, and operating effectiveness of an organization's internal control system.**
 - If the answer actually is No, what other mitigating control is in place?
 - Should the process be changed to implement this key control activity?
- **OR... consider should the control activity utilized answer really be:**
 - No
 - Not Applicable
 - Yes (and it just was not updated)

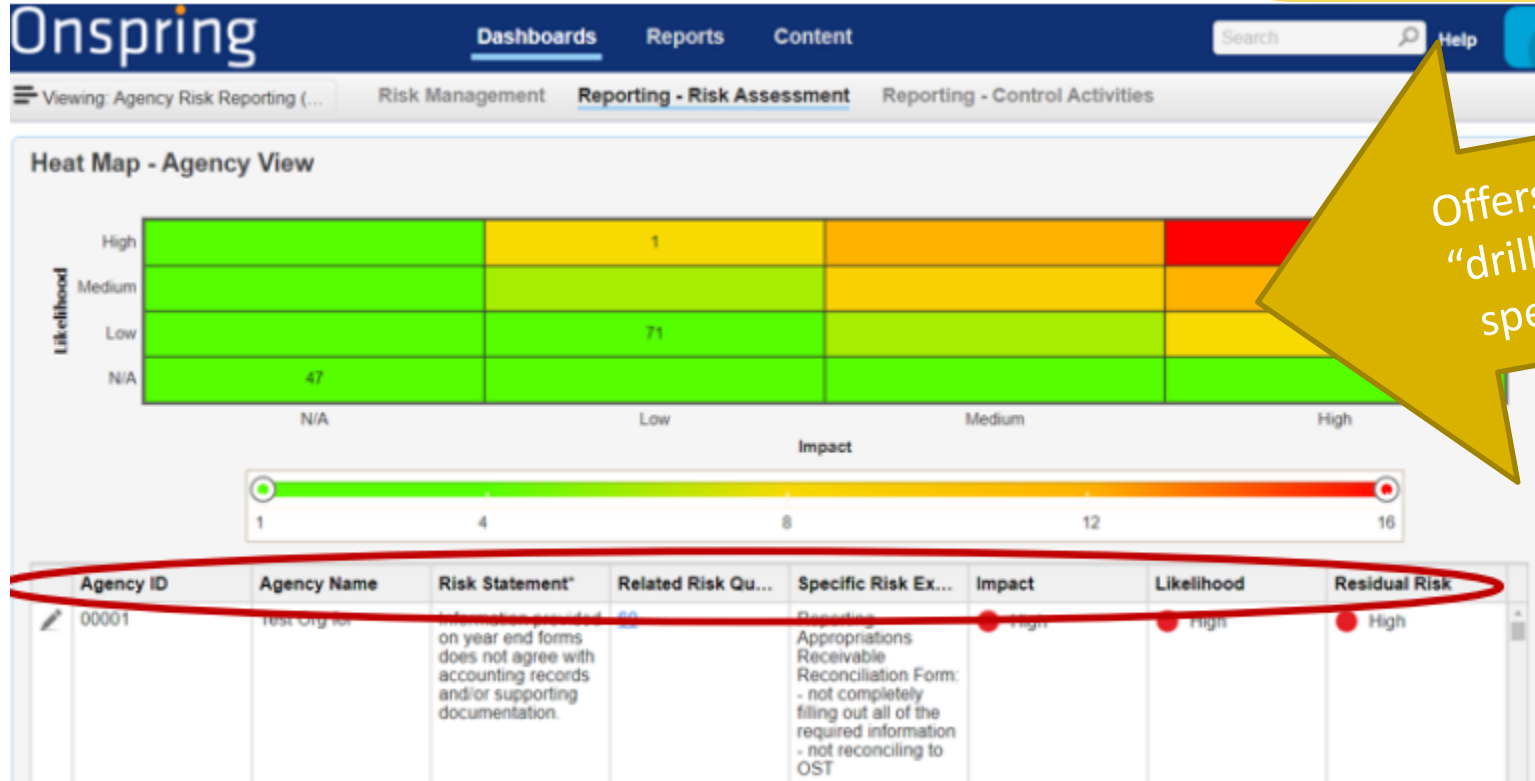
Monitoring



How to Monitor in Onspring

- **Onspring data and reports are accessible all year, to help monitor your Organization's internal control system.**
 - Review high or medium risk areas and ensure all control activities are being utilized for that risk area (via Onspring heat map)
 - Review for control utilized No answers and consider implementing missing control activity (via Onspring report or new pie chart)
 - Review high or medium residual risk areas and consider implementing necessary control activities (via Onspring bar graph)
 - Test control utilized Yes answers to ensure control activity is operating as designed (via Onspring report)

Risk Likelihood/Impact report



Offers ability to "drill-down" to specific data

"Drill-down" in red or orange areas, and look for ways to reduce risk to green (lower risk level).

Control Activity Library report

Review Steps with "no" for Control Utilized

Onspring

Viewing: Control Activity Library S... Risk Management Reporting - Risk Assessment

Search Help

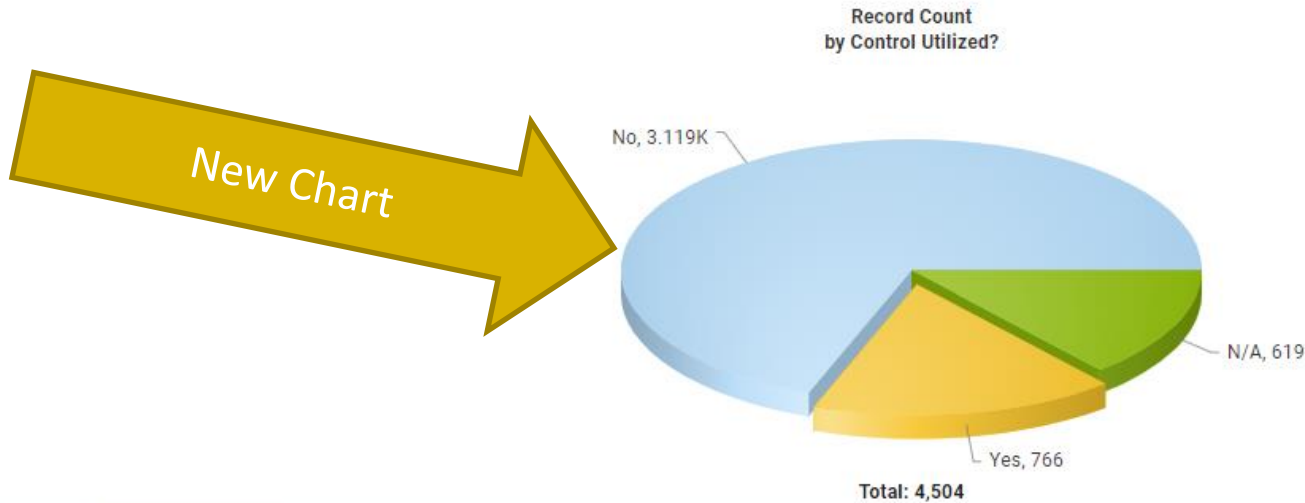
Control Exceptions - Recording

<input type="checkbox"/>	Agency/Organization ID	Agency/Organization Name	Risk Statement	Control ID	Control Name	Detailed Description	Control Utilized?
<input type="checkbox"/>			Recording - Receivables are not recorded at the correct amounts in the accounting records.	ALL1	Written Procedures	Written procedures are established and regularly updated to ensure that knowledge is shared and retained. Procedures are included for all aspects, such as: accounting for transactions, financial close, reporting, etc.	<input checked="" type="checkbox"/> No
<input type="checkbox"/>			Recording - Receivables are not recorded at the correct amounts in the accounting records.	ALL2	Cross-Training	Cross-training of staff to ensure there is backup for critical departmental functions.	<input checked="" type="checkbox"/> No
<input type="checkbox"/>			Recording - Receivables that are not valid (such as receivables that are no longer collectible) are recorded in the accounting records (note: also consider State write-off limits).	ALL1	Written Procedures	Written procedures are established and regularly updated to ensure that knowledge is shared and retained. Procedures are included for all aspects, such as: accounting for transactions, financial close, reporting, etc.	<input checked="" type="checkbox"/> No


Review control activities with no answers, and consider implementing these control activities to reduce risks.

Control Activity Utilized Pie Chart

Control Utilized - Pie Chart



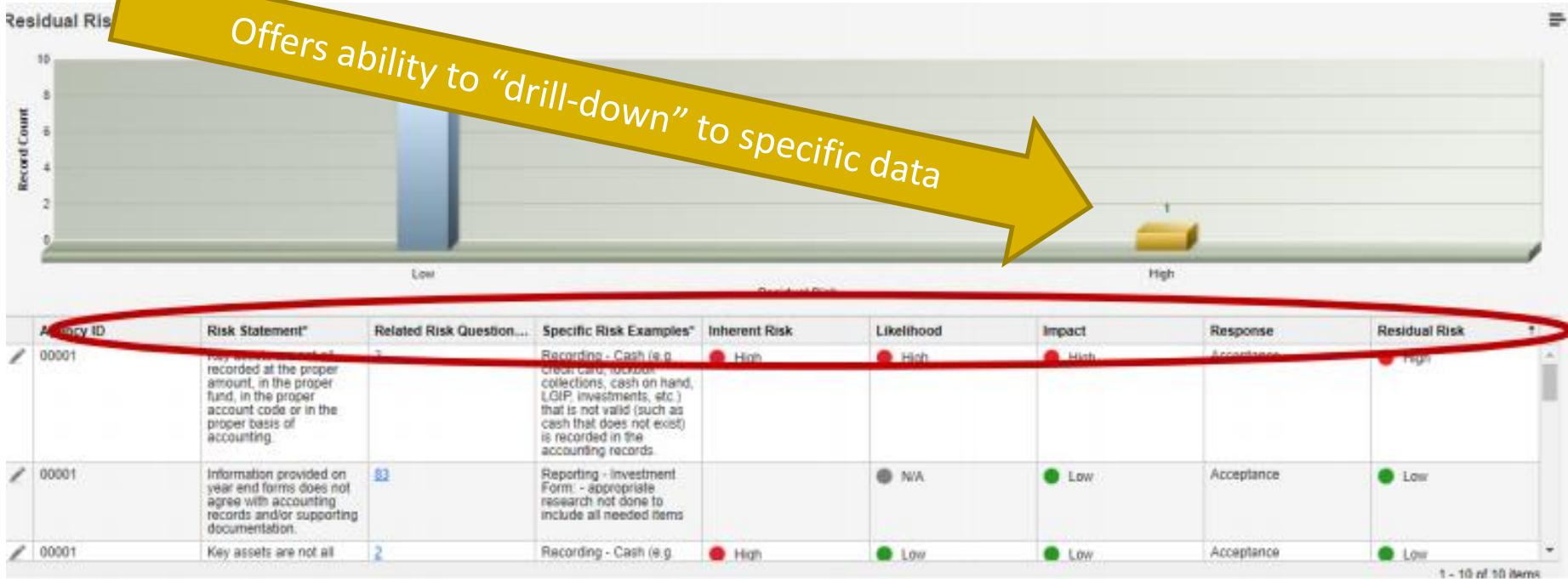
Filter By + Create Content

Agency/Organization ID	Agency/Organization ...	Risk Statement	Control ID	Control Name	Detailed Description	Control Utilized?
		Reporting - Revenue Based on Encumbrances Form: - appropriate research not performed to include all needed items	RPT8	Reconciliation to SEFA	Reconciliations between year-end form and amounts reported on SEFA reconciliation are performed accurately and timely (before submission to SAO)	✘ No

Review control activities with no answers, and consider implementing these control activities to reduce risks.

Reporting – Residual Risk report

Offers ability to “drill-down” to specific data



“Drill-down” for steps with high residual risk, and consider implementing additional control activities to reduce to medium or low.



Next Steps

Onspring Changes



Available Now:

- New Onspring version
 - Slightly easier to navigate
- Updated User Guide
 - <https://sao.georgia.gov/policies-and-procedures/internal-controls>

Upcoming:

- New RA/CA step in Reporting relating to ARO year-end form
- Certain inherent answers will be updated to match previous excel template dropdowns
- More guidance references provided in Onspring (references to GA Internal Control guidance chapters)

Upcoming Submission to SAO



Risk Assessment/Control Activity (RA/CA) update will be due again in **Spring**.

Prior to submission consider:

- Any Changes?
 - Changes in staff
 - Changes in processes
 - Changes in job responsibilities
- Control activities utilized answered No
- Risk ratings and justifications not correlating

Remember.....all organizations will continue to review and certify this submission annually.

Other Next Steps

- **SAO will continue to do more testing of documented controls**
 - Testing will expand outside of material Organizations.
- **Organizations are also expected to be testing their internal control systems**
 - In the future SAO may request certain documentation relating to this testing.

Questions



Where to Find Information



The Green Book is available on GAO's website at:

www.gao.gov/greenbook

SAO's website:

<https://sao.georgia.gov/policies-and-procedures/internal-controls>

Contact Information:

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