Internal Controls

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Internal Control Responsibility

Everyone has a responsibility for internal controls

- Management – directly responsible for the design, implementation, and operating effectiveness.

- Staff – help management and are responsible for reporting issues.

Internal Control Responsibility

But who really is ***responsible***?

- This would depend on the objective and related risks. For example, an objective relating to financial recording and reporting, such as:
  - "The accounting records and financial reports comply with Standards and are complete and accurate."

- Generally, the following would be responsible:
  - Management – most likely would include CFO, Accounting Manager, potentially Agency Head in smaller State Organizations, etc.
  - Staff – most likely would include accounting or functional staff such as: GL staff, AR staff, AP staff, program staff, etc.

Internal Control Responsibility

But who really is ***responsible***?

- But for this same objective and a slightly different specific risk:
  - Objective: "The accounting records and financial reports comply with Standards and are complete and accurate."
  - Specific Risk: "Recording - Receivables are not recorded in the correct chartfields in the accounting records.."

- It could limit who would be responsible and who should be consulted:
  - Management – most likely would still include CFO, Accounting Manager, potentially Agency Head in smaller State Organizations, etc.
  - Staff – most likely would include accounting staff such as: GL staff, AR staff, etc.

Internal Control Responsibility

But who really is ***responsible***?

- But for this same objective and a slightly different specific risk:
  - Objective: "The accounting records and financial reports comply with Standards and are complete and accurate."
  - Specific Risk: "Subsequent events form: - appropriate research not done to include all needed items - amounts not reported at the correct amounts"

- It could broaden who would be responsible and who should be consulted:
  - Management – most likely would still include CFO, Accounting Manager, potentially Agency Head in smaller State Organizations, Managers at other Divisions/Departments, etc.
  - Staff – most likely would include accounting or functional staff such as: GL staff, AR staff, AP staff, program staff, etc.

Internal Controls Reminder

- **Internal controls is an integral part of the operational processes and not a separate system.**

- **SAO requires annual review and updated submissions relating to control environment, risk assessment and control activities.**

- **However, Onspring data and reports are accessible all year.**
  - Don’t need to wait until the SAO due dates.
  - Ongoing review can be done, by analyzing various Onspring data and reports.

Statewide Internal Control Guidance Resources

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SAO website - Internal Control Resources

SAO's website contains many helpful internal control resources:

- Internal Controls Guidance
- Internal Controls Submissions
- Green Book
- Announcements
- Presentations

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

SAO website - Internal Control Guidance

- Statewide guidance relating to internal controls (based on Green Book)
- Contains an Introduction and guidance chapters for each of the 5 Green Book components
  - Control Environment
  - Risk Assessment
  - Control Activities
  - Information and Communication
  - Monitoring

SAO website - Internal Control Guidance

Each guidance chapter contains more specific details on that component's principles and attributes:

Component	Principles	Attributes
Risk Assessment	6. Management defines objectives clearly in order to identify risks and define risk tolerances.	6.1 Definitions of Objectives
		6.2 Definitions of Risk Tolerances
	7. Management identifies, analyzes, and responds to risks related to achieving the defined objectives.	7.1 Identification of Risks
		7.2 Analysis of Risks
		7.3 Response to Risks
	8. Management considers the potential for fraud when identifying, analyzing, and responding to risks.	8.1 Types of Fraud
		8.2 Fraud Risk Factors
		8.3 Response to Fraud Risks
	9. Management identifies, analyzes, and responds to significant changes that could impact the internal control system.	9.1 Identification of Change
		9.2 Analysis of and Response to Change

SAO website - Internal Control Guidance

- Each guidance chapter attribute contains the same sections:
  - Concept – brief definition of the attribute.
  - Management Responsibilities – Green Book details outlining the responsibility of management for the attribute.
  - Key Importance to Internal Control – emphasis on why this attribute is significant to internal controls.
  - Examples – Georgia specific examples that will help provide guidance or additional resources relating to designing an internal control system for this attribute.

SAO website - Internal Control Guidance

Principle

10. Management designs control activities to achieve objectives and respond to risks.

Attribute

10.1. Response to Objectives and Risks

Concept

Control activities are the policies, procedures, techniques and mechanisms that enforce management's directives to achieve the organization's objectives and address related risks (including fraud risks).

Management Responsibilities

Management designs control activities in order to:

- Fulfill responsibilities defined during the control environment component
- Address risk responses (including fraud risks) identified during the risk assessment component

Key Importance to Internal Control

Control activities are needed as a response to the organization's objectives and risks to achieve an effective internal control system.

Example[1]

Management designs control activities to achieve the objectives and address risks (including fraud risks). Some possible ways to do this could include:

- Listing needed responsibilities defined during the control environment phase and brainstorming control activities that would fulfill these responsibilities
- Listing needed risk responses identified during the risk assessment phase and brainstorming control activities that would provide the needed response
- Using a top-down, risk-based approach, and identifying the "right combination of controls"
- Applying varying design efforts to risk areas, such as applying increased levels to

Attribute references are also now included in Onspring at .

SAO website - Internal Controls Submissions

Contains a link to the Onspring User Guide, which has technical guidance such as how to use Onspring and also topical guidance relating to the various steps.

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Onspring User Guide

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SAO website - Remaining Internal Control Resources

- **Green Book, contains a link to:**
  - GAO's website that contains the Green Book publication
  - Outline of Different Elements of the Green Book
- **Announcements, contains links to:**
  - Previous SAO memos and announcements relating to internal controls and submissions
- **Presentations, contains links to:**
  - Previous SAO presentations relating to internal controls and submissions

Onspring – Overview

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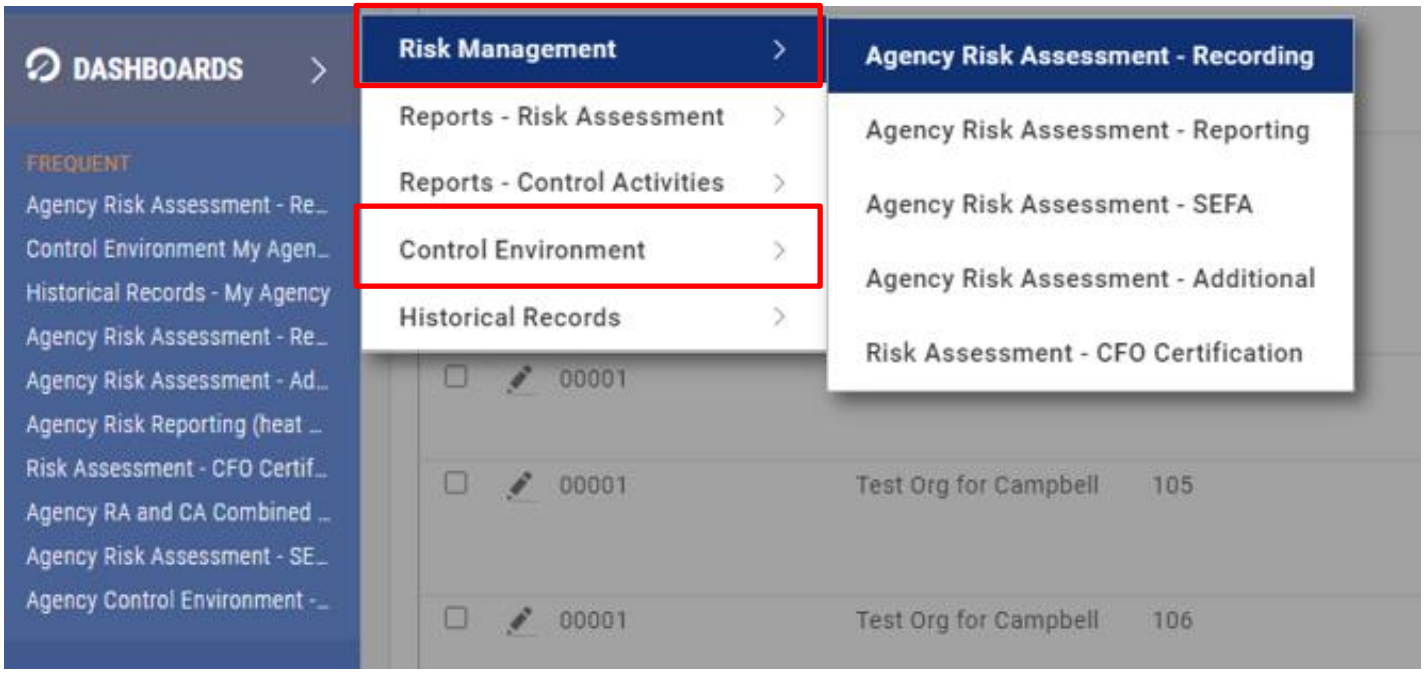
Onspring Submissions

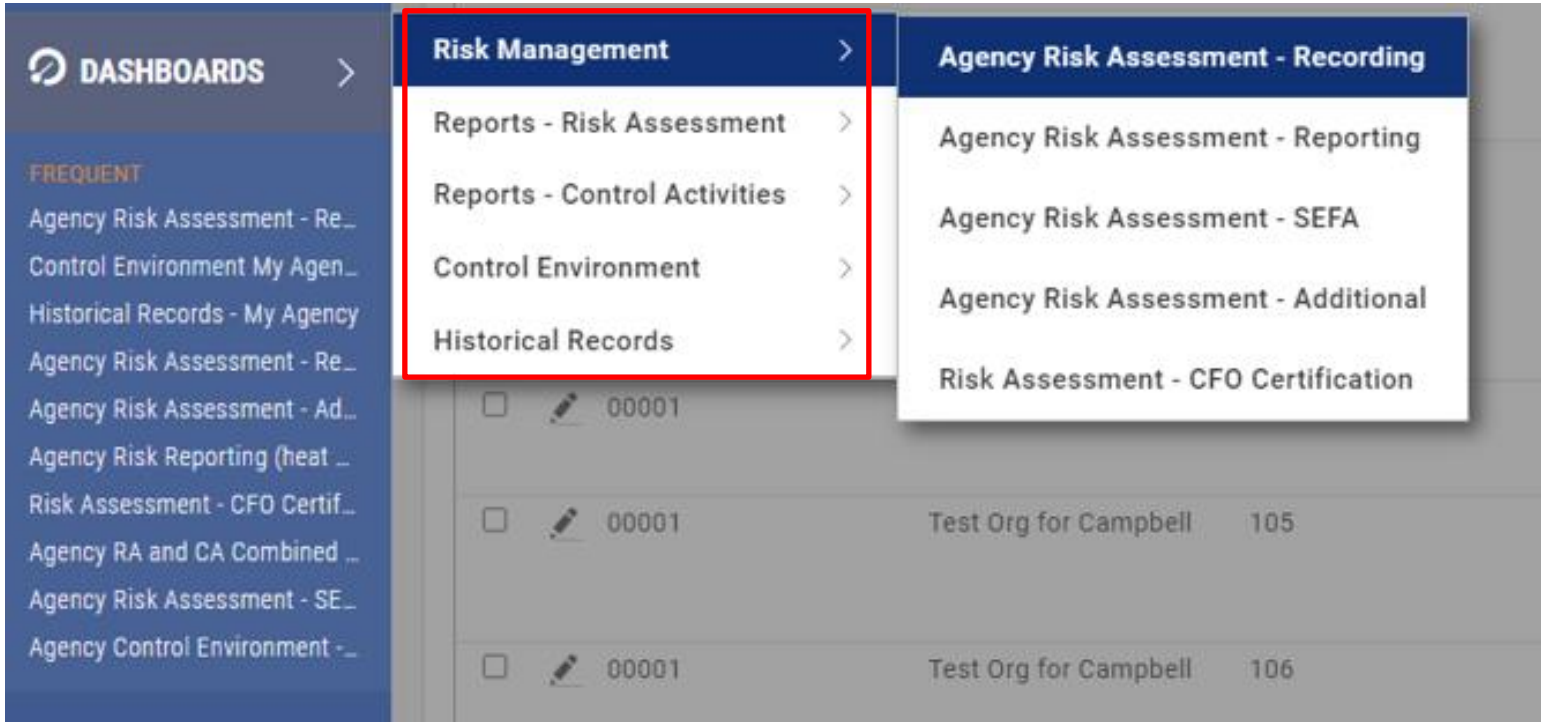
Internal control submissions for both Control Environment and Risk Assessment/Control Activities (RA/CA) are completed in Onspring.



Prior year answers will be carried forward, to allow for review and updating only where necessary.

Onspring Submissions

Onspring has dashboards that help group related activities.



In addition to submission areas, there are also reports (heat map, bar graph, etc.) and historical answers in Onspring.

Onspring – RA/CA Recording

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RA/CA Submission

Onspring is organized in same order as previous excel template:

Specific Risk Examples*	Inherent Risk	Likelihood	Impact	Residual Risk	Last User Save …
Recording - Receivables are not all included in the accounting records.	High	High	High	High	5/17/2021 11:02 AM
Recording - Receivables are not recorded at the correct amounts in the accounting records.	High	Medium	High	High	5/17/2021 8:28 AM
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).	High	High	High	High	5/17/2021 10:18 AM
Recording - Receivables are not recorded in the correct chartfields in the accounting records.	Medium	High	High	High	5/17/2021 8:29 AM

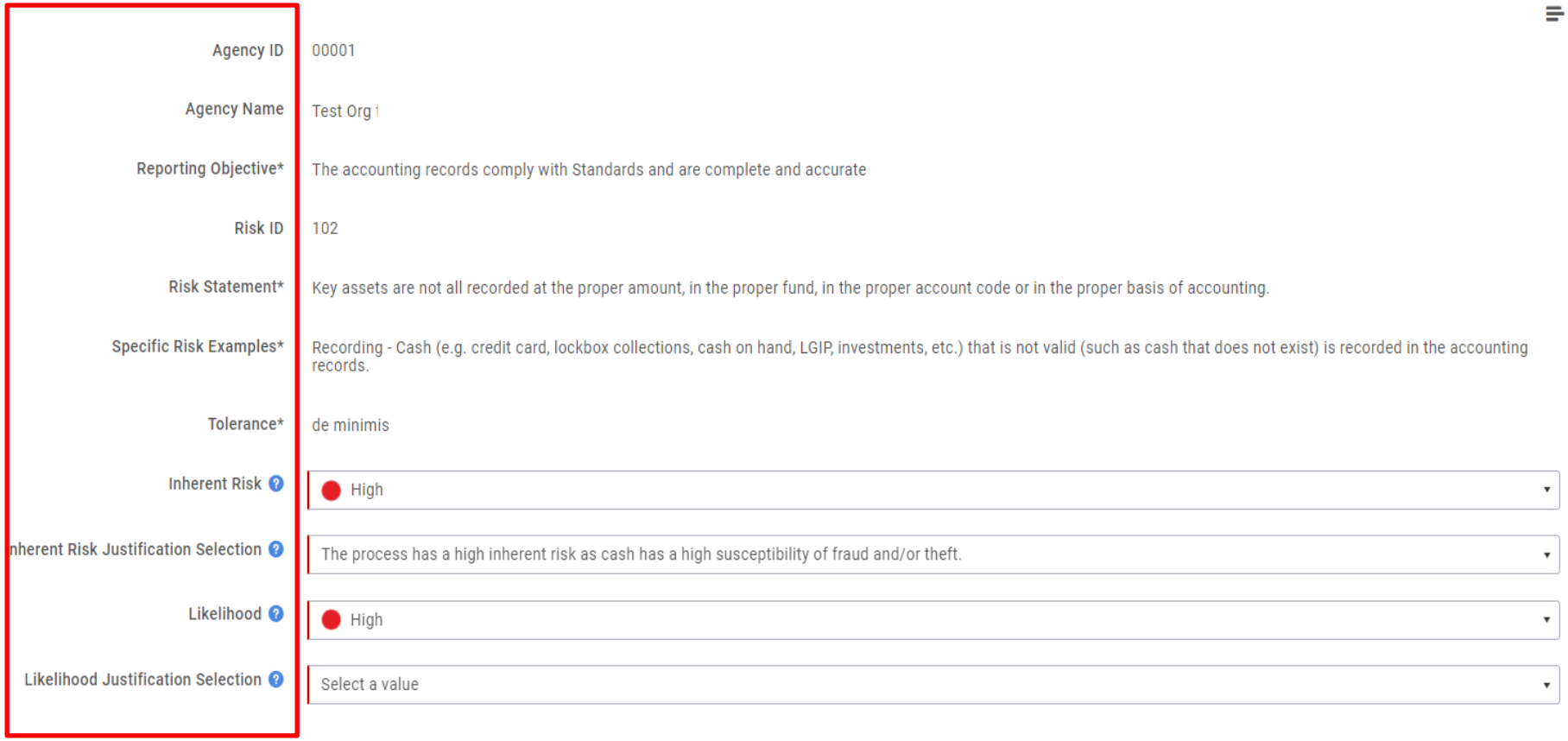
RA/CA - Recording

Recording steps in Onspring generally contain the same structure for each (functional) category:

- Recording – (Receivables) are *"not all included in the accounting records".*
  - *Completeness of accounting records*
- Recording – (Receivables) are *"not recorded at the correct amounts in the accounting records"*.
  - *Accuracy of accounting records*
- Recording – (Receivables) that are *"not valid (such as receivables that are no longer collectible) are recorded in the accounting records".*
  - *Validity of accounting records*
- Recording – (Receivables) are *"not recorded in the correct chartfields in the accounting records"*.
  - *Accuracy of accounting records*
- Recording – (Receivables) *"by fund type, are not recorded in accordance with accounting Standards and SAO Accounting Policies (relating to being measurable, available and earned)".*
  - *Completeness, Accuracy, and Validity of accounting records*

RA/CA – Recording Step

Then each step in Onspring has the same fields to be completed:



RA/CA – Recording Step

Then each step in Onspring has the same fields to be completed:

Impact: High

Impact Justification Selection: High - Dollar amounts reported in prior years (or anticipated current year) are high, and inappropriate items would be material.

Response: Acceptance

Control Activity Library: Select Related

Control ID	Control Name	Detailed Descri...	Control Import...	Control Type	Control Freque...	Control Place...	Automation	Control Utilized?
RCD27	Accounting System - Automated interface between Concur and GL/AP	Travel transactions automatically post to cash/liability accounts in the accounting system (in Teamworks from Concur nightly)	Key	Green Book - Financial Reporting	Daily	Prevent	Automated	N/A
RCD25	Accounting System - Automated interface between non-payroll	Non-Payroll (offline vouchers and spreadsheet journals) transactions automatically	Key	Green Book - Financial Reporting	Periodically as Needed	Prevent	Automated	No

Control Activity Details: test

Residual Risk: High

Residual Risk Justification: test

RA/CA – Recording - Risks

Risk Ratings and Justifications (except for residual risk) are now dropdowns with *unique selections specific to that step*:

- N/A is not always an option
  - Yes this is on purpose
  - Generally N/A is not an option in the steps for "completeness of accounting records", such as this step:
    - Recording – (Receivables) are not all included in the accounting records

But why?

- There would need to be some control activities performed to know that this step is not applicable, such as:
  - For example, for this specific risk relating to receivables, talking to federal, program staff or billing staff to know that there is no money due as an AR to you.
- Then after that the other steps may be marked as N/A if appropriate.

RA/CA – Recording – Risk Report

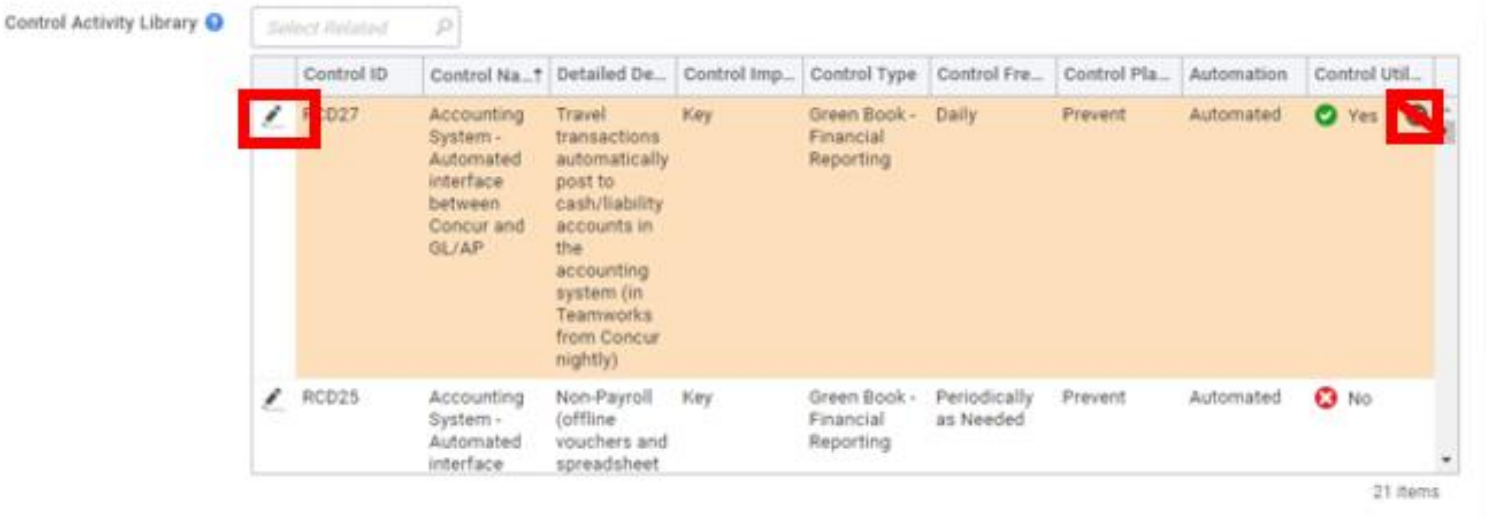
Heat map report shows likelihood and impact risk ratings

“Drill-down” for steps with high risk ratings …. start in red and move to orange areas.

RA/CA – Recording – Control Activities

Control activities are also *unique selections specific to that step* (each specific risk example has distinct control activities that should be in place for an effective internal control system)**:**

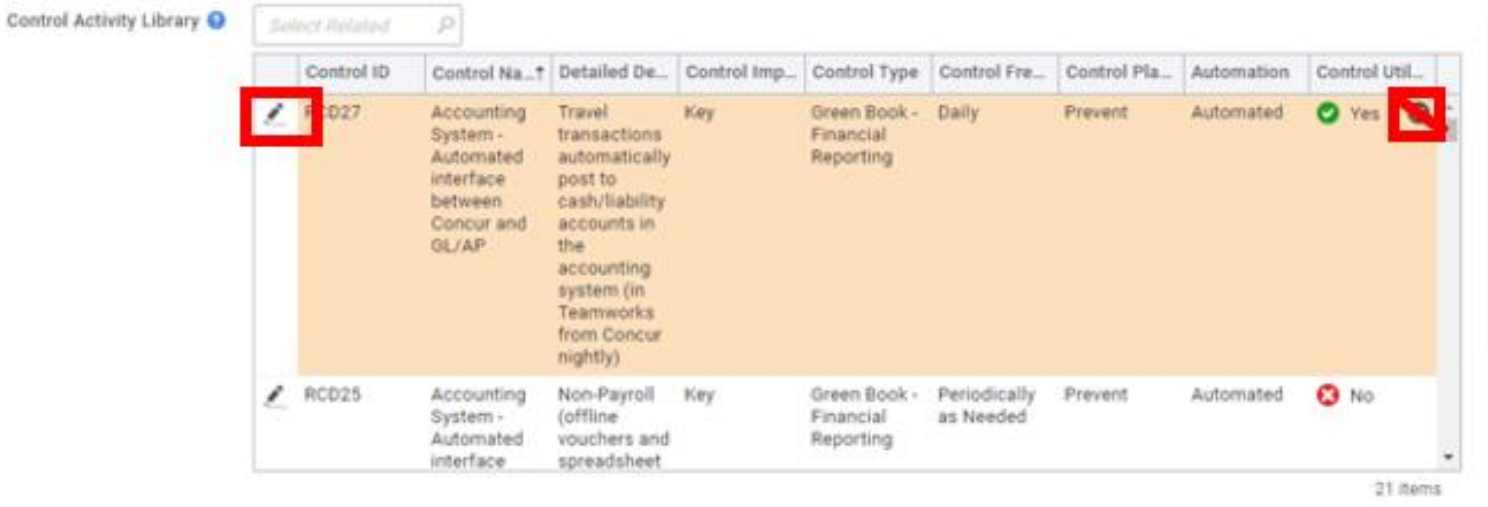
- To update the "Control Utilized" response, select the respective Quick Edit pencil icon.
- Update to indicate if the organization has the control activity **currently in place**.
- Please don't delete any…. Onspring will auto-add them back anyway. ☺



RA/CA – Recording – Control Activities

Control activities not utilized for this specific risk example:

- Any “No” answers for key control activities, indicate an internal control weakness
  - Assess the “No” answers to see how significant the internal control weakness is.
  - Assess the cost/benefit analysis of implementing that control activity,

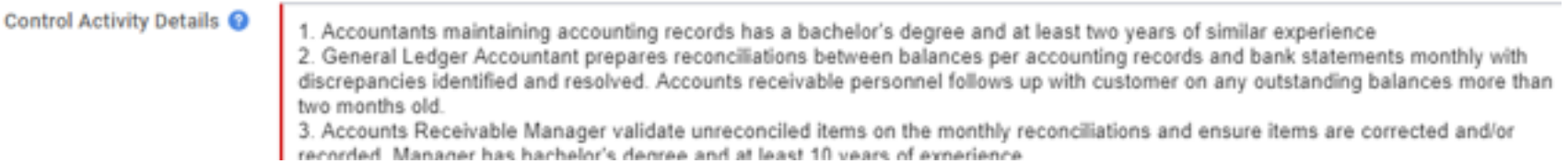


* Remember to use “N/A” as appropriate for control utilized to avoid appearance of internal control weaknesses that do not actually exist.

RA/CA – Recording – Control Activities

Also, update the "Control Activity Details" section:

- This section is not a dropdown, but instead is free form to allow text to be entered.
- These details then support the previous selection of control activities actually in place.



But what if there are not details?

- Then most likely should not answer "Control Utilized" as "Yes", the control activity is currently in place.

Onspring – RA/CA Reporting and SEFA

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RA/CA – Reporting and SEFA

Reporting steps in Onspring generally contain the same structure for each reporting area (year-end form):

- Reporting – (Classification of Revenue) Form: - *"appropriate research not performed to include all needed items"*.
  - *Completeness of financial reports*
- Reporting – (Classification of Revenue) Form: - *"not completely filling out all of the required information"*.
  - *Accuracy and completeness of financial reports*
- Reporting – (Classification of Revenue) Form: - *"fund, amounts and account codes, etc. reported do not agree with accounting records and/or supporting documentation"*.
  - *Validity and accuracy of financial reports*

SEFA steps in Onspring do not necessarily have a pattern structure, but cover the same risks relating to accuracy, completeness and validity.

RA/CA – Reporting & SEFA Steps

- **Similar to the Recording steps, each Reporting and SEFA step in Onspring has the same fields to be completed.**
- **Most steps have unique drop downs customized to that specific risk.**
  - N/A will again not always be an option, generally for "completeness of reporting", such as this step:
    - Reporting – (Classification of Revenue Form): - appropriate research not performed to include all needed items.
- **Control activities libraries are also custom to that Reporting or SEFA step specific risk.**
- **Onspring reports (heat map and pie chart) also include Reporting and SEFA steps.**

Onspring – Residual Risk

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RA/CA –Residual Risk

- **Residual risk is similar to a summary of the overall internal control system.**
- **Residual risk is the remaining risk after considering control activities in place for that specific risk.**
  - Therefore can residual risk be low if there are a lot of control activities utilized as "No"? – probably not.
    - Remember the control activity steps assigned to each specific risk step are considered the minimum key control activities.
    - All control activities assigned should eventually be in place, in order for the internal control system to be effective.
- **That is why it is important to honestly answer throughout Onspring to see where internal control weaknesses exist.**

RA/CA – Residual Risk

Agency ID	Risk Statement*	Related Risk Question...	Specific Risk Examples*	Inherent Risk	Likelihood	Impact	Response	Residual Risk
00001	recorded at the proper amount, in the proper fund, in the proper account code or in the proper basis of accounting.	7	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.	High	High	High	Acceptance	High
00001	Information provided on year end forms does not agree with accounting records and/or supporting documentation.	83	Reporting - Investment Form: - appropriate research not done to include all needed items		N/A	Low	Acceptance	Low
00001	Key assets are not all	2	Recording - Cash (e.g.	High	Low	Low	Acceptance	Low

1 - 10 of 10 items

Review steps with high residual risk, and consider implementing additional control activities to reduce to medium or low.

- Remember you can use some of the other reports in Onspring to pull up what specific control activities are no.

Onspring – Certification

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CFO Certification

CFOs must certify the RA/CA submission and Control Environment submission annually.

- This certification indicates "this information is accurate", so there should be some level of review by CFO prior to certifying.
  - Onspring user guide contains steps of how to complete this certification.

Onspring – Control Environment

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Onspring – Control Environment

- **Control environment submissions were also brought in to Onspring, to have internal control information all in one area.**

- **These submissions are currently free form text boxes (no dropdowns) given the diversity and nature of information collected.**

Onspring – Control Environment

Control Environmen…	Attribute	Narrative	Reference
1.Management and the oversight body demonstrate a commitment to integrity and ethical values.	1.1 Tone at the top	Tone at the top reflects the integrity and ethical values expected throughout DOAS and is driven by management's attitude, actions, and decisions. Our core values include "Accountable" and "Trustworthy". Our core values are beliefs that every DOAS employee holds in common and puts in practice. These core values are essential for an internal control system and represent the priorities of the DOAS culture. Expectations of a DOAS team member include: Display ethical behavior; Be good stewards of public resources (taxpayers' dollars); Adhere to policies and procedures; Actions, whether professional, financial, or political must not be a conflict of interest with DOAS duties. Employees must take steps to avoid even the appearance of a conflict of interest.	
1.Management and the oversight body demonstrate a commitment to integrity and ethical values.	1.2 Standards of Conduct	Standards of conduct define and communicate expectations relating to allowable behavior for integrity and ethical values. DOAS has established policies and procedures on standards of conduct: HR 301 – Standards of Conduct. This policy references the following: o O.C.G.A. §45-10-1 Code of Ethics for Government Service o O.C.G.A. §45-10-20 et seq. Conflicts of Interest o Governor's Executive Order establishing a Code of Ethics for Executive Branch Officers and Employees o National Institute of Government Purchasing Code of Ethics o National Association of Educational Procurement Code of Ethics The Assistant Commissioner and General Counsel is the Ethics Officer for DOAS. The Georgia Procurement Manual, which is the official source for all administrative rules issued by DOAS through its State Purchasing Division, and governs the actions of procurement professionals has a section (I.4.4.) devoted to Ethics and Professional Conduct and a	O.C.G.A. §45-10-1 Code of Ethics for Government Service O.C.G.A. §45-10-20 et seq. Conflicts of Interest Governor's Executive Order The Georgia Procurement Manual

Onspring – Data and Reports

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Onspring Data

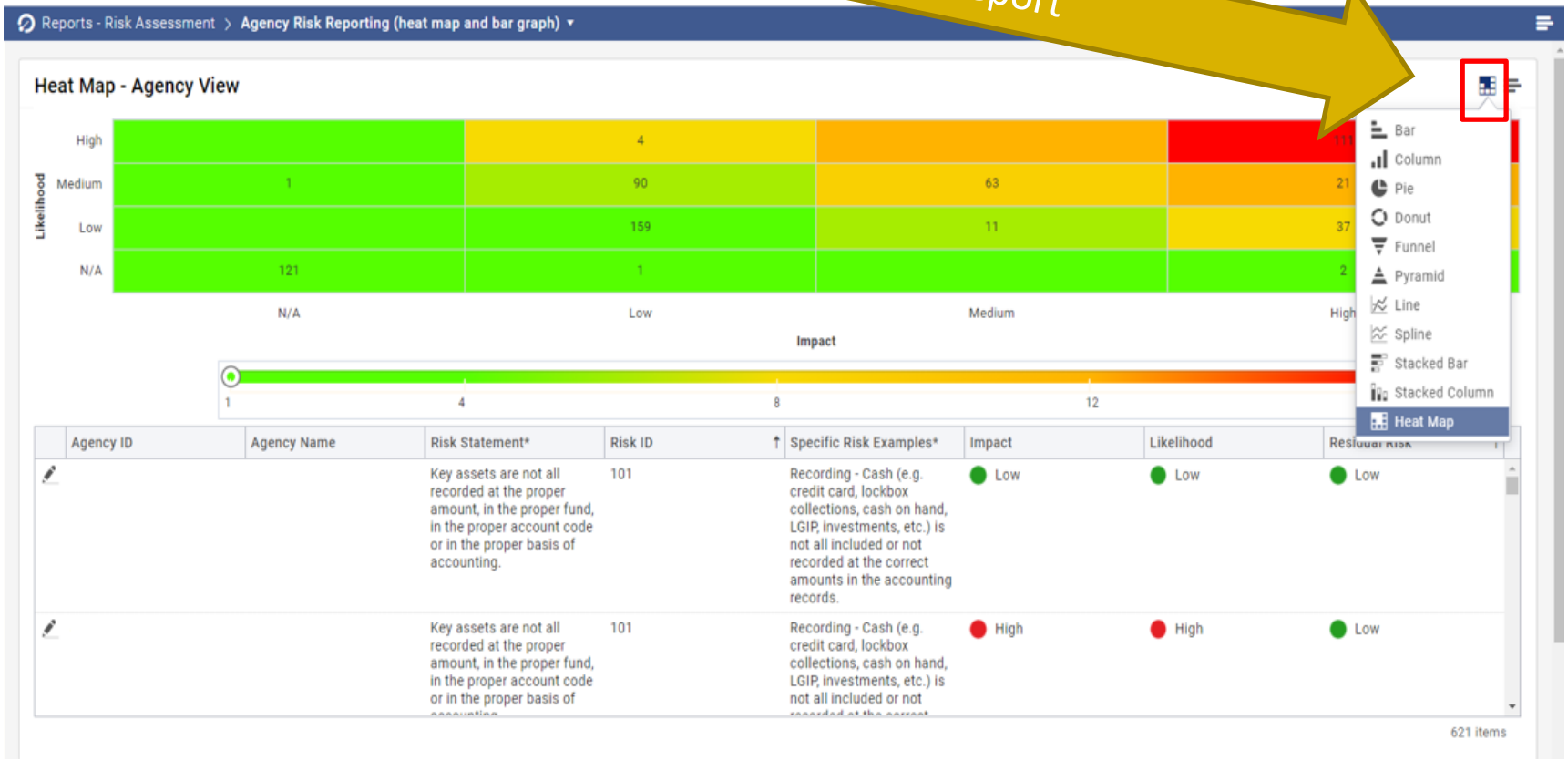
- **Onspring has many ways to view data/answers provided:**
  - Data Exports
  - Reports
- **These methods are fairly flexible and can be viewed in different ways:**
  - Exporting or printing the data
  - Changing type of report (i.e., bar to pie chart)
  - “Drill down” to underlying data in a report
  - Changing sort order of data

Onspring Reports and Data

Almost every screen has this option to export or print

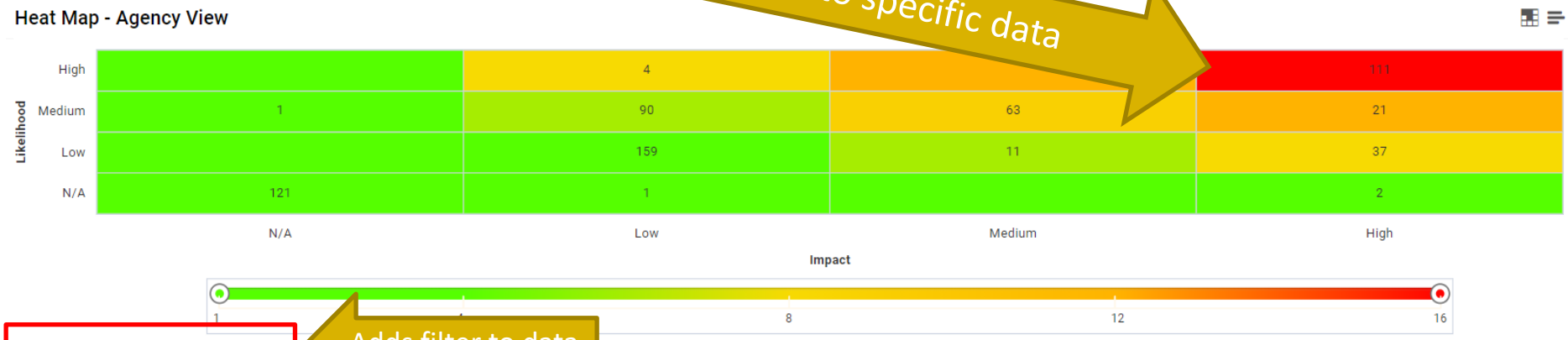
Onspring Reports

Change type of report



Onspring Reports

Offers ability to "drill-down" to specific data



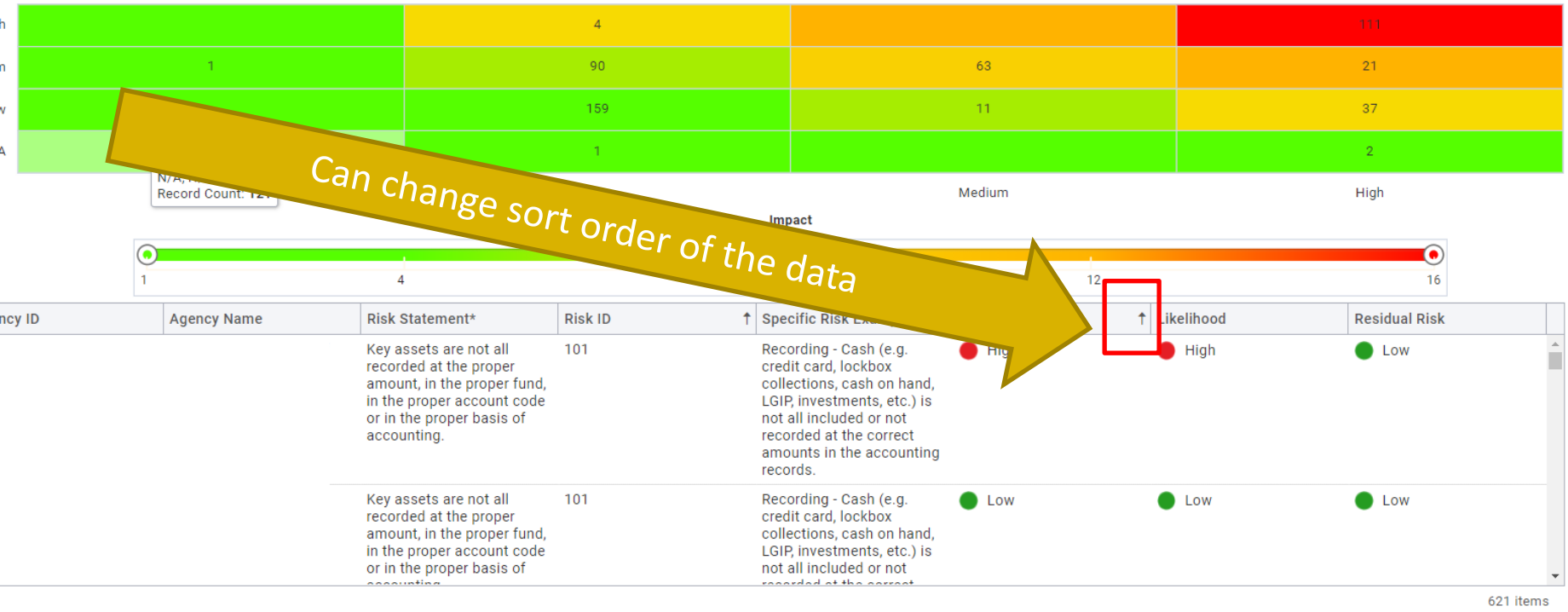
Adds filter to data

Impact, Likelihood: High, High

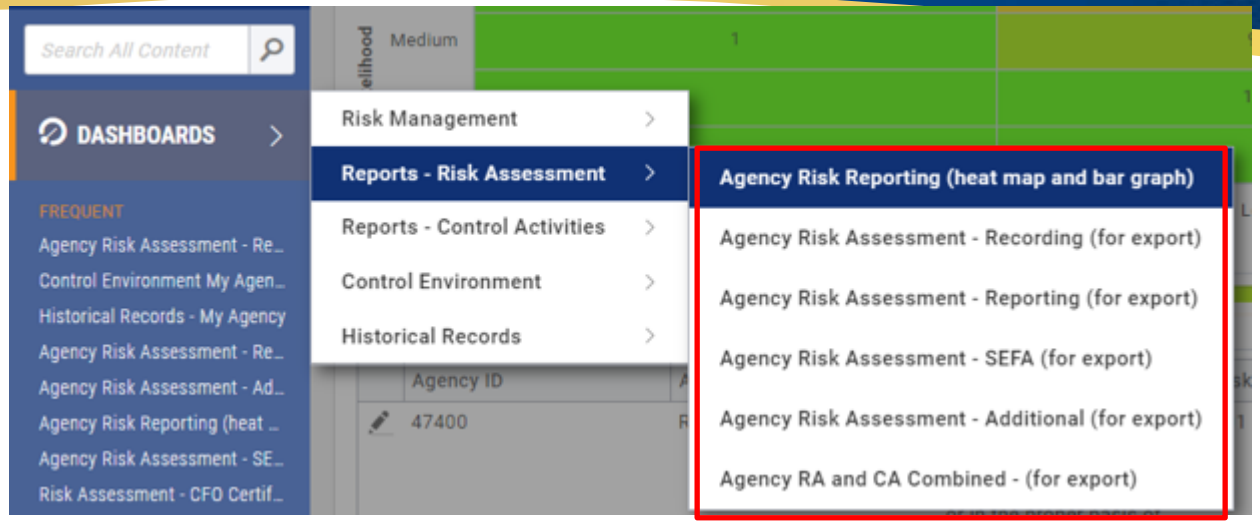
Agency ID	Agency Name	Risk Statement*	Risk ID	Specific Risk Examples*	Impact	Likelihood	Residual Risk
		Key assets are not all recorded at the proper amount, in the proper fund, in the proper account code or in the proper basis of accounting.	101	Recording - Cash (e.g. credit card, lockbox collections, cash on hand, LGIP, investments, etc.) is not all included or not recorded at the correct amounts in the accounting records.	High	High	Low
		Key assets are not all recorded at the proper amount, in the proper fund, in the proper account code	102	Recording - Cash (e.g. credit card, lockbox collections, cash on hand, LGIP, investments, etc.) that	High	High	High

111 items

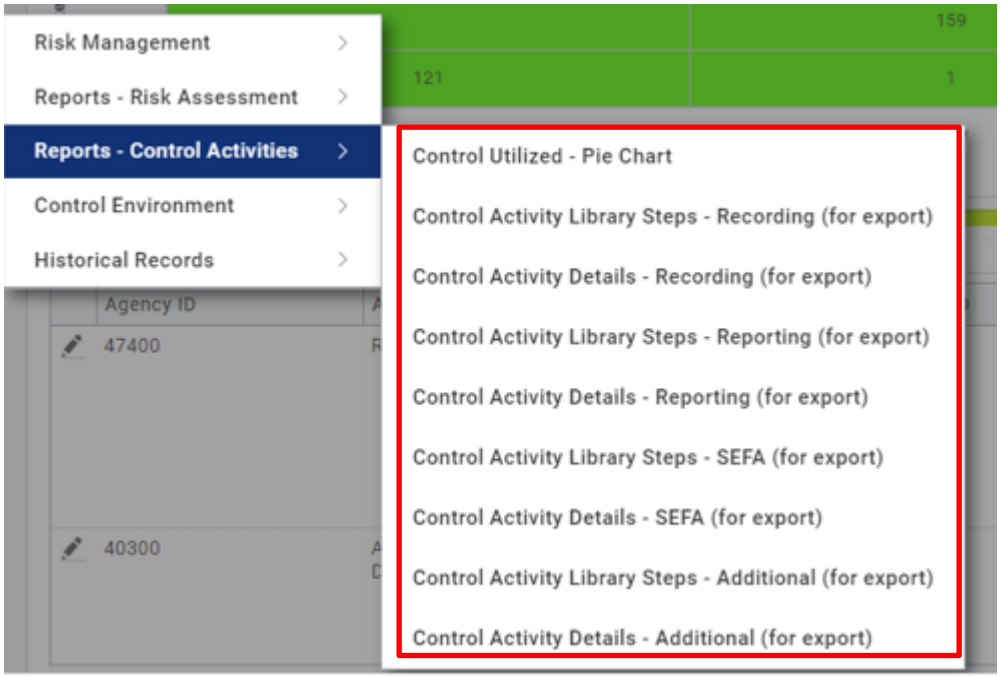
Onspring Reports

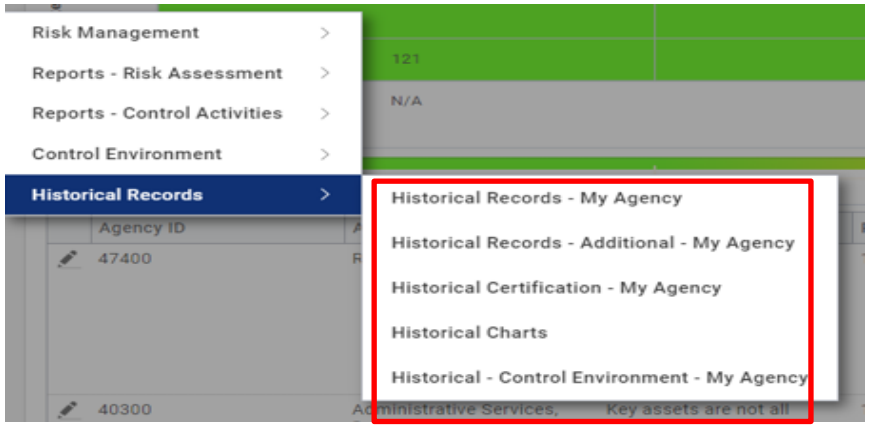


Onspring Reports



Numerous reports and different views of data in Onspring





RA/CA – Recording – Control Activities

Review Steps with "no" for Control Utilized

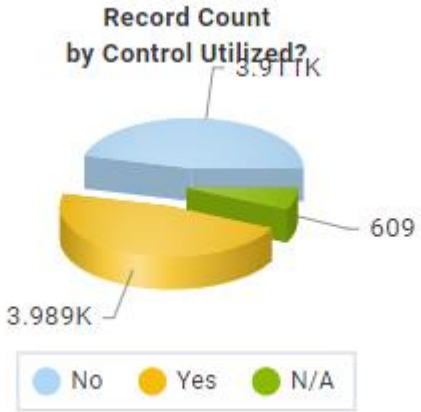
Control Exceptions - Recording

Agency/Organization ID	Agency/Organization Name	Risk Statement	Control ID	Control Name	Detailed Description	Control Utilized?
		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.	No
		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.	No
		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.	No

Example: can review steps from library with no answers, and consider implementing these control activities to reduce risks.

RA/CA – Recording – Control Activities

Onspring now also has a pie chart to pictorially show control activities with “No” answers:



Risk Statement	Control ID	Control Name	Detailed Description	Control Utilized?
Reporting - Appropriations Receivable Reconciliation Form: - appropriate research not performed to include all needed items	RPT2	Appropriate Form Completion	Most current version of the form is used and form instructions are followed completely.	No
Reporting - Appropriations Receivable Reconciliation Form: - appropriate research not performed to include all needed items	RPT6	Reconciliation	Reconciliations between year-end form and accounting records and/or supporting documentation are performed accurately and timely (before	No

Example: “Drill-down” for steps with no answers, and consider implementing these control activities to reduce risks.

Questions or Comments

Feel free to reach out to SAO any time with questions or suggested areas of improvement.

- You all are the ones using it most, so to the extent possible, SAO wants it to be useful and helpful.

  - **Compliance@sao.ga.gov**

    (may get quicker response as multiple people monitor this mailbox)

  - **Rachael.Krizanek@sao.ga.gov**