



Nathan Deal
Governor

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DATE: May 5, 2017
TO: Agency Heads and CFOs
FROM: Alan Skelton, State Accounting Officer *TAS*
RE: Internal Controls

All sections of the updated statewide internal controls guidance have now been released by the State Accounting Office (SAO) and are located on our website at <http://sao.georgia.gov/internal-controls>. **Accordingly, we wanted to share the next steps relating to internal controls expectations.** At this time, there is not a submission due for the organization's monitoring activities, which was most recent phase of guidance issued. Instead, the current focus for organizations will be on updating the submissions previously provided. However, at some point next year there will be a submission required¹ related to monitoring activities.

All organizations are expected to annually review their Control Environment submission (original submissions were in April 2016), and update as necessary based on either feedback from SAO or known changes within the Organization that have occurred since the prior submission. If you do not feel any changes are necessary, then you will simply submit a recertification indicating there are no changes. The updated submissions or recertification will be due in the Fall¹.

Additionally, all organizations will be expected to update all tabs of the Risk Assessment and Control Activities templates, and re-submit to SAO on an annual basis. The updated submissions will be due at a future date¹, and no update is expected for the fiscal year ended June 30, 2017, unless specifically requested by SAO.

As part of the 2017 CAFR preparation process, SAO will be reaching out to certain organizations, with specific recommendations for inclusion in future updated submissions. In certain cases, SAO may request additional information or submission prior to the deadlines. Following is some additional guidance to consider, while updating the various internal controls submissions:

¹ More specifics relating to key dates and methods of submission for updated documents and recertification will be provided in the future.

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Control Environment Templates

- Be sure to address (or mark N/A) all attributes of the guidance.
- Use the examples contained in the applicable guidance section for assistance.
- Ensure the submission contains appropriate details or references to the details.
- Include names of all organizations covered by the submission.

Risk Assessment and Control Activities Templates

- Add additional risk examples as needed or ensure current risk examples cover all financial aspects of your organization (such as ensuring payroll is included).
- Assess risks (inherent, likelihood and impact) **without** considering any control activities currently in place within the organization.
- Ensure risk justifications are related to and support the assessed risk level.
- If a specific risk example is marked N/A, add appropriate justifications.
- **Bold** significant control activities.
- List all control activities relating only to that specific risk example, control activities should be listed in detail and not a high-level overview. The level of detail documents the who, what and when, to allow for proper monitoring of the internal control system. For example, here are some samples of wording that is too high-level vs. more detailed wording that should be used instead:

High-Level Wording	Sample Detailed Wording
<p>We can ensure that payables are recorded in the correct chartfields in the accounting records by utilizing several layers of control activities.</p>	<ul style="list-style-type: none"> • Daily check run performed by Accounting Supervisor to ensure payment is out of correct bank account (compares source documentation to voucher type to PeopleSoft reports). • A color-coded system for vouchers helps determine which bank should be used, or is otherwise marked on the face of the voucher. • Budget staff sets up trees to catch incorrect chartfield combinations. • Regular reviews of the GL by Accounting Supervisor and CFO take place to look for anomalies in various chartfields. • Speed charts are setup (setting up usual chartfield combinations) to help reduce the number of entry errors by AP staff.

To make this a successful program, we ask for everyone's continued cooperation and endorsement, and if you have any questions or would like more specific guidance, please contact Rachael Krizanek, Internal Controls and Policy Manager, at Rachael.krizanek@sao.ga.gov.

Cc: Teresa MacCartney, State CFO, Director of OPB