

Internal Controls

Risk Assessment & Control Activities Concepts and Template

Fall 2016



Agenda

- ✓ Introduction
- ✓ Objectives
- ✓ Internal Control System Flow
- ✓ Detailed walkthrough of template

APPLICATION GUIDE TRUST EMPLOYEES
CONTROL OVERCOME PROCESS
DECISION
SHAREHOLDERS
ANTICIPATE **RISKS**
INTERNAL CONTROL OPERATION DEFINE VALUE
MANAGEMENT PROCEEDINGS
RELIABILITY STRUCTURE IDENTIFY
CONSISTENCY

Internal Controls – Statewide Plan



- Based on the Green Book
- SAO has been releasing statewide guidance:
 - Introduction and Control Environment in March
 - Risk Assessment and Control Activities in August
- Only two more sections to go....
 - Information and Communications then Monitoring to be released before end of calendar year

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



Objectives

Key Terminology - Objectives



- Established in order to meet the organization's mission, and to be in compliance with applicable laws and regulations
- May be set as part of the strategic planning process, but must be set before designing the organization's internal control system, as they **guide** the design of internal controls
- Sub-objectives can be set for operating units within the organizational structure

Objective Categories

Objectives are generally grouped into these categories:

- Reporting – reliability of internal and external reports (such as BCR & CAFR - including year end forms)
- Operational – effectiveness and efficiency of operations (accomplish the mission at least possible cost)
- Compliance – compliance with applicable laws and regulations (can include compliance with Accounting Standards and Federal Grant requirements)



Reporting Objectives

Reporting objectives considerations include ensuring the internal and external reports:

- Comply with accounting standards (items are recorded at the proper basis)
- Are complete
- Contain accurate amounts
- Are available on a timely basis

Internal Control System Flow



More Specifically

- First start by establishing objectives
 - Today we will only be discussing the financial reporting objective (and compliance objectives relating only to financial reporting)
- Then consider risks getting in way of accomplishing those objectives – “identify risk”
 - Drive allocation of more resources to the areas of highest risk
- Consider how much risk are you willing to allow (risk tolerance) – “analyze risk”

Continuing On....

- Consider “risk responses”, which are control activities (common tasks – internal controls) already in place
- Do any of those activities offset the risk
 - If not, need to consider response (which could be doing nothing)
- Then repeat (it is a dynamic process)

- Once system is in place, how is it working?
- Determine if the controls were applied:
 - At relevant times
 - In a consistent manner
 - By whom

A deficiency exists when a control does not operate as designed, or when the person performing the control does not possess the appropriate **authority or competence**.



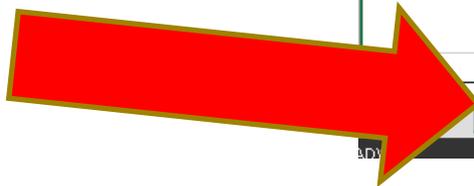
Template

Now the Fun Begins.....

Ultimate goal of template is to document your risk analysis and responses

Begin at the Start Here!! Tab

Risk Assessment/Control Activities Template	
Introduction and General Information	
Introduction:	
	<p>This template is intended to provide the practical application of the risk assessment and control activities components and provide documentation of the organization's internal control system in accordance with the Georgia Statewide guidance outlined in the separate chapters. This template applies to the entire organization and as needed internal Divisions/Programs should be consulted to obtain comprehensive documentation (especially if accounting recording and reporting functions are not centralized). Currently this template only covers the financial reporting objective (and compliance objectives relating only to financial reporting), but a similar format applying the concepts could be used for the other objectives. Where possible the specific reference to the risk assessment or control activities guidance (such as attribute numbers from the Georgia Statewide guidance) is cited, but most of the concepts from the guidance chapters are covered throughout the spreadsheet. One such example is the risk assessment principle for the consideration of the potential for fraud, while there are no specific citations to the fraud attributes, many of the specific risks listed are also fraud risk considerations. However, the last principle of the risk assessment component (change) is not covered in this spreadsheet as those concepts would be performed in a different method than this template.</p>
Objective guide the organization's design of internal controls for related risk and responses	
Start Here!!	Column Instructions
Risk Level Definitions	1-General Rcrd
	2-Rev Collec Rcrd



“Start Here” Tab

- Contains:
 - Introduction
 - Definition
 - General Information
- Provides brief overview of the intent of the template and guidance as to how to use the template

Moving on.....

Next go to the Column Instructions Tab

Risk Assessment/Control Activities Template		
Specific Column Instructions		
Column	Column Name and Applicable Instructions	Required to be Completed
A	Financial Reporting Obj. The financial reporting objectives (and compliance objectives relating only to financial reporting) have been defined by SAO, and should not be changed . These are the objectives that need to be addressed to help ensure an adequate internal control system is in place relating to financial reporting. See attribute 6.1 in the Georgia Statewide Risk Assessment guidance for additional details.	No (provided on template)
B	Risk The risks relating to the financial reporting objectives have been defined by SAO, and should not be changed . These risks are based on the financial reporting objectives (and compliance objectives relating only to financial reporting) that need to be addressed to help ensure an adequate internal control system is in place relating to financial reporting. However, as needed additional risks applicable to your organization should be added. These additional risks would include other significant risks or risks specific to significant accounts at your organization. For example, currently the recording of key revenues (on the tab 1- General Rcrd) is listed as one row, but it is expected that each organization would add necessary rows for specific revenues that organization's management considers significant. See attribute 7.1 in the Georgia Statewide Risk Assessment	No (provided on template), but Yes (as needed to add rows for other risks or other risks specific to significant accounts to your organization)



“Column Instructions” Tab

Contains:

- Detailed instructions for each column in the template
- Whether or not the column is required to be completed

“Risk Level Definitions” Tab

Next go to the Risk Level Definitions Tab

Definition of Risks relating to financial reporting objectives	
(see Risk Assessment chapter in the Georgia Statewide Internal Control guidance for additional details)	
Instructions: for each of the specific risk examples noted on the following tabs, an analysis of risk tolerance has been performed:	
<i>Risk Tolerance Column (column D)</i>	
Level of risk willing to be accepted (but still maintain an appropriate internal control system)	
Listed in specific and measurable terms (such as acceptable error rates for the quality of financial data, timing of financial data, zero tolerance for certain errors, etc)	
Information on tabs is reported in column D in time periods, dollar variances, etc	
Instructions: for each of the specific risk examples noted on the following tabs, an analysis of inherent risk needs to be performed:	
<i>Inherent Risk Column (column E and F)</i>	
Inherent - risk relating to the each of the specific risk examples in the absence of management actions (internal controls), consider:	
- internal control deficiencies (level of judgment or	
Start Here! Risk Level Definitions 1-General Rcrd	

“Risk Level Definitions” Tab



Contains:

- Definitions and instructions on filling out the various risk columns in the template

“1 – General Rcrd” Tab

- First tab requiring analysis and entry
- Here you can see the columns populated are shaded in gray, as previously discussed this data should not be changed (Financial Reporting Obj, Risk, Specific Risk Examples, Risk Tolerance, and Control Activity considerations columns)
- This is a **Record** tab – so that means all considerations relate to recording items in your accounting records (be it in Teamworks or whatever method is used)

“1 – General Rcrd” Tab

- Pay attention to instructions at top of the tab (and on other tabs too)
- Dues dates are listed

General risks related to RECORDING of transactions in the accounting records		
<i>Make sure you have started here!! Tab</i>		
Risk Assessment Template for Financial Reporting only		Organ. Code:
	<i>Due to SAO by February 28, 2017</i>	Organ. Name:
These cells should not be changed or edited.		Prepared by:
Instructions:		Telephone #:
As needed add rows for additional risks and/or specific risk examples.		E-mail Address:
Some rows may be n/a depending on the accounting basis used, etc. If n/a please note such (do not leave blanks).		
For each of the specific risk examples, an analysis of risk needs to be performed. (see Risk Level Definitions tab)		
For all ratings (except low likelihood & low impact), complete the risk response and specific control activities sections.		

- Make sure to complete contact information (and on other tabs too)

“1 – General Rcrd” Tab

- Then work across each column for the specific risk example
 - General risks relating to the recording of various financial statement categories in the accounting records
 - This tab is due to SAO **February 28, 2017**
- Viewing tips:
 - Print on large paper 11x17
 - Freeze panes
 - Make overall zoom smaller
 - Spread over two screens (if you have 2 monitors)
- Guidance will pop up when you click in a cell, and some cells have drop down menus

Now Apply the Concept

Here are some objectives that will be used throughout the template:

Statewide Guidance Attribute 6.1
Financial Reporting Obj.
A
The accounting records comply with Standards and are complete and accurate
The financial reports are complete and accurate
The financial reports are available on a timely basis

Key Terminology – Risk Assessment

- Management performs a risk assessment and develops appropriate risk responses which specify how risks will be handled
- The nature and extent of management's risk assessment activities should be proportionate to the size of the organization and complexity of its operations

Overall, risk assessment considers what could cause objectives not to be met and documents applicable responses



Key Terminology – Risks

- Consider what risks will get in the way of accomplishing the objective
 - Break down in to specific risks, as necessary
- Need to consider for service organizations (outside third parties) too! (ex: Teamworks infrastructure is outsourced but SAO is still responsible for internal controls relating to that outsourced work)
- Consider fraud and Information System related risks throughout

For Example

Consider risks, including fraud, that impact certain reports:

- BCR
 - I don't record all expenditures
 - I don't record to right chartfield (budget reference, program, funding source)
 - Etc

- CAFR
 - Forms are incomplete or inaccurate (proper amounts, correct basis, all information provided, etc)
 - New accounting standards
 - Etc

Now Apply the Concept

Here are some risks and specific risk examples that will be used throughout the template:

Statewide Guidance Attribute	7.1	
Financial Reporting Obj.	Risk	Specific Risk Examples
A	B	C
The accounting records comply with Standards and are complete and accurate	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.	Cash is not all included or not recorded at the correct amounts in the accounting records
The financial reports are complete and accurate	Information provided on year end forms does not agree with accounting records and/or supporting documentation.	Allowance for Doubtful Accounts: - appropriate research not performed to include all needed items
The financial reports are available on a timely basis	Reports are not available timely	Not submitting forms to SAO based on due dates noted in year end calendar

Note that the risks are driven by the objectives.

Key Terminology - Risk Tolerance



- **Definition:**
 - Essentially how much risk an organization is willing to accept
 - What is the acceptable level of variation in performance compared to the achievement of objectives
- **Guidance:**
 - Establish an acceptable error rate
 - List in specific and measurable terms (such as acceptable error rates for the quality of financial data, timing of financial data, zero tolerance for certain errors, etc)
- **For example:**
 - Establishing a low risk tolerance relating to financial reporting for such things as: timeliness, transparency, GAAP, etc.
 - Establishing a zero tolerance for violating standards of conduct

Now Apply the Concept

Here are some risk tolerances that will be used throughout the template:

Statewide Guidance Attribute	7.1		6.2
Financial Reporting Obj.	Risk	Specific Risk Examples	Risk Tolerance
A	B	C	D
The accounting records comply with Standards and are complete and accurate	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.	Cash is not all included or not recorded at the correct amounts in the accounting records	de minimis
The financial reports are complete and accurate	Information provided on year end forms does not agree with accounting records and/or supporting documentation.	Allowance for Doubtful Accounts: - appropriate research not performed to include all needed items	de minimis
The financial reports are available on a timely basis	Reports are not available timely	Not submitting forms to SAO based on due dates noted in year end calendar	de minimis

Note that the risk tolerance is driven by the specific risk examples.

Risk to the organization in the absence of management's response (internal controls), consider:

- Internal factors such as:
 - Complex nature of operations (level of judgment or special skills needed to determine financial numbers, number of transactions, etc.)
 - Organizational structure (extent of reliance on other areas or other systems, level of manual intervention, etc.)
 - New personnel
 - New technologies
 - Etc

Risk to the organization in the absence of management's response (internal controls), also consider:

- External factors such as:
 - New or amended laws
 - New Regulations
 - New Standards (including new Reporting requirements)
 - Economic instability
 - Etc
- Audit issues identified
- Susceptibility to fraud

Now Apply the Concept

Inherent risk would be rated high, medium, or low, with a justification added. Here is some *sample wording* that could be used when documenting inherent risk in the template:

Statewide Guidance Attribute	7.1		7.1	
Financial Reporting Obj.	Risk	Specific Risk Examples	Inherent Risk	Inherent Risk Justification
A	B	C	E	F
The accounting records comply with Standards and are complete and accurate	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.	Cash is not all included or not recorded at the correct amounts in the accounting records	High	inherently risky because it has a high susceptibility to fraud, has a lot of transactions and requires manual entry of deposit
The financial reports are complete and accurate	Information provided on year end forms does not agree with accounting records and/or supporting documentation.	Allowance for Doubtful Accounts: - appropriate research not performed to include all needed items	High	inherently risky because there are a lot of receivables and there is a lot of judgment used when calculating uncollectible amounts
The financial reports are available on a timely basis	Reports are not available timely	Not submitting forms to SAO based on due dates noted in year end calendar	Medium	Somewhat inherently risky as there are a lot of different divisions that need to assist in completing year end forms.

Note that the risk rating and justification is driven by the specific risk examples before consideration of control activities actually in place.

Level of possibility that a risk will occur:

Without considering the **known control activities** (internal controls) actually occurring, analyze how **likely** the specific risk would be.

Certain factors to contemplate could be:

- Ease of access to asset
- Liquidity of the asset
- Manual vs automated processing
- Etc

Now Apply the Concept

Risk likelihood would be rated high, medium, or low, with a justification added. Here is some *sample wording* that could be used when documenting risk likelihood in the template:

Statewide Guidance Attribute	7.1		7.2	
Financial Reporting Obj.	Risk	Specific Risk Examples	Likelihood	Likelihood Justification
A	B	C	G	H
The accounting records comply with Standards and are complete and accurate	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.	Cash is not all included or not recorded at the correct amounts in the accounting records	High	cash is very susceptible to fraud (because it is easy to steal and easy to spend), especially at offsite collection centers
The financial reports are complete and accurate	Information provided on year end forms does not agree with accounting records and/or supporting documentation.	Allowance for Doubtful Accounts: - appropriate research not performed to include all needed items	High	there are a lot of receivables and some could easily been missed when calculating uncollectible amounts
The financial reports are available on a timely basis	Reports are not available timely	Not submitting forms to SAO based on due dates noted in year end calendar	High	There are a lot of numerous year end forms with different deadlines

Note that the risk rating and justification is driven by the specific risk examples before consideration of control activities actually in place.

Scale of the deficiency that could result from the risk

Without considering the **known control activities** (internal controls) actually occurring, analyze what the *scale* of the specific risk would be.

Certain factors to contemplate could be:

- Size
- Pace
- Duration
- Etc

Now Apply the Concept

Impact of the risk would be rated high, medium, or low, with a justification added. Here is some *sample wording* that could be used when documenting impact of the risk in the template:

Statewide Guidance Attribute	7.1		7.2	
Financial Reporting Obj.	Risk	Specific Risk Examples	Impact	Impact Justification
A	B	C	I	J
The accounting records comply with Standards and are complete and accurate	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.	Cash is not all included or not recorded at the correct amounts in the accounting records	Low	minimal cash comes in at the pool offsite
The financial reports are complete and accurate	Information provided on year end forms does not agree with accounting records and/or supporting documentation.	Allowance for Doubtful Accounts: - appropriate research not performed to include all needed items	Low	the overall dollar amount is not material and this organization accounts for less than 1% of the CAFR revenues
The financial reports are available on a timely basis	Reports are not available timely	Not submitting forms to SAO based on due dates noted in year end calendar	Medium	This organization is the 15th largest organization in the State and could delay the release of the State financial statements

Note that the risk rating and justification is driven by the specific risk examples before consideration of control activities actually in place.

Management designs risk responses to respond to the analyzed risks. Responses could include:

- Acceptance - no action is taken
- Avoidance - action is taken to stop the operational process (for example, stop allowing cash to be collected offsite or stop collecting cash at all)
- Reduction - action is taken to reduce the likelihood or magnitude of the risk (for example, segregate duties, have more oversight, etc)

Now Apply the Concept

Risk response is what needs to be done to get risk levels to be within the risk tolerance (de minimis level) and to achieve the objective:

Statewide Guidance Attribute	7.1		7.1		7.2		7.2		7.3
Financial Reporting Obj.	Risk	Specific Risk Examples	Inherent Risk	Inherent Risk Justification	Likelihood	Likelihood Justification	Impact	Impact Justification	Response
A	B	C	E	F	G	H	I	J	K
The accounting records comply with Standards and are complete and accurate	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.	Cash is not all included or not recorded at the correct amounts in the accounting records	High	inherently risky because it has a high susceptibility to fraud, has a lot of transactions and requires manual entry of deposit	High	cash is very susceptible to fraud (because it is easy to steal and easy to spend), especially at offsite collection centers	Low	minimal cash comes in at the pool offsite	Reduction
The financial reports are complete and accurate	Information provided on year end forms does not agree with accounting records and/or supporting documentation.	Allowance for Doubtful Accounts: - appropriate research not performed to include all needed items	High	inherently risky because there are a lot of receivables and there is a lot of judgment used when calculating uncollectible amounts	High	there are a lot of receivables and some could easily been missed when calculating uncollectible amounts	Low	the overall dollar amount is not material and this organization accounts for less than 1% of the CAFR revenues	Reduction
The financial reports are available on a timely basis	Reports are not available timely	Not submitting forms to SAO based on due dates noted in year end calendar	Medium	Somewhat inherently risky as there are a lot of different divisions that need to assist in completing year end forms.	High	There are a lot of numerous year end forms with different deadlines	Medium	This organization is the 15th largest organization in the State and could delay the release of the State financial statements	Reduction

Note that the risk response is driven by the analysis of risks performed in the previous columns

Actions management establishes through policies and procedures to achieve objectives and respond to risks (including fraud risks) in the internal control system

- Essentially, these are the tasks already being performed
- Remember this also includes information systems considerations

Control activities can be either preventive or detective, with the main difference being the timing:

- Preventive – prevents errors from occurring, and preventing these errors helps an organization achieve an objective or addresses a risk (for example, requiring multiple levels of approval for a transaction)
- Detective – detects errors or irregularities after it occurs (for example, bank reconciliations)

Control activities can be implemented in either an automated or manual manner:

- Automated – either wholly or partially automated through the organization’s information technology (for example, automated validity and edit checks)
- Manual – performed by individuals with minor use of the organization’s information technology (for example, independent review)

Control activities are generally in these common categories

- Segregation of duties
- Accurate and timely recording of transactions
- Proper execution of transactions
- Reconciliations
- Controls over information processing
- Physical controls over vulnerable assets
- Access restrictions to and accountability for resources and records

Control activities are generally in these common categories (continued):

- Appropriate documentation of transactions and internal controls
- Establishment and review of performance measures and indicators
- Reviews by management at the functional or activity level
- Top-level reviews of actual performance
- Management of personnel

Now Apply the Concept

Control activities actually in place should be documented. Here is some *sample wording* that could be used when documenting control activities in the template:

Specific Risk Examples	Control Activity considerations	Your Control Activities detailed for EACH applicable specific risk examples (as need in accordance with the Risk Level Definitions tab) Hold significant controls
C	L	M
Cash is not all included or not recorded at the correct amounts in the accounting records	<ol style="list-style-type: none"> 1. Verify person(s) maintaining the accounting records are competent 2. Have specific control activities in place such as routinely reconciling between balances per accounting records and the bank 3. Verify general ledger is being reviewed routinely by a separate person(s) who are competent and they ensure all cash is recorded, and verify reconciliation was performed accurately 	<ol style="list-style-type: none"> 1. Accountant maintaining accounting records has a bachelor's degree and five years of similar experience 2. Accountant prepares reconciliations between balances per accounting records and bank statements monthly with discrepancies immediately followed up on (any outstanding checks more than two months are followed up on with payee and after six months they are written off) 3. Accountant's supervisor verifies reconciliations are completed within one week of month end, and are accurate (compares balances used and mathematical accuracy, etc.). Supervisor has bachelor's degree and 10 years of experience. 4. Segregation of Duties - different staff collect the money, deposit the money, record the transactions and prepare reconciliation

Note that the control activities documented should relate to the specific risk examples.

Now Apply the Concept

Control activities actually in place should be documented. Here is some *sample wording* that could be used when documenting control activities in the template:

	10.1, 10.2, 10.3, 10.4, 11.2 and 12.1	10.1, 10.2, 10.3, 10.4, 11.2 and 12.1
Specific Risk Examples	Control Activity considerations	Your Control Activities detailed for EACH applicable specific risk examples (as need in accordance with the Risk Level Definitions tab) bold significant controls
C	L	VI
<div style="border: 1px solid black; padding: 2px; display: inline-block;">Do not change</div> Allowance for Doubtful Accounts: - appropriate research not performed to include all needed items	1. Verify person(s) preparing the forms are competent 2. Verify most current version of the form is being used 3. Carefully follow instructions on the form a. including inquiry of appropriate personnel at the organization 4. Follow guidance from accounting Standards and SAO such as "Uncollectible Accounts and Write-Offs" accounting policy and training video 5. Verify the forms are being reviewed by a separate person(s) who are competent prior to submission to SAO and they ensure appropriate research is performed	1. Accounts receivable clerk fills out the form - they have an Associates and three years of related experience. 2. Followed guidance from SAO's "Uncollectible Accounts and Write-Offs" accounting policy 3. Accounting supervisor reviews form and brainstorms with the accounts receivable clerk to ensure all items are included. Accounting supervisor has bachelor's degree and five years of experience.

Note that the control activities documented should relate to the specific risk examples.

Now Apply the Concept

Control activities actually in place should be documented.
 Here is some *sample wording* that could be used when documenting control activities in the template:

Specific Risk Examples	Control Activity considerations	Your Control Activities detailed for EACH applicable specific risk examples (as need in accordance with the Risk Level Definitions (b)) bold significant controls
C	L	M
<p>Do not change</p> <p>Not submitting forms to SAO based on due dates noted in year end calendar</p>	<p>1. Verify person(s) preparing the forms are competent</p> <p>2. Have specific control activities in place such as:</p> <ul style="list-style-type: none"> a. monitoring deadlines b. scheduling out time to prepare forms <p>3. Verify separate competent person(s) are verifying accurate forms are submitted timely</p>	<p>1. Financial staff responsible to complete the forms have a varying degree of experience.</p> <p>2. Instituted various control activities, including:</p> <ul style="list-style-type: none"> a. Making a master calendar of due dates for all forms b. Clearly providing other Divisions with expected due dates c. Accounting Supervisor reviews on at least a weekly basis due dates, and status of form completion with each Division <p>3. Accounting supervisor reviews all forms and discusses deadlines that may not be met with Finance Director as needed.</p> <p>Accounting supervisor has bachelor's degree and five years of experience.</p>

Note that the control activities documented should relate to the specific risk examples.

Risk that remains after management's response to inherent risk

Considering the **known control activities** (internal controls) actually occurring, analyze the ***level of the remaining risk*** for each of the specific risk examples.

Now Apply the Concept

Residual risk would be rated high, medium, or low, with a justification added. Here is some *sample wording* that could be used when documenting residual risk in the template:

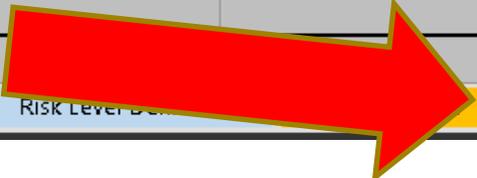
	10.1, 10.2, 10.3, 10.4, 11.2 and 12.1	7.1	
Specific Risk Examples	Your Control Activities detailed for EACH applicable specific risk examples (as need in accordance with the Risk Level Definitions tab) bold significant controls	Residual Risk	Residual Risk Justification
C	M	N	O
Cash is not all included or not recorded at the correct amounts in the accounting records	1. Accountant maintaining accounting records has a bachelor's degree and five years of similar experience 2. Accountant prepares reconciliations between balances per accounting records and bank statements monthly with discrepancies immediately followed up on (any outstanding checks more than two months are followed up on with payee and after six months they are written off) 3. Accountant's supervisor verifies reconciliations are completed within one week of month end, and are accurate	Low	all risks are compensated for
Allowance for Doubtful Accounts: - appropriate research not performed to include all needed items	1. Accounts receivable clerk fills out the form - they have an Associates and three years of related experience. 2. Followed guidance from SAO's "Uncollectible Accounts and Write-Offs" accounting policy 3. Accounting supervisor reviews form and brainstorm with the accounts receivable clerk to ensure all items are included. Accounting supervisor has bachelor's degree and five years of	Low	all risks are compensated for
Not submitting forms to SAO based on due dates noted in year end calendar	1. Financial staff responsible to complete the forms have a varying degree of experience. 2. Instituted various control activities, including: a. Making a master calendar of due dates for all forms b. Clearly providing other Divisions with expected due dates c. Accounting Supervisor reviews on at least a weekly basis due dates, and status of form completion with each Division 3. Accounting supervisor reviews all forms and discusses deadlines that may not be met with Finance Director as needed. Accounting supervisor has bachelor's degree and five years of experience.	Low	all risks are compensated for

Note that the risk rating and justification is driven by the specific risk examples, after consideration of control activities actually in place.

“2 – Rev Collec Rcrd” Tab

Next go to the 2 – Rev Collec Rcrd Tab

Risks related to RECORDING Revenue Collections		
<i>Make sure you have reviewed the Start Here!! Tab</i>		
Risk Assessment Template - Financial Reporting only		
		<i>Due to SAO by February 28, 2017</i>
These cells should not be changed or edited.		
Instructions:		
As needed add rows for additional risks and/or specific risk examples.		
Some rows may be n/a depending on the accounting basis used, etc. If n/a please note such (do not leave blanks).		
For each of the specific risk examples, an analysis of risk needs to be performed. (see Risk Level Definitions tab)		
For all ratings (except low likelihood & low impact), complete the risk response and specific control activities sections.		
Statewide Guidance Attribute 6.1	7.1	
Financial Reporting Obj.	Risk	Specific Risk Examples
A	B	C
The accounting records comply with Standards	Transactions are not recorded on the Statutory basis of accounting.	All revenues collected have not been recorded on the cash receipts and disbursements basis (accounts receivable, deferred revenues, etc are recorded)



Risk Level Def	2-Rev Collec Rcrd	3-Rev Collec Rpt	4-SEFA Rpt
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“2 – Rev Collec Rcrd” Tab

Then work across each column for the specific risk example

- Risks relating to the recording of revenue collections in the accounting records
- This tab is due to SAO **February 28, 2017**

“3 – Rev Collec Rpt” Tab

- This is a **Report** tab – so that means all considerations relate to reporting items in your accounting records to SAO
- Work across each column for the specific risk example
 - Risks relating to the reporting of revenue collections data that is in the accounting records
 - SAO then uses this information and creates the GA Revenues and Reserves report
 - This tab is due to SAO **October 31, 2016**

“4 – SEFA Rpt” Tab

Next go to the 4 – SEFA Rpt Tab

Risks relating to REPORTING SEFA to SAO (used to create the SEFA schedule in the Single Audit report)

Make sure you have reviewed the Start Here!! Tab

Risk Assessment Template - Financial Reporting only

Due to SAO by October 31, 2016

These cells should not be changed or edited.

Instructions:

- As needed add rows for additional risks and/or specific risk examples.
- Some rows may be n/a depending on the accounting basis used, etc. If n/a please note such (do not leave blanks).
- For each of the specific risk examples, an analysis of risk needs to be performed. (see [Risk Level Definitions tab](#))
- For all ratings (except low likelihood & low impact), complete the risk response and specific control activities sections.

Statewide Guidance Attribute 6.1

Financial Reporting Obj.	Risk	Specific Risk Examples	
A	B	C	Risk
The financial reports comply with accounting Standards	Transactions are not reported on the proper basis of	Items are not reported based on GAAP, such as: encumbrances are included or expenditures are not reported on the modified	

1-General Rcrd 2-REV 3-REV 4-SEFA Rpt 5-BCR Rcrd 6-BCR Rpt 7-CA

“4 – SEFA Rpt” Tab

Then work across each column for the specific risk example

- Risks relating to the reporting of Schedule of Expenditures of Federal Awards (SEFA) data that is in the accounting records
- SAO then uses this information and creates the SEFA schedule in the Single Audit report
- This tab is due to SAO **October 31, 2016**

“5 – BCR Rcrd” Tab

- Next go to the 5 – BCR Rcrd Tab

BCR related RECORDING risks		
<i>Make sure you have reviewed the Start Here!! Tab</i>		
Risk Assessment Template - Financial Reporting only		
<i>Due to SAO by February 28, 2017</i>		
These cells should not be changed or edited.		
Instructions:		
As needed add rows for additional risks and/or specific risk examples.		
Some rows may be n/a depending on the accounting basis used, etc. If n/a please note such (do not leave blanks).		
For each of the specific risk examples, an analysis of risk needs to be performed. (see Risk Level Definitions tab)		
For all ratings (except low likelihood & low impact), complete the risk response and specific control activities sections.		
Statewide Guidance Attribute 6.1	7.1	
Financial Reporting Obj.	Risk	Specific Risk Examples
A	B	C
The accounting records comply with Standards	Certain receivables and revenues are recorded in accordance with the Statute	



1-General Rcrd 2-Rev Collec Rcrd 5-BCR Rcrd 6-BCR Rcrd

“5 – BCR Rcrd” Tab

Then work across each column for the specific risk example

- Risks relating to the recording of various Budgetary Compliance Report (BCR) categories in the accounting records
- This tab only applies if your organization is one of the Budget Units – but remember still mark as N/A, if not in the Budget Fund
- This tab is due to SAO **February 28, 2017**

“6 – BCR Rpt” Tab

Next go to the 6 – BCR Rpt Tab

Risks relating to REPORTING BCR data to SAO (used to create the BCR report)

Make sure you have reviewed the Start Here!! Tab

Risk Assessment Template - Financial Reporting only

Due to SAO by October 31, 2016

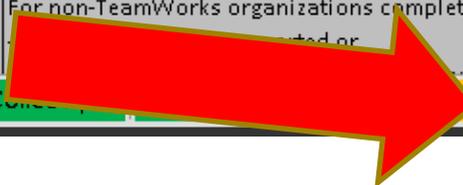
These cells should not be changed or edited.

Instructions:

- As needed add rows for additional risks and/or specific risk examples.
- Some rows may be n/a depending on the accounting basis used, etc. If n/a please note such (do not leave blanks).
- For each of the specific risk examples, an analysis of risk needs to be performed. (see [Risk Level Definitions tab](#))
- For all ratings (except low likelihood & low impact), complete the risk response and specific control activities sections.

Statewide Guidance Attribute 6.1	7.1	
Financial Reporting Obj.	Risk	Specific Risk Examples
A	B	C
The financial reports are complete and accurate	Amounts or account codes reported does not agree with the accounting records and/or supporting documentation	For non-TeamWorks organizations completing the trial balance

1-General Rcrd 2-Rev Collec Rcrd 3-Rev Conc **6-BCR Rpt**



“6 – BCR Rpt” Tab



Then work across each column for the specific risk example

- Risks relating to the reporting of Budgetary Compliance Report (BCR) data that is in the accounting records
- SAO then uses this information and creates the BCR report
- This tab only applies if your organization is one of the Budget Units – but remember still mark as N/A, if not in the Budget Fund
- This tab is due to SAO **October 31, 2016**

“7 – CAFR Rpt” Tab

Lastly go to the 7 – CAFR Rpt Tab

Risks relating to REPORTING year end forms data to SAO (used to create the CAFR report)

Make sure you have reviewed the Start Here!! Tab

Risk Assessment Template - Financial Reporting only

Due to SAO by October 31, 2016

These cells should not be changed or edited.

Instructions:

- As needed add rows for additional risks and/or specific risk examples.
- Some rows may be n/a depending on the accounting basis used, etc. If n/a please note such (do not leave blanks).
- For each of the specific risk examples, an analysis of risk needs to be performed. (see [Risk Level Definitions tab](#))
- For all ratings (except low likelihood & low impact), complete the risk response and specific control activities sections.

Statewide Guidance Attribute 6.1

7.1

Financial Reporting Obj.

Risk

Specific Risk Examples

A

B

C

The financial reports are complete and accurate

Information provided on year end forms does not agree with accounting records and/or supporting documentation.

Deferred Outflows, Deferred Inflows and Nonexchange Financial Guarantees:
- fund, amount, ... agree with



“7 – CAFR Rpt” Tab



Then work across each column for the specific risk example

- Risks relating to the reporting of various financial statement data that is in the accounting records on the year end forms
- SAO then uses this information and creates the Comprehensive Annual Financial Report (CAFR) report
- This tab only applies if your organization needs to prepare the year end forms – but remember still mark as N/A, if you are not required to submit forms
- This tab is due to SAO **October 31, 2016**

Template Expectations



- All organizations will need to complete a template
 - Includes attached agencies, etc
- Mark N/A if not applicable (leave no blanks)
- Submit to SAO:
 - Via compliance@sao.ga.gov or paper mail
 - Include the organization code in the file name
 - Specify, in the email or document, if it also covers an attached agency or related organization

Due Dates

- **The completed template and any related documentation relating to the reporting tabs (highlighted green) are due to SAO by October 31, 2016**
 - 3 – Rev Collec Rpt
 - 4 – SEFA Rpt
 - 6 – BCR Rpt
 - 7 – CAFR Rpt
- **The completed template and any related documentation relating to the recording tabs (highlighted orange) are due to SAO by February 28, 2017**
 - 1 – General Rcrd
 - 2 – Rev Collec Rcrd
 - 5 – BCR Rcrd

Where to Find Information



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

www.gao.gov/greenbook

SAO's website:

<http://sao.georgia.gov/internal-controls>

Information will be added when available

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