

THE OFFICE OF THE STATE AUDITOR...AND A FEW OTHER THINGS

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“You can observe a lot by watching “

-Yogi Bera

BY THE NUMBERS

379

Financial
Statement
Reports

750

Review of Financial Audit
Reports by Local
Governments

25

Performance
Audits and
Follow-Up
Reports

665

Review of Financial
Reports submitted by
nonprofit organizations
that contract with State
Agencies

72

Nursing Home
Cost Report
Audits

23

Information
Systems Audits

17

Provider Claim
Audits

1

Fraud Investigation

116

Fiscal Notes and
Retirement
Certifications

400,000

Preparation of the Statewide
Equalized Adjusted Property
Tax Digest involving the
review of more than 400,000
validated property sales and
3,650 appraisals

WHO WE ARE

- The Department's staff of professional and administrative personnel is committed to promoting accountability and stewardship in state and local government. The Department's 271 professional personnel include:
 - 84 CPAs;
 - 8 CIAs (Certified Internal Auditors);
 - 21 CFEs (Certified Fraud Examiners);
 - 11 CISAs (Certified Information System Auditors); and
 - 74 personnel who hold other professional designations such as Certified Government Auditing Professional (CGAP), Certified Government Financial Manager (CGFM), and Certified General Real Property Appraiser. Many of our personnel hold more than one professional designation.
- Additionally, the Department has 68 professional personnel who have earned advanced degrees.

ORGANIZATIONAL STRUCTURE

The Department was created by the General Assembly in 1923 and its general authorities are established in O.C.G.A. Title 50, Chapter 6. The Department consists of the Office of the State Auditor and ten areas of operations:

- State Government
- Education Audit
- Performance Audits
- Healthcare Audits
- Technology Risk & Assurance
- Nonprofit and Local Government Audits
- Sales Ratio
- Office of Quality Assurance
- Information Technology, and
- Administrative

WHAT WE DO

- **The State Government Division** ~ serves as the principal auditor of the CAFR, BCR and the Single Audit Report. Division personnel perform a combination of financial statement audits, agreed-upon procedures engagements, and management reviews of state agencies, pension funds, and other organizational units. Division personnel also conduct special financial audits and reviews as requested by the Governor, the House of Representatives, or the Senate.
- **The Education Audit Division** ~ conducts annual financial audits of county and municipal school systems. Division personnel also conduct audit work at the state's colleges and universities sufficient to render an opinion on the higher education component of the CAFR and the Single Audit Report. The Division performs a combination of financial statement audits, agreed-upon procedures engagements, and financial management reviews at the state's colleges, universities and technical colleges.

WHAT WE DO

- **The Performance Audit Division** ~ conducts performance audits and special examinations of state programs. The audits may be internally generated or may be conducted in response to requests received from the Governor or the House and Senate Appropriations Committees. The Division also conducts follow-up reviews to determine what actions have been taken in response to previous reports.
- **Healthcare Audits** ~ conducts cost report audits of nursing homes for use by the Department of Community Health (DCH) in setting the nursing home reimbursement rates. The Division also conducts audits of provider claims to determine if they were appropriate.
- **Technology Risk & Assurance** ~ assesses IT risk and the effectiveness of the information technology control environment for the state. Division personnel evaluate IT general and application controls to support financial and performance auditors in planning and determining the nature, timing and extent of audit procedures to be performed in various engagements, as well as providing timely recommendations to management for needed improvements in IT-related controls.

WHAT WE DO

- **Nonprofit and Local Government Audits Division** ~ Reviews financial audit reports of county and municipal governments for compliance with generally accepted accounting principles (GAAP) and ensures they have prepared corrective action plans to address the reports' findings and recommendations.
- **Sales Ratio Division** ~ Prepares the Statewide-Equalized Adjusted Property Tax Digest. Division personnel determine the ratio of assessed value of property to the sales price to ensure that the property is being assessed equitably.
- **The Office of Quality Assurance** performs independent reviews of the audit work conducted by the Department's operating divisions to ensure that the work is conducted in compliance with applicable government auditing standards.
- **Administrative and IT Divisions** ~ Collectively contributes to building and maintaining a leading edge audit office by providing efficient and effective corporate support services.

WHAT'S AHEAD

- Changes that affect current year audit
- New legislation
- New GASB Accounting Standards
- Performance audits
- Taking opportunities for improvement

NEW GASB STATEMENTS

FY 2013

GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements

- Addresses the issues related to service concession arrangements (SCAs), that, for the purposes of this statement, are arrangements between the transferor (a government) and an operator (governmental or nongovernmental entity) in which:
 - The transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration
 - AND -
 - The operator collects and is compensated by fees from third parties.
- Also provides guidance for governments that are operators in an SCA, and requires disclosures pertaining to an SCA. Generally, the provisions of the statement are required to be applied retroactively.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

- Provides financial reporting guidance for deferred outflows and deferred inflows of resources.
- Amends GASB 34 by:
 - Incorporating deferred outflows and deferred inflows of resources into the definitions of the required components of the residual measure
 - Renaming the measure from net assets to net position

NEW GASB STATEMENTS

FY 2014

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities

- Reclassifies certain items previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources
- Recognizes certain items previously reported as assets and liabilities as outflows of resources or inflows of resources
- Provides other financial reporting guidance related to the impact of the financial statement elements deferred outflow of resources and deferred inflow of resources (such as changes in the major fund calculation and use of the term “deferred”)

NEW PENSION ACCOUNTING

What you need to know.....

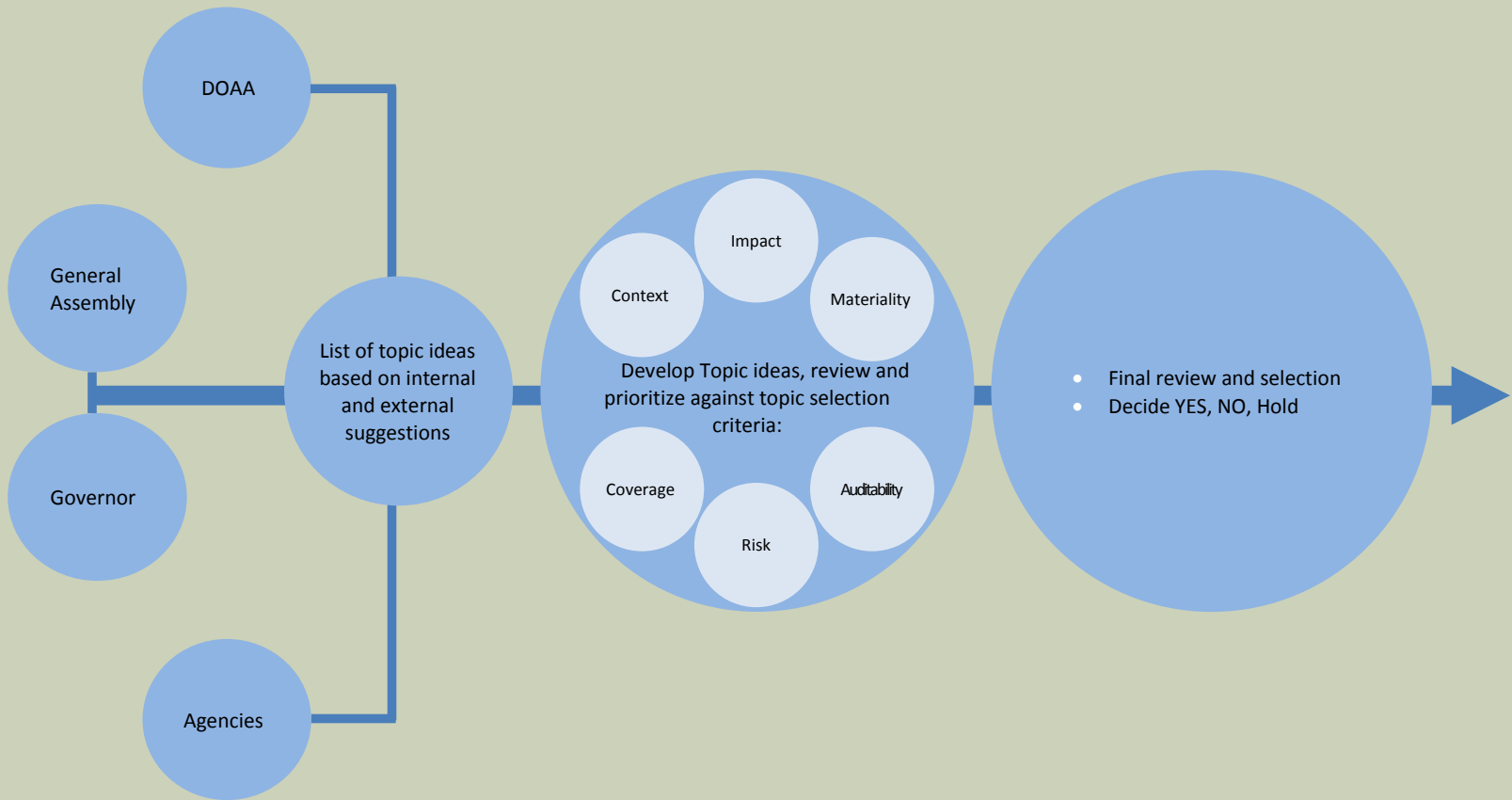
- Government employers will have to record a net pensions liability in their accrual-basis financial statements for defined benefit plans that is based on fiduciary plan net position rather than plan funding
- A government employer that participates in a cost-sharing DB plan will have to record its share of the plans' collective net pension liability
- Reporting the net pension liability or asset on the face of the statement of net position will more clearly illustrate a government's net financial position
- Many governments will likely report a larger liability for pension obligations than they do now
- New standard is effective for fiscal year 2015

CURRENT ACTIVITIES OF THE PERFORMANCE AUDIT DIVISION

Each year the House and Senate Appropriations Committees, by law, may request that we conduct special examinations on topics of their choice. The topics that we have been asked to review this year have a few common themes.

- **Theme 1: Has the investment of state resources (in various programs/initiatives) resulted in desired outcomes?**
 - Georgia Research Alliance: What impact has the state's investment in GRA had on economic development and jobs?
 - Trauma Commission: How successful has the Trauma Commission been in reaching its original goals after five years of investment?
 - Georgia SHINES: Has DFACS' web-based automated child welfare information system, known as Georgia Shines, been effective?
- **Theme 2: Concerns over education funding**
 - Controls over teacher and student counts: (1) a review of controls over these counts, which are used to compute QBE formula funding for traditional schools as well as non-traditional school locations (i.e., schools in DJJ, DBHDD), (2) controls over accuracy of teacher certification levels, and (3) a review of the practice of state funding of teacher step increases for both state- and locally- funded teacher positions.
 - Impact of special property tax arrangements (as reflected in the county tax digest) on QBE and Equalization Grant formulas
- **Theme 3: Interest in various other fiscal issues**
 - Department of Revenue's collection and use of agency fees to offset funding reductions

HOW WE CHOOSE PERFORMANCE AUDITS



SELECTION CRITERIA

Materiality: Does the activity or program have potentially significant financial, economic, social or environmental management implications?

Impact: Is an audit likely to have a positive impact on the community? Could it lead to improvements across the public sector in efficiency, effectiveness or accountability? Would an audit address concerns within the Legislature?

Risk: Are there any indicators of known or suspected problems? Has the program changed significantly or undergone sudden expansion? Are issues emerging in related areas that could affect the area being considered for audit? Are there inherent risks that may not be well managed? Would any problems result in adverse consequences?

SELECTION CRITERIA

Context: Is there strong community interest in the topic? Does the program have high political sensitivity or national importance? Is it the right time to review this area? Are issues already well known? Is there another review or audit in progress covering similar issues? Would an audit of the area reinforce other important current messages or themes?

Coverage: Have we audited this area/agency recently? Does the topic help meet our objective of providing a balanced coverage of government portfolios and performance over time?

Auditability/Efficiency: Is the area amenable to audit? Will information and evidence be available? Can a past methodology be used or will the methodology be reusable? Can analytical tools be used? Can it be audited with resources that match the impact and materiality of the topic or will it take disproportionate resources for limited benefit?

“If you don't know where you are going, you are certain to end up somewhere else.”

-Yogi Bera

TAKING OPPORTUNITIES FOR IMPROVEMENT

- Recognizing and acting on opportunities to improve and enhance the efficiency of our work is important to us
- We seek feedback from our peers, clients, staff and others and commit to actively use it
- Taking responsibility is a key element to finishing the job and finishing it to the best of our ability

Discussion and Questions

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