



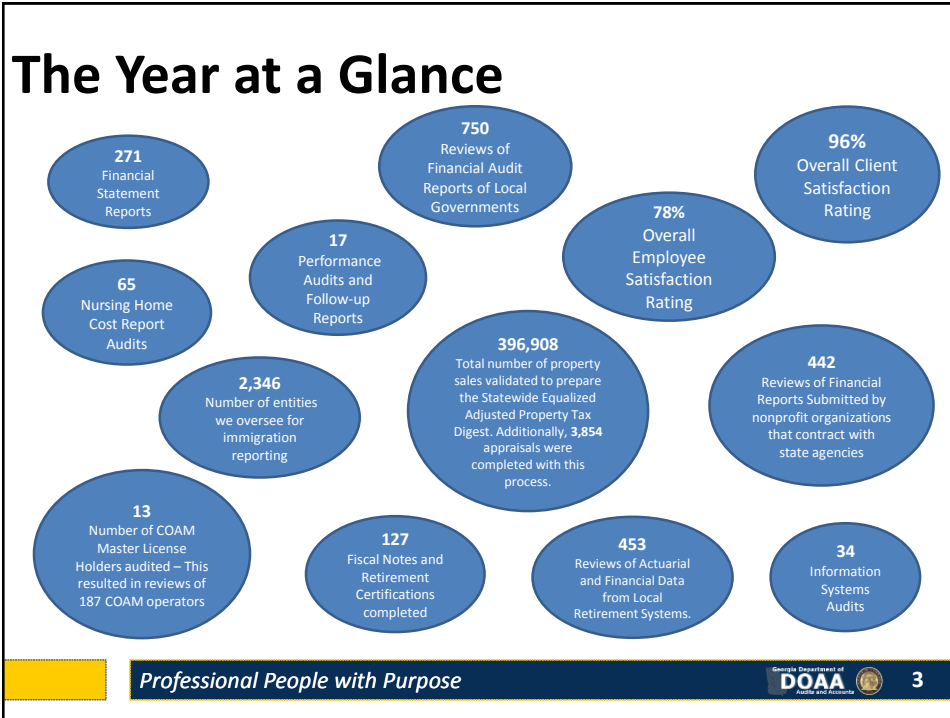
Georgia Fiscal Management Council

# Department of Audits and Accounts

Greg Griffin, State Auditor  
September 13, 2015

## Overview

- Year at a Glance
- Emerging Issues
  - Data Act
  - Uniform Grant Guidance
  - Internal Controls & Risk Assessments
- Enhancing Our Client Engagement



## FY15 Performance Audit Topics

Government Function	Topic
Education	<ul style="list-style-type: none"> <li>Capital Funding of School Systems</li> <li>Education Reporting Controls</li> <li>Non-public Postsecondary Education</li> </ul>
Health and Human Services	<ul style="list-style-type: none"> <li>County Health Departments</li> <li>DFCS Case Management System (SHINES)</li> <li>Georgia Trauma Care Network</li> <li>Home and Community Services for Elderly and Disabled</li> <li>Warm Springs Institute for Rehabilitation</li> </ul>
Judicial	<ul style="list-style-type: none"> <li>Administrative Office of the Courts and Judicial Councils</li> </ul>
Public Safety and Corrections	<ul style="list-style-type: none"> <li>Georgia State Patrol</li> <li>Inmate Health Contract</li> </ul>
General Government	<ul style="list-style-type: none"> <li>Driver Records</li> <li>Employee Leave</li> <li>Ethics Commission</li> <li>State Space Management Policies</li> </ul>
Other	<ul style="list-style-type: none"> <li>Food Processing Inspections</li> <li>Regional Commissions</li> </ul>

[www.audits.ga.gov](http://www.audits.ga.gov)

**Professional People with Purpose**

Georgia Department of **DOAA** Public and Accounts **4**

## Issued & On-going Performance Audits

Government Function	Topic
Education	<ul style="list-style-type: none"> <li>• Communities in Schools</li> <li>• Salary Incentives for Math and Science Teachers</li> <li>• Teach for America</li> <li>• Virtual Charter Schools</li> </ul>
Health and Human Services	<ul style="list-style-type: none"> <li>• Childcare and Parent Services</li> <li>• Vocational Rehab</li> </ul>
Judicial	<ul style="list-style-type: none"> <li>• Crime Victims Fund</li> </ul>
General Government	<ul style="list-style-type: none"> <li>• Office of Consumer Protection</li> <li>• Statewide Debt Collection</li> <li>• Statewide Indirect Cost Allocation</li> <li>• Income Tax Analysis</li> <li>• Unclaimed Property</li> </ul>
Other	<ul style="list-style-type: none"> <li>• Solid Waste Trust Fund</li> <li>• Wildlife Resources Division</li> <li>• DOT Transit Program</li> <li>• Regional Commissions</li> <li>• Veterans Services and Funding</li> </ul>

[www.audits.ga.gov](http://www.audits.ga.gov)

## Who Audits the Auditor?

- Peer review conducted by the National State Auditors Association every three years
  - For the period July 1, 2013 through June 30, 2014
  - Received highest rating of “Pass” on work performed
  - No deficiencies included in the report
- Internal Quality Control Reviews performed for continuous improvement

## Emerging Issues Data Act

## Data Act

- Digital Accountability and Transparency Act (DATA Act) signed into law on May 9, 2014 (Public Law No. 113-101).
- Amends and adds to the Federal Funding Accountability and Transparency Act of 2006 (FFATA).
- Requires the Department of the Treasury and the White House Office of Management and Budget (OMB) to transform U.S. federal spending from disconnected documents into open, standardized data, and to publish that data online.

## Data Act Goals

Develop Government-wide data standards

Automate compliance

Reduce reporting burden

Increase the availability, accuracy and usefulness of federal spending information

Use analytics to spotlight indicators of fraud and waste

## Data Act

- Timeline
  - 2015
    - Issue guidance on government-wide data standards for federal spending
    - Begin Pilot program
  - 2017
    - Pilot program ends
    - OMB reports to congress on data consolidation
    - All federal agencies report under the data act
  - 2018
    - OMB will issue guidance to all agencies applying the government-wide data standards to all grantee and contractor reporting. (FFATA sec. 4(c)(7)).

## Data Act

- Accomplishments To-date
  - Compiled list of 57 DATA Act elements for reporting.
  - Established Interagency Advisory Committee (IAC) to coordinate cross-community collaboration within Federal government.
  - Established a pilot program led by Department of Health and Human Services.

## Data Act

- Preparation
  - Review and understand the compiled list of 57 DATA Act elements required for reporting.
  - Perform an inventory of agency data and associated business process and systems.
  - Monitor results of the HHS-led pilot program and subsequent OMB reports on the DATA act.
  - Establish an agency work group and begin determination of impact.

## Data Act

- Whitehouse.gov:
  - <https://www.whitehouse.gov/blog/2015/05/08/better-data-better-decisions-better-government>
- Data Coalition:
  - <http://www.datacoalition.org/what-is-data-transparency/data-act/>
- GITHUB
  - <https://fedspendingtransparency.github.io/>
- USASpending
  - <https://www.usaspending.gov/Pages/data-act.aspx>

## Emerging Issues Uniform Grant Guidance

## Uniform Guidance

- 2 CFR Part 200 – UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS
  - Effective December 26, 2014
    - All new Federal awards
    - Additional funding to existing awards
  - Streamlines 8 OMB circulars into one set of uniform guidance.
    - Eliminates overlapping, duplicative and conflicting guidance
    - Reduces administrative burden for non-federal entities
    - Reduces the risk of waste, fraud and abuse

## Uniform Guidance

- Presentation on Uniform Guidance will highlight changes in key areas such as:
  - Procurement
  - Cost
  - Internal Controls
  - Risk Assessments
  - Subrecipient Monitoring
  - Audit Requirements
  - Findings



## Risk Areas to Consider

- General Assessment –
  - Is the entity new to managing grant funds?
  - What is the rate of staff turnover at the entity?
  - What is the extent of new personnel, particularly in the grants area?
  - To what extent has the subrecipient developed or implemented new or substantially changed systems?
- Legal Assessment –
  - Is the entity involved in any active lawsuits?
  - Is the entity currently suspended or debarred, or have they been suspended or debarred in the past?

## Risk Areas to Consider – cont.

- Monitoring & Audit Assessment –
  - Were there any findings or violations from a prior audit?
  - Has any on-site monitoring been performed in the recent years and, if so, what were the results of those monitoring visits?
  - Have there been any Federal awarding agency monitoring and, if so, what were the results, even if related to a different award?

## Risk Areas to Consider – cont.

- Financial System Assessment –
  - Does the entity have an effective financial management system in place?
  - Does the accounting system identify the receipts and expenditures of program funds separately for each award?
- Overall Fiscal Assessment –
  - Is the specific grant large in terms of percentage of overall funding for the entity?
  - Has the entity been untimely in the drawdown of funds?

## Risk Areas to Consider – cont.

- Financial Stability Assessment –
  - Has the state or any other authority placed the entity in a special financial status?
  - Has the entity been able to meet its cash needs?
- Program Assessment –
  - Is the entity meeting current reporting requirements?
  - Is the entity meeting its annual measurable objectives or performance objectives?

## Uniform Guidance

### What you should do to prepare

- Set Tone at the Top
- Develop a Plan to become Compliant
  - Determine Policy and Procedure Changes
  - Establish or Update Internal Controls
  - Establish Action Items and Item Owners
  - Establish a Training Program
  - Establish Deadlines



## Uniform Guidance

### What you should do to prepare

- Obtain an Understanding of the New Requirements
  - Office of Management and Budget – Uniform Administrative Requirements, Cost Principles, And Audit Requirements For Federal Awards.  
[http://www.whitehouse.gov/omb/grants\\_docs](http://www.whitehouse.gov/omb/grants_docs)
  - Council on Financial Assistance Reform (COFAR) - Frequently Asked Questions (FAQs)  
<https://cfo.gov/cofar/>



## Internal Control/Risk Assessments

### Before 2007

- The auditors
  - assessed risks
  - identified the control activities
- COSO framework



## Auditing Standards Change



### Prompted by Crisis

- Sarbanes-Oxley
- AICPA Super Suite
- Federal Single Audit

## Starting in 2007

- Agency management needed to ensure they understood and assessed the risks and show the auditors that they had appropriate and sufficient internal controls
- Contained all elements of COSO, including risk assessment
  1. Financial Reporting
  2. Federal Compliance
  3. Financial Operations

# 2014



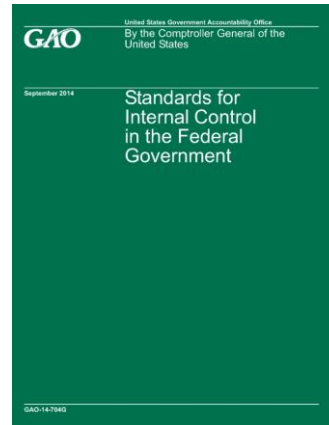
*"Establishing and maintaining effective internal control over financial reporting and compliance with laws and regulations is the responsibility of management. As such, we recommend that management ..... evaluate their system of internal control and conduct a formal assessment of the risk factors that could impact the Department's financial reporting and compliance activities. Conducting an evaluation of internal control and performing risk assessments on an annual basis will be of significant benefit in enhancing internal controls, preventing fraud and abuse, and improving the efficiency of operations. We encourage the Department to adopt the standards presented in the U.S. General Accounting Office's (GAO) Green Book, which provides an overall framework for establishing and maintaining an effective internal control system."*

## Risk Assessments

- SAO to develop guidance for agencies
- Agencies should decide which processes need formal risk assessments, but must consider:
  - Items material to the CAFR
  - Major single audit programs
  - Major sources and uses of funding (financial)
  - Areas critical to agency mission (operational)
- Control documentation and risk assessment plans will be focus of FY15 audit and forward

## Green Book Adoption in State Government

- A number of states, including Minnesota and Ohio, have adopted (or are in the process of adopting) the Green Book on a statewide basis
  - Minnesota passed legislation in their 2009 session



## Enhancing our Client Engagement 2014 Client Survey Feedback

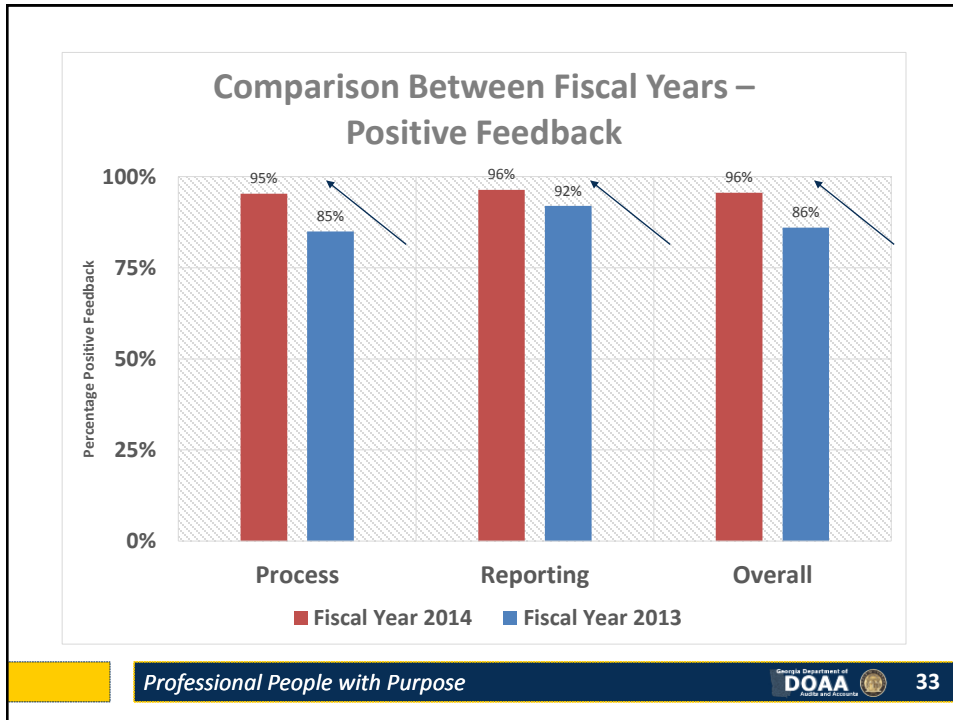
## 2014 Client Feedback

- Survey sent at the end of a financial engagement
- 39% response rate
- Clients receiving surveys
  - State Agencies
  - College & Universities
  - School Districts

## Scores

- Index of 51-100 indicates a favorable assessment
- Our Goal – achieve a client satisfaction index score of >80% for:
  - Audit process and client engagement
  - Effectiveness and fairness of audit communications and reporting
- Actual ratings
  - Process and Engagement – 95%
  - Communications and Reporting – 96%
  - Overall – 96%





## Drivers of Audit Process Quality

- Knowledge
  - Understanding of client organization
  - Staff continuity throughout engagement
  - Senior audit staff appropriately involved
- Communication
  - Discussions about audit purpose, scope and key milestones
  - Effective communication between the auditor and the organization
- Auditor interaction with auditee
  - Fieldwork performed timely
  - Meet agreed-upon expectations re: communications, deadlines and deliverables
  - Responsiveness to client needs
  - Respectful of agency resources and time
  - Auditor professionalism

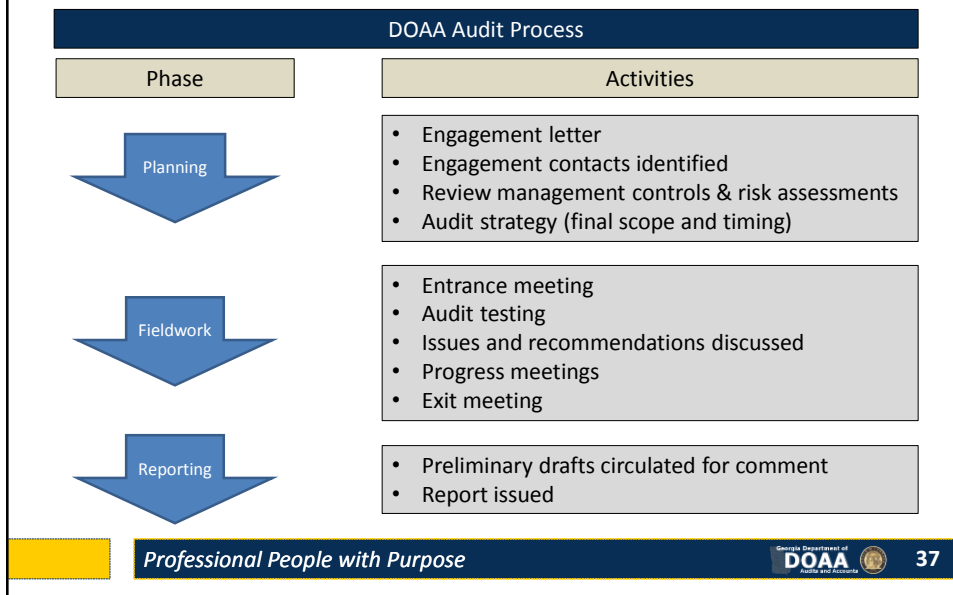
## Drivers of Reporting

- Issues/Findings are clearly communicated
- Issues/Findings identified are fair and balanced
- Client organization is provided adequate opportunity to comment on issues, findings, etc. before finalization of the engagement
- Reports are issued timely

## Where can we improve?

- Communication
  - Continued focus on interactions with you throughout the engagement process

## Client Engagement/Expectations



## Where can we improve?

- Communication
  - Continued focus on interactions with you throughout the engagement process
  - **Better communication/coordination of required items and response times**

## Where can we improve?

- Timeliness
  - More timely issuance of reports at completion of fieldwork

## Questions?

“Creativity is just connecting things.....  
When you ask creative people how they did it, sometimes they feel a little guilty because they don’t know. They didn’t really do it, they just saw something,... It seemed obvious to them after a while.”

*Quote from Steve Jobs*