

Beyond the Agency Audit – The Varied Activities of the Department of Audits and Accounts

By Carol Schwinne

As employees of state agencies, you see our auditors on a regular basis as they perform financial, information technology, and performance audits of your organizations. Each year, we perform over 400 engagements of this nature at various agencies, colleges, technical colleges, and the local boards of education. However, there are many other services that our Department provides. In some cases, we are legislatively mandated to perform the work. In others, we have been contracted with by another entity to provide certain services. Through this article, we hope to inform you of other audit and assurance services we provide to the State and to summarize the impact that these activities have on government operations.

Although our Department only has authority to audit state operations, we are required, by statute, to review the financial audit reports of all local governments, including counties, cities, regional commissions, and some local government authorities. We review these reports to ensure the audits were performed in accordance with government auditing and accounting standards and to review the corrective action plans submitted by local governments for any deficiencies and/or findings that are identified by their auditors. Annually, we review the financial statements of approximately 750 local governments. Agencies should be mindful that the state may rescind grant funding to local governments that have uncorrected deficiencies in their report or that fail to file. On a quarterly basis, we notify agencies of such local governments.

Similarly, we are also required to review the financial statements of nonprofit organizations that contract with state organizations. These reviews are done to ensure compliance with the requirements for audits and financial presentation for nonprofit organizations. Annually, we review the financial statements of over 450 nonprofit organizations.

Since 1981, the Department of Community Health (DCH) has contracted with our Department to provide various audit services. One of the primary services we provide is our audit of nursing home cost reports. The cost report is prepared by all nursing home providers that accept Medicaid patients and is used to document expenditures related to the care of such patients. Our audits are intended to determine whether the reported expenditures are allowable under Medicaid policies. The results of our work can influence the rates that are paid to nursing home providers in future years as DCH uses this information to establish reimbursement rates. Our most recent audit cycle yielded a potential reduction in Medicaid payments to nursing homes of approximately \$10 million because of the unallowable expenditures identified during our audits. Annually, we conduct approximately 65 field audits and 340 desk reviews of nursing home providers and their management companies.

Most recently, we entered into a contract with the Georgia Lottery Corporation (GLC) to conduct audits of companies that hold licenses to operate the coin operated amusement machines in Georgia. Through our work, we ensure that the license holders and their contracted operators are properly accounting for

the revenue generated from the public's use of the machines and are awarding winnings in accordance with State law. The regulation of this operation was recently moved to the GLC, and eventually it will receive a portion of the proceeds to be applied to Hope Scholarship funding. During FY 2014, we conducted 30 reviews of license owners and their respective operators.

Another legal mandate of our office requires property appraisers to determine the ratio of assessed value of property to the sales price to ensure that property is being assessed equitably within classes of property, between classes of property, and between counties. The results of our work are used to prepare the Statewide Equalized Adjusted Property Tax Digest, which is used by the Department of Education to assign about \$1.7 billion in local five mill share funds for Quality Basic Education (QBE). Additionally, the tax digest helps to distribute over \$436 million in QBE equalization funds among school systems. To prepare this report, our Department conducts over 5,200 appraisals and reviews documents related to over 394,000 property sales.

The services highlighted above do not provide a comprehensive listing of all the duties and responsibilities of the Department of Audits and Accounts. I have highlighted our FY 2014 activity levels in the following exhibit. For a more detailed summary of our responsibilities, I encourage you to visit our website at www.audits.ga.gov.

DOAA Activities

360

Financial Statement Reports

775

Reviews of Financial Audit Reports of Local Governments

14

Performance Audits and Follow-up Reports

478

Reviews of Financial Statements Submitted by nonprofit organizations that contract with state agencies

59

Nursing Home Cost Report Audits

394,986

Total number of property sales validated to prepare the Statewide Equalized Adjusted Property Tax Digest. Additionally, **5,207** appraisals were completed with this process.

30

Number of COAM Master License Holders audited – This resulted in reviews of 353 COAM operators

13

Provider Claims Audits

2,232

Number of entities we oversee for immigration reporting

65

Fiscal Notes and Retirement Certifications completed

31

Information Systems Engagements