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Engagement Process

Our engagements typically go through three phases:

- Pre-engagement and Planning
- Internal Control and Substantive Testing
- Finalization

During each phase, communication, client satisfaction and efficiency is extremely important.



Engagement Process



Our clients can expect the following from DOAA:

- An engagement conducted in accordance with applicable standards.
- Clear explanation of the scope and objectives of the engagement.
- Open and frequent communication throughout the engagement.
- Secure and careful treatment of confidential information.
- A chance to respond to the potential findings and recommendations and to have that response incorporated into the engagement report.

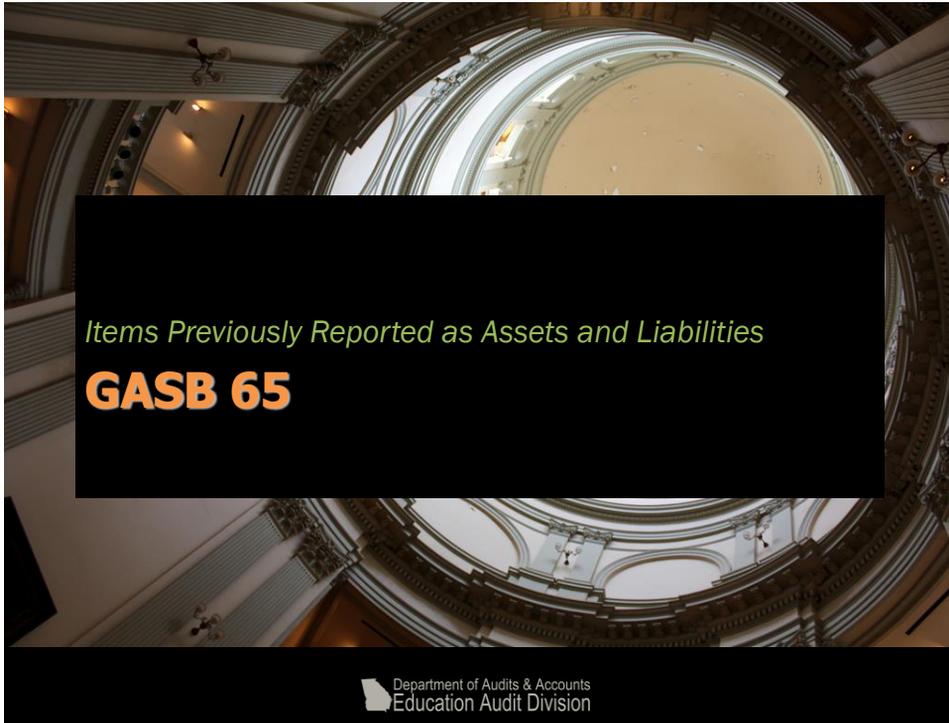


Overview



- GASB Updates (Auditor Perspective)
- Common Audit Issues
- Miscellaneous Information
- Award of Distinction for Excellent Financial Reporting
- Illegal Immigration Reform Act Reporting





Summary

- Objective
 - Either:
 - Properly classify certain items that were previously reported as assets and liabilities as deferred outflows/inflows of resources, or
 - Recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses/expenditures) or inflows of resources (revenues)
- Effective Date
 - Periods beginning after December 15, 2012 (FY 2014)
 - Restatement of beginning net position will be required and an explanatory paragraph will be added to the notes disclosures.

Prepayments



Insurance for the first 6 months of next year paid in advance

Currently Reported	GASB 65
Asset	Asset


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Debt Issuance Costs



Underwriter fees associated with issuance of long-term debt

Currently Reported	GASB 65
Asset – Amortized and reported as annual expenses over the maturity of the debt	Current Period Outflow of Resources (Expenses)


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Resources Received in Advance from Imposed Nonexchange Transaction

Payment on next year's property tax levy received in current year

Currently Reported	Future Report as
Liability – Deferred Revenue	Deferred Inflow of Resources

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Revenue Recognition in Governmental Funds

Delinquent Property Taxes NOT received within 60 days

Currently Reported	GASB 65
Liability – Deferred Revenue	Deferred Inflow of Resources

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Revenue Recognition in Governmental Funds

GSFIC Revenue Earned but not received within 60 days

Currently Reported	GASB 65
Liability – Deferred Revenue	Liability – Unearned, Unavailable, Advance Revenue

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Debt Refundings

Debit/Credit resulting from refunding of debt

Currently Reported	GASB 65
Deferred Gain/Loss (reported as related bonds payable)	Deferred Outflow (Loss) or Deferred Inflow (Gain) Recognize as component of Interest Expense over shorter of life of old debt or new debt

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GASB 65



- Restatements to Beginning Net Position if:
 - Bond Issuance Costs were deferred and amortized over the life of the bonds in the prior year.
 - Entry:
 - Debit Beginning Net Position, Credit Deferred Charges for balance of Deferred Charge at July 1, 2013.
 - Notes:
 - Paragraph explaining the restatement. Layout will be included in the standard notes included on our website.


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GASB 65



Restatement necessary based on Paragraph 34 of GASB 65:

“The cumulative effect of applying this Statement, if any, **should be reported** as a restatement of beginning net position or fund balance, as appropriate, for the earliest period restated. In the period this Statement is first applied, the financial statements **should** disclose the nature of any restatement and its effect. Also, the reason for not restating prior periods presented **should be** explained.”


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GASB 65



- Other Changes that will not result in a restatement:
- District Wide Statements:
 - Reclassification of Deferred Gain or Loss on Debt Refunding
 - Debit/Credit Deferred Outflows/Inflows of Resources instead of Long Term Liabilities
 - Prepayment of future property tax levy:
 - Credit Deferred Inflow of Resources instead of Deferred Revenue

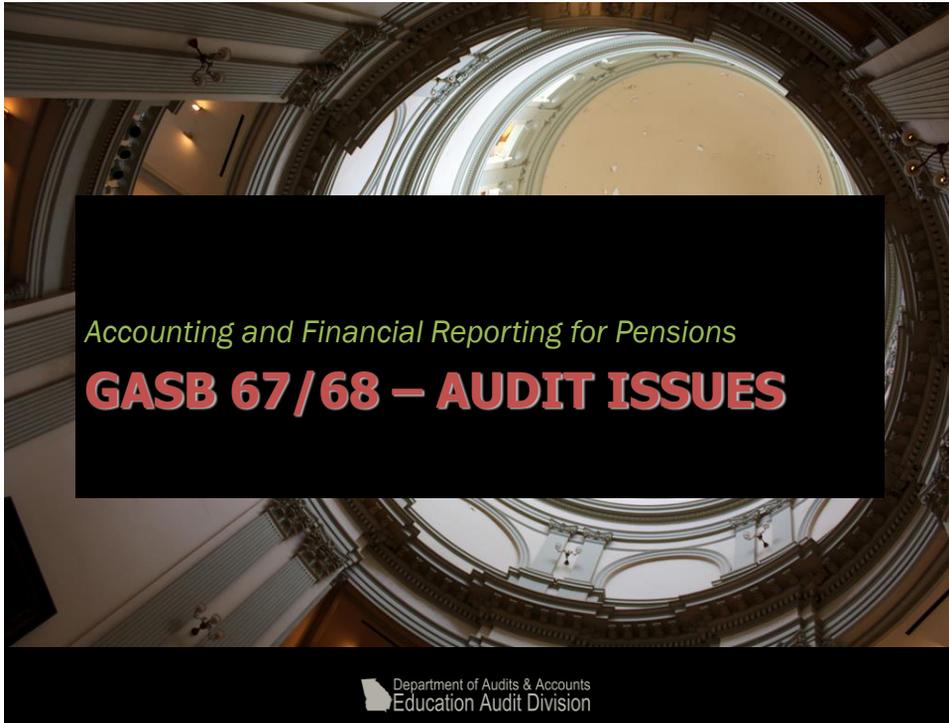


GASB 65



- Other Changes that will not result in a Restatement:
- Governmental Funds:
 - Property Taxes Not Received within 60 days
 - Credit Deferred Inflow of Resources instead of Deferred Revenue
 - GSFIC Revenue not received within period determined by LEA
 - Credit Unavailable Revenue instead of Deferred Revenue
- Terminology Change:
 - Deferred Revenue is now Unavailable (or Unearned) Revenue
 - Also have seen term “Advances”





Summary

- GASB 67
 - *Financial Reporting for Pension Plans*
 - Objective to improve financial reporting of state and local government pension plans
 - Expands note disclosures and Required Supplementary Information to be reported, including Net Pension Liability which is actuarially determined based on the Total Pension Liability less the plan's net position
 - Effective Date
 - Periods beginning after June 15, 2013 (FY 2014)

Summary



- GASB 68
 - *Accounting and Financial Reporting for Pensions*
 - Objective to improve financial reporting of pensions by state and local governments (employers)
 - Expands information to be reported, including recording the employer's proportionate share of the plan's Net Pension Liability on the financial statements.
- Effective Date
 - Periods beginning after June 15, 2014 (FY 2015)



Plan Auditor Requirements



- Required by auditing standards to obtain sufficient appropriate evidence that plan financial statements reported under GASB 67 are materially correct.
 - This includes evidence of accuracy and completeness of the census data reported to the plan by employers
 - Census data used by actuary to calculate the Total Pension Liability



Plan Auditor Problem



Some plans have thousands of employers how can the plan auditor possibly test the accuracy of all of the data submitted?



AICPA Solution



- In late February 2014 issued “white paper” for guidance
 - *Single-Employer and Cost-Sharing Multiple-Employer Plans: Issues Associated with Testing Census Data in an Audit of Financial Statements*



Census Data Testing Approach



- Plan auditor select a representative group of employers each year on a rotating basis for testing of underlying payroll records of employees
- If not feasible for plan auditor to perform site visits to directly test census data at each employer, the employer auditor can perform the testing and issue an attestation report.
- Plan auditor will rely on the attestation reports of the employer auditors for evidence that the census data was complete and accurate.



Census Data Testing Approach



- TRS auditor is selecting a list of employers to test.
- DOAA or private firms will perform testing of census data at the selected sites.
 - A separate examination engagement will be performed
 - Will review data such as hire date, birth date, salary reported, etc. and compare to TRS data
 - We are currently working with TRS on testing approach and timing related to FY13 and FY14 data



Employer Auditor Requirements



- Required by auditing standards to obtain sufficient appropriate evidence that employer's financial statements reported under GASB 68 are materially correct.
 - This includes the proportionate share of the net pension liability recorded on the financial statements by the employer



Employer Auditor Problem



- How to gather the information necessary to test that the net pension liability and other pension data recorded are materially correct?
 - GASB 67 does not require the plan to allocate the shares of pension activity to individual employers.
 - How will employers get the information required to be in compliance with GASB 68?
 - GASB is leaving it to the employers and plans to coordinate.



AICPA Solution



- In late February 2014 issued “white paper” for guidance
 - *Governmental Employer Participation in Cost-Sharing Multiple-Employer Plans: Issues Related to Information for Employer Reporting*



Employer Pension Reporting Testing Approach



- Plan will prepare allocation schedules of pension amounts by employer.
- Plan auditor will provide an opinion on these allocation schedules.
- Employer auditor may rely on plan auditor opinion on these schedules as sufficient audit evidence of the employer’s recorded amounts.



GASB 67/68 More information

- Free information on www.gasb.org
 - Copy of GASB 67/68 pronouncements
 - Implementation Guides with Q&A
 - GASB Contact information ☺



Common Audit Issues

- Findings will have a very different “Cause” section
 - Goal is to better serve you in providing recommendations
 - We will ask for your input as to why the finding occurred
 - This will help us complete the “Recommendation” section
 - Also ensures that the finding has been fully discussed with you
- Management Responses
 - Opportunity will be provided for you to respond to all management letter comments which will be included in the body of the letter (optional)
 - Audit finding responses are included with the findings instead of separately



Common Audit Issues



- Common Findings (significant deficiencies/material weaknesses)
 - Financial Statement Preparation
 - Any significant or material entries require a finding by audit standards
 - The materiality is by opinion unit (District-wide, individual funds)
 - Capital Assets
 - Incomplete listings
 - Lack of physical inventories
 - Expenditure Separation of Duties
 - Extends to expenditures outside of the normal process
 - School Activity Accounts - Separation of Duties
 - Risky area – “What would make the newspaper?”



Common Audit Issues



- Management Comments
 - Excessive Fund Balance – OCGA 20-2-167
 - Cannot exceed 15% of next FY General Fund budgeted expenditures
 - Deficit Fund Balance
 - Access controls in financial systems
 - Separation of Duties – Journal entries
 - Evidence of review and approval
 - Salary increases to administrators when furloughs exist
 - OCGA 20-2-212.6
 - 30 Days public notice
 - Public Hearing
 - If you have Title 20 exemption due to Charter System status please communicate to the auditor



FEDERAL AUDIT CLEARINGHOUSE



- <https://harvester.census.gov/fac>
- Do **NOT** create a report id for your school district. This will be created by DOAA, your Finance Director will be added as certifying official.
- Clearinghouse will send an email when Report ID is created, requesting you to set up account if you haven't.
- Each individual has their own account password.
- Superintendents are added to Report ID.



AUDIT REQUEST LIST



- Available July 1st at www.audits.ga.gov
- No major changes anticipated



FY 2014 Audit Cycle

- Due Dates:

- August 15th – Salaries and Travel Report (CS1)
- October 15th – Audit History File
- November 17th – Financial Statements and related audit evidence to auditors
- December 15th – SPLOST Schedule
- December 31st – Public Employers Affidavit

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Award of Distinction for
Excellent Financial Reporting

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Award of Distinction for Excellent Financial Reporting Recipients for FY 2013

- Atlanta Independent School District
- City of Bremen Board of Education
- City of Chickamauga Board of Education
- City of Gainesville Board of Education
- Columbia County Board of Education
- Coweta County Board of Education
- Dawson County Board of Education
- Decatur County Board of Education
- Early County Board of Education
- Evans County Board of Education
- Hall County Board of Education
- Houston County Board of Education
- Lee County Board of Education
- Lincoln County Board of Education
- Marion County Board of Education
- McIntosh County Board of Education
- Mitchell County Board of Education
- Paulding County Board of Education
- Taylor County Board of Education
- Telfair County Board of Education
- Thomas County Board of Education
- Towns County Board of Education
- Washington County Board of Education
- Webster County Board of Education
- Worth County Board of Education

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Fiscal Year 2014

Award of Distinction for Excellent Financial Reporting

The Best Practice Criteria has been established to recognize better practices for financial reporting and controls. This Award of Distinction encourages Colleges, Universities and Local Boards of Educations to go beyond the minimum requirements of generally accepted accounting principles and recognize individual organizations that are successful in achieving that goal.

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DOAA Award of Distinction for Excellent Financial Reporting

Criteria:

Timeliness

Financial Statements

Financial Statements including MD&A, note disclosures, required supplementary information and supplementary schedules and all key supporting evidence were submitted to the Audit Supervisor by November 15.

Compliance with Transparency in Government Act

Accurate information submitted by the following established deadlines: Salary and Travel Information: August 15; Audit History Files: October 1; SPLOST Schedule : December 15, Immigration Reform Act: December 31

Quality of Financial Statements, Note Disclosures, Required Supplementary Information and Supplementary Information

First set of financial statements, MD&A, notes, required supplementary information and supplementary information provided for audit required only minimal adjustments during the audit.



DOAA Award of Distinction for Excellent Financial Reporting

Criteria:

Quality of Audit Documentation

Full supporting documentation to substantiate financial statements provided in a timely manner. Evidence easy to locate and use for audit.

Resolution of Accounting Standards/Presentation Issues

Management resolved all accounting standards and presentation issues in a timely manner.

Key Staff

Key staff readily available and cooperative during the audit and did not contribute to any delays in finalizing the audit.

Number and Significance of Deficiencies Identified

No significant deficiencies or material weaknesses noted during the audit. No more than 3 to 5 control deficiencies reported within the management letter

Clear Audit Opinion

Unmodified Opinion



DoAA Certificate of Achievement



Recognition:

1. Publish list of entities receiving a DOAA Certificate of Achievement for Outstanding Financial Reporting on our external website.
2. Present a Certificate to the recipients during the March Board of Regents Meeting as part of the DOAA Audit Results presentation.
3. Provide the entity with a press release about the Certificate that could be reported in the local organ of the entity.



Illegal Immigration Reform and Enforcement Act

Reporting Requirements



Reporting Requirements

All 'agencies or political subdivisions' will be required to report the following information:

- Listing of contractors hired for the 'Physical Performance of Services' (O.C.G.A. §13-10-91)
- Listing of each license or certificate issued by a county or municipal corporation to private employers that are required to utilize the federal work authorization program (E-Verify) (O.C.G.A. §36-60-6)
- Listing of each public benefit administered by the entity for which SAVE program authorization has not been received. (O.C.G.A. §50-36-1)

'Agency or political subdivision' means any department, agency, authority, commission, or governmental entity of this state or any subdivision of this state. (O.C.G.A. §50-36-4)

A separate report must be filed for each agency and for each attached agency.

All Reports are due to the Department of Audits and Accounts by December 31st. Reporting is an annual event for every entity.



Reporting Requirements (cont.)

- For each reporting requirement, only one submission per entity is allowed. However, an entity can have multiple users of the system who can enter data for various reporting requirements.
- The reporting period is December 1, 2013 – November 30, 2014.
- DOAA will **no longer accept submissions by mail, fax, or e-mail**. All 'agencies or political subdivisions' will be required to **upload a comma delimited file (CSV) or a text file** into the system or **enter the data directly** into the system.
- If an entity does not have anything to report, or is exempt from a particular section of the report, the entity is required to indicate the requirement(s) from which they are exempt.

Beginning with reports due on December 31, 2013, all entities must upload their data into the collection system or enter data directly into the collection system.



Title 13 Report – Report of Contractors Hired for the 'Physical Performance of Services'

- **SB 160 revised the definition of 'physical performance of services'**
 - will increase the number and types of contractors to be included in the report.
- **Effective July 1, 2013, the definition was revised** to mean "any performance of labor or services for a public employer using a bidding process or by contract wherein the labor or services exceed \$2,499.99..." (this term excludes contractors who are licensed under Title 26 or 43 or by the State Bar of Georgia).
- **Agencies are required to obtain an affidavit** from such contractors documenting that the **contractor is authorized to use and uses E-Verify when hiring employees**. A copy of the affidavit is located on the DOAA website at www.audits.ga.gov/NALGAD/IllegalImmigrationReformandEnforcementAct.html.
- **Agencies need to work with their attorneys to determine which contracts meet this definition.** However, the Department of Administrative Services requested guidance from the Attorney General's Office regarding the implementation of the new E-Verify affidavit requirement. This letter is also available on our website at the location noted above.



Title 13 Report – Report of Contractors Hired for the 'Physical Performance of Services' (cont.)

- Agencies that hire contractors with **no employees** are required to obtain a copy of the contractor's **driver's license or state issued ID card** and verify that the license was issued in a state that verifies lawful immigration. There is no affidavit required. However, these contractors still have to be included in the report and listed as "exempt." (At DOAA, we require such vendors to sign a document stating they have no employees. However, such document is not required by law.)



Tips to Help with Title 13 Reporting...

- Identify all regular contractors/vendors you conduct business with for which an affidavit will be required. Know when the contract renewal is due and be prepared to request the affidavit in advance of the renewal. (Contractors/vendors that are hired for specific, one-time need may also require affidavits. However, these need to be assessed on a case-by-case basis.)
- Review completed affidavits upon receipt to ensure the information matches the rules being applied to each field in the collection system. Follow up with vendors immediately if the data is incorrect.
 - For example – Make sure the E-Verify number is 4-6 digits in length. Our system will not accept numbers shorter or longer, and will not accept letters or characters.
- Consider entering contractor/vendor information into a spreadsheet based on the file layout in the collection system. If this is done, you will be able to convert this file to a CSV or text file and upload the file into the collection system in December.



File Layout Example

File Layout: E-Verify contractor Report – Title 13

Name of Contractor	Contractor Address	City	State	Zip Code	Contractor E-verify #	Exempt	Date of Contract	Contract Number	Contract Amount
The Tree Service	20 North Rd	Decatur	GA	30030		Y	5/4/2013	21345	3500.00
A Good Company	123 Dover St	Destin	FL	32147	78544	N		12	45000.00
XYZ Company	44 Right way	Albany	GA	39999	11235	N		25	7800.00
John Doe	PO Box 222	Savannah	GA	31417		Y		99	100000.00

Column headings should not be included in the actual file



Validation

- Contractor e-verify number – must be a number between 4 and 6 digits
- Exempt – if exempt is (Y) Yes then no e-verify number is required.
- Date of Contract – format (MM/DD/YYYY)
- Contract Number – must be a unique tracking number
- Contract Amount – include decimal with two positions but no commas or other formatting. Example: 1234.33

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Other Items

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Other Items



Client Satisfaction Survey - will be sent along with the closure letter documents

LEA Training Sessions for Preparing your Financial Statements

June 12 and 13 – Pioneer RESA

June 21 and 22 – Southwest GA RESA



Questions?

