GEORGIA DEPARTMENT OF AUDITS AND ACCOUNTS

Fiscal Year 2016 Updates
February 11, 2016

Jennifer B. Thomas
Deputy Director
Education Audit Division

Roger Boyd
Director
Information Technology Services

Overview

- What's new at DOAA?
- DOAA Award of Distinction for Excellent for Financial Reporting
- FY 2015 Audit Results
- GASB Updates
- IT Audit Support Update
- Risk Assessment Process

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Professional People with Purpose

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Professional People with Purpose

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DOAA 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.

Professional People with Purpose DOAA 8

DOAA Award of Distinction for Excellent Financial Reporting

Criteria	Description of Best Practices
Timeliness	Financial Statements including MD&A, note disclosures, required supplementary information and supplementary schedules and all key supporting evidence were available for auditors by November 15. Compliance with Transparency in Government Act Accurate information submitted by the following established deadlines: Salary and Travel Information: August 15 and Audit History/Payments Files: October 15.
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	Description of Best Practices
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/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.
Clean Audit Opinion	Unmodified Opinion

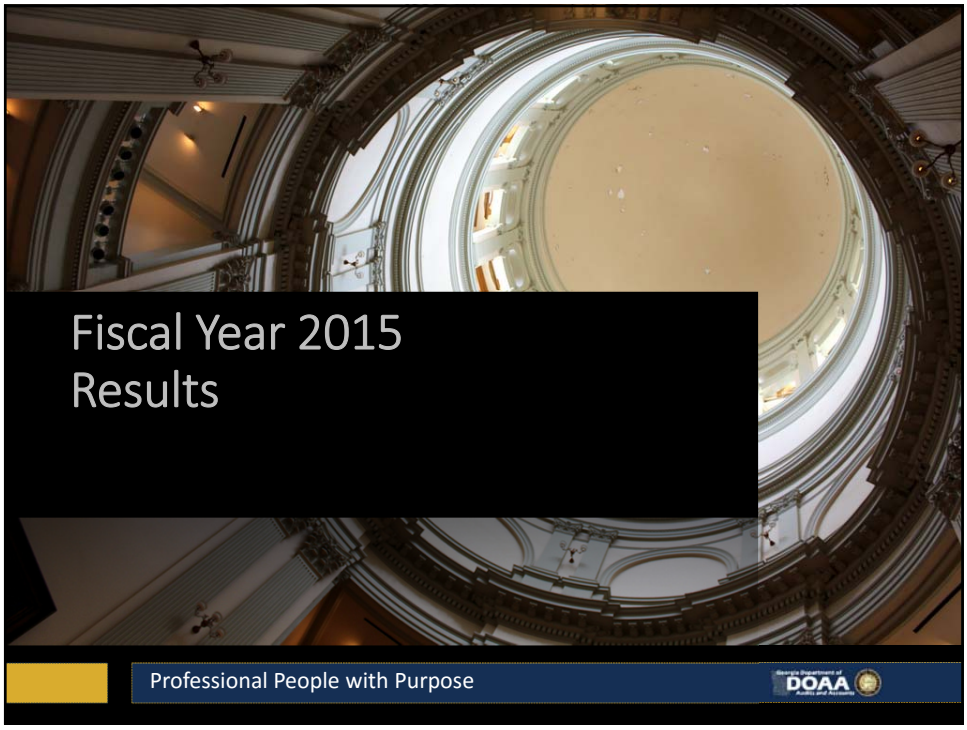
DOAA Award of Distinction for Excellent Financial Reporting

- Recognition:

1. List of entities receiving a Certificate of Excellence in Financial Reporting from DOAA published on our external website.
2. Certificate of Excellence presented at the Board meeting.
3. Press release about the Certificate of Excellence in Financial Reporting that could be reported in the local organ of the entity.

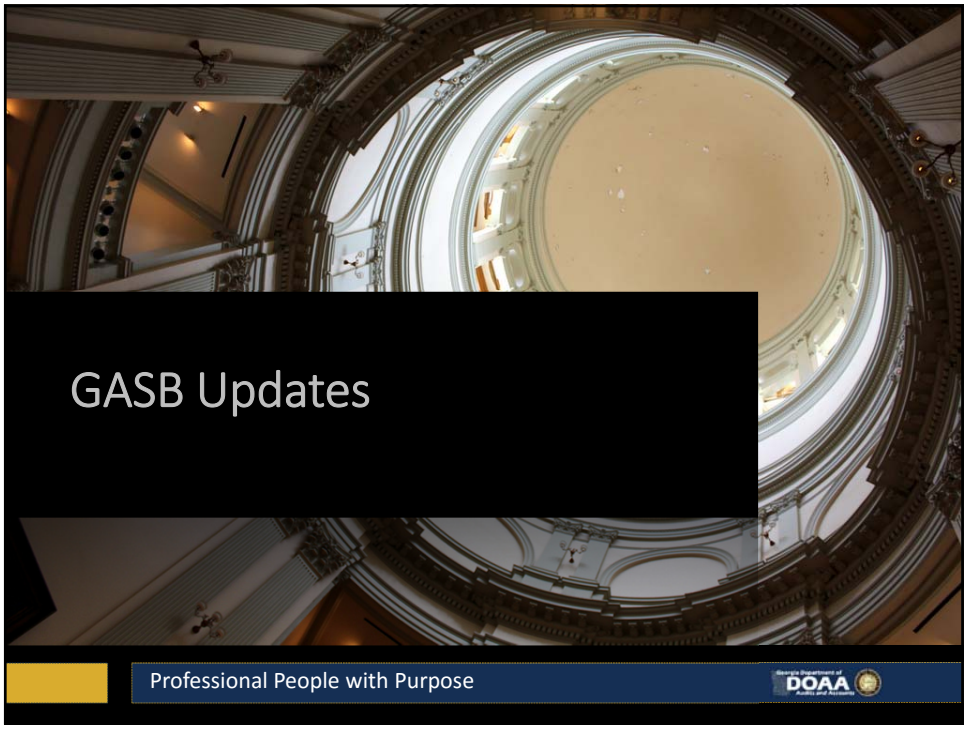
DOAA Award of Distinction for Excellent Financial Reporting - FY15 Recipients

- Only engagements that receive an Audit are qualified for the Award:
  - Atlanta Technical College
  - North Georgia Technical College



Fiscal Year 2015 Overall Results

- NO Modified Opinions!!



Fiscal Year 2015 Overall Results

- Fiscal Year 2016
  - Statement No. 72 – Fair Value Measurement and Application
    - Project Description: The objective of this project is to review and consider alternatives for the further development of (1) the definition of fair value, (2) the methods used to measure fair value, (3) the applicability of fair value guidance to investments and other items currently reported at fair value, and (4) potential disclosures about fair value measurements.
  - Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
    - Project Description: The objective of this statement is to identify the hierarchy of GAAP. The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. Reduces the GAAP hierarchy to 2 categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

Upcoming GASB Pronouncements

- Fiscal Year 2016
  - Statement No. 79 (Certain Provisions)– Certain External Investment Pools and Pool Participants
    - Address accounting and financial reporting for certain external investment pools (EIP) and pool participants. Specifically, it establishes criteria for an EIP to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.
  - GASB Implementation Guides (Post-Statement 76)

Upcoming GASB Pronouncements

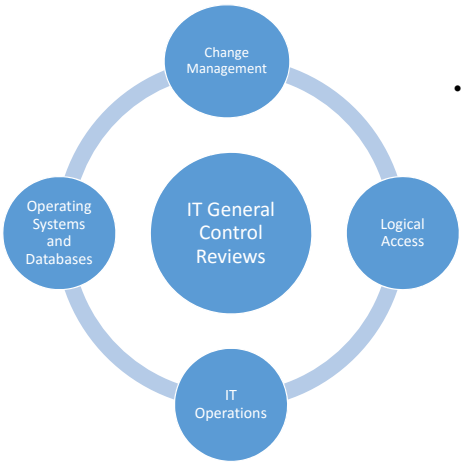
- Fiscal Year 2017
  - Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68
  - Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
  - Statement No. 77 – Tax Abatement Disclosures
  - Statement No. 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans
  - Statement No. 79 (Certain Provisions)– Certain External Investment Pools and Pool Participants

Upcoming GASB Pronouncements

- Fiscal Year 2018
  - Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions:

    Project Description: The Board will consider the potential improvements to the existing standards of accounting and financial reporting for other postemployment benefits (OPEB) by state and local governmental employers and by the trustees, administrators, or sponsors of OPEB plans. One objective of this project is to improve *accountability* and the transparency of financial reporting in regard to the financial effects of employers' commitments and actions related to OPEB. Another objective of this project is to improve the *usefulness* of information for decisions or judgments of the various users of the general-purpose external financial reports of governmental employers and OPEB plans.

IT General Controls - Historical Focus



- IT procedures aligned to support audit procedures.
  - Focused on process around:
    - Change Management
    - Logical Access
    - IT Operations
    - Operating Systems
    - Databases

IT General Controls - Historical Focus

Results are positive over a five year period!

IT Audit Support – Fiscal Year2015 and Beyond

- ✓ Continued focus on IT General Controls
  - Evaluate Design; or
  - Evaluate Design and Test IT Controls for Compliance Audits
- ✓ Automated Segregation of Duties Analysis in 2015
  - Moved from manual to automated testing
  - Expanded Scope of Procedures
  - Focused on Student Financial Aid Process
    - Create Students
    - Award Funds
    - Release Funds
    - Change Cost of Attendance
    - Change Fees
    - Change Title IV Refunds

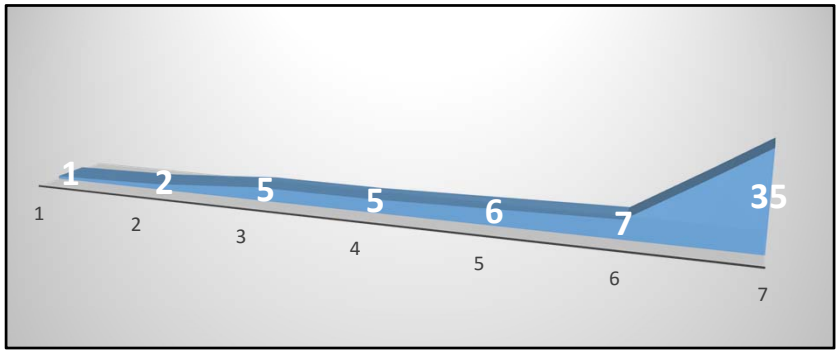
IT Audit Support – Fiscal Year2015 and Beyond

Trends

- IT General Controls – Continue to see Opportunities for Improvement
- Segregation of Duties (SOD) – Varying Results
  - User Accounts
  - System Accounts

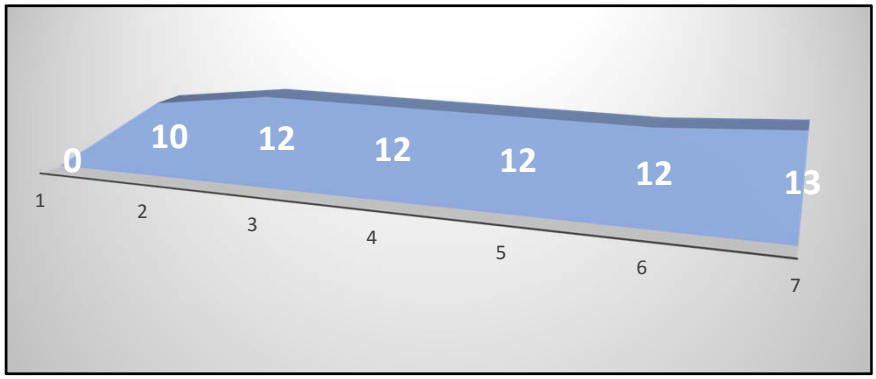
IT Audit Support – Fiscal Year 2015 and Beyond

Trend: Banner SOD for User Accounts



IT Audit Support – Fiscal Year 2015 and Beyond

Trend: Banner SOD for System Accounts



IT Audit Support – Fiscal Year 2015 and Beyond

On-going Activity

- Continue Coordination with Education Audit Division
  - Align ITGC work for seamless engagement
  - Assist with automated testing
- Continue Coordination with TCSG
  - Sharpen focus on segregation of duties

IT Audit Support – Fiscal Year 2015 and Beyond

On-going Activity – TCSG Entities

- IT General Controls
  - Continue attentiveness to control environment
  - Consider automated continuous monitoring
    - Passwords
    - Operating System and Databases
    - Account activity
- Segregation of Duties
  - Coordination between IT and business users
  - Consider preventive controls
  - Account activity

IT Audit Support – Fiscal Year 2015 and Beyond

Additional Focus

- Risk Assessment Process
  - Alignment with business
  - IT risks and controls
  - Fraud
  - Cyber Security
- Internal Control Structure
  - COSO Framework
  - The Green Book

Key to Good Internal Controls - Risk Assessment Process

A formal internal control framework is necessary to allow Management to gain reasonable assurance the entity will achieve its objectives in complying with operational, financial reporting and compliance requirements. A comprehensive internal control structure should include the following:

✓ Establish appropriate Tone at the Top

✓ Have clear, documented policies and procedures
- Identifies those charged with governance and authority
- Sets responsibility and expectations for a system of internal control throughout the organization

Key to Good Internal Controls - Risk Assessment Process

✓ Conduct risk assessments to determine risks that would prohibit the entity from achieving its operational, reporting and compliance objectives.
- Establish objectives related to operational, reporting and compliance requirements across the organization.
- Assess the suitability of the objectives and analyze risks (including fraud) to achieving each objective.
- Consider possible changes from internal and external environments and their impact.

✓ Define control activities to manage the objectives and mitigate risks identified during the risk assessment process. Control activities should be:
- Linked to each objective and risk.
- Established through documented policies and procedures.
- Performed at every level of the organization and applied at the appropriate stages within the business process and IT environment.
- Assessed periodically to determine their overall effectiveness in mitigating risks to achieving objectives.

Key to Good Internal Controls - Risk Assessment Process

- ✓ Identify information needed to assess the internal control environment. Collect and communicate information both internally and externally to support the effectiveness of internal controls.
- ✓ On-going monitoring and evaluation processes should be put in place to determine components of internal control are present and functioning effectively.

Questions?

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