

Georgia Department of Human Services

SFY 2016 DHS Audit Results

Bill Zisek

Director, Office of Financial Services (OFS)

Vision, Mission and Core Values

Vision

Stronger Families for a Stronger Georgia.

Mission

Strengthen Georgia by providing Individuals and Families access to services that promote self-sufficiency, independence, and protect Georgia's vulnerable children and adults.

Core Values

- Provide access to resources that offer support and empower Georgians and their families.
- Deliver services professionally and treat all clients with dignity and respect.
- Manage business operations effectively and efficiently by aligning resources across the agency.
- Promote accountability, transparency and quality in all services we deliver and programs we administer.
- Develop our employees at all levels of the agency.



SFY 2016 Audit Results

Audit Objectives as expressed by the State Auditor

To express opinions on:

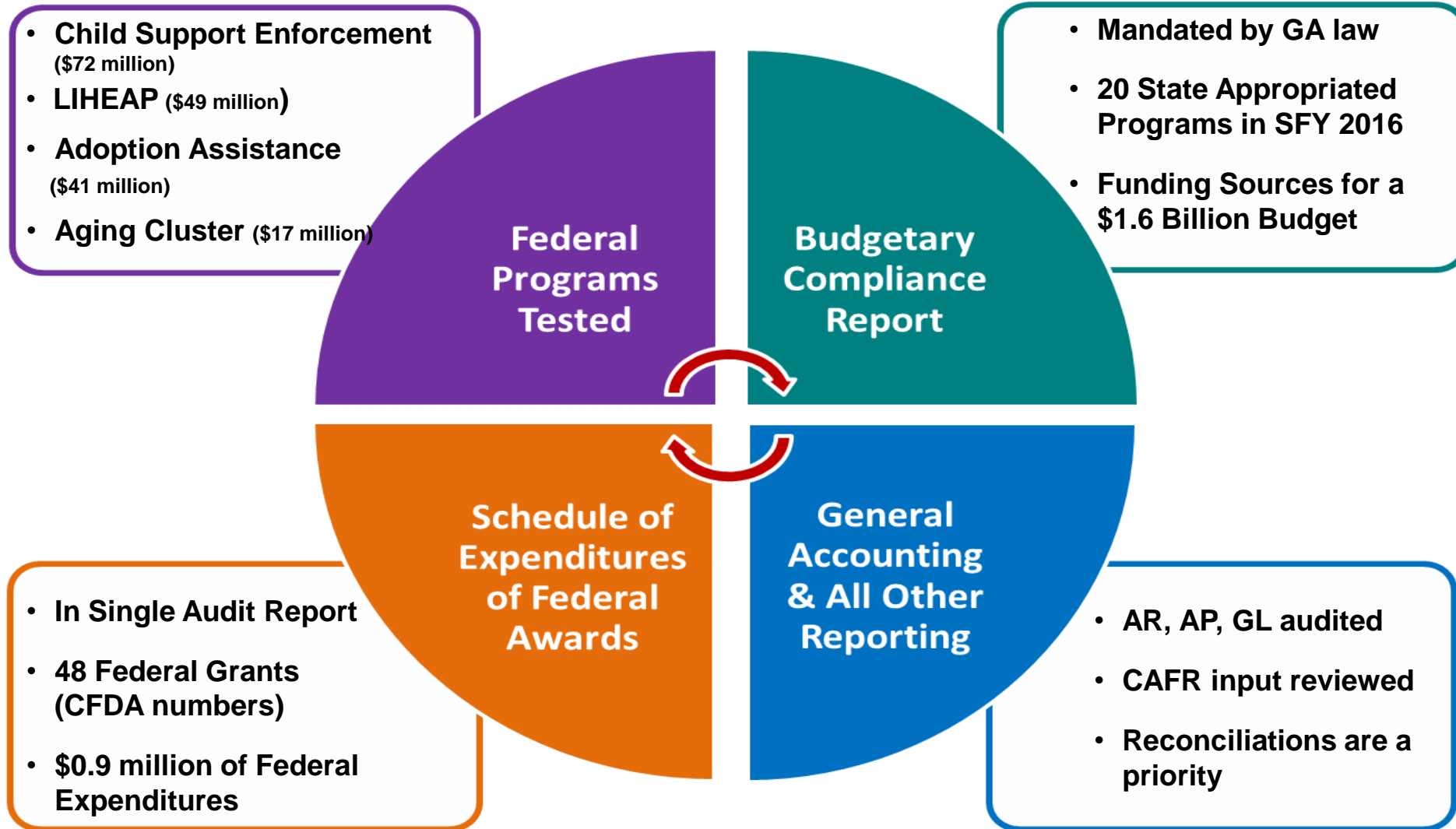
1. Fair presentation of the State's financial statements as presented in the State of Georgia *Comprehensive Annual Financial Report (CAFR)*.
2. Adequate control by the management with the oversight of those charged with governance.
3. Internal control and compliance as required by:
 - The Single Audit Act Amendments of 1996
 - Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

The annual state audit does not relieve management or those charged with governance of their responsibilities.



SFY 2016 Audit Results

Major Programs and Other Significant Items Reviewed



SFY 2016 Audit Results

5 Published Single Audit Findings



SNAP
Monitor Newly Implemented Sub-recipient Monitoring Controls **

LIHEAP, CSE, Aging Cluster
Perform Sub-recipient Risk Assessments

Strengthen Change Management and System Logical Access Controls



Continue to Strengthen the Bank Reconciliation Process **

Strengthen Change Management and System Logical Access Controls

** Repeat Findings



SFY 2016 Audit Results

Published Single Audit Findings

SNAP -- Monitor Newly Implemented Sub-recipient Monitoring Controls

Finding

- A follow up to a SFY FY 2015 audit finding where it was reported DHS did not have adequate controls in place to effectively monitor sub-recipients.

Corrective Action

- In response, DHS developed and implemented new policies and procedures and a tracking spreadsheet to monitor the receipt and review of sub-recipient expenditure and programmatic report submissions and a process for following-up with sub-recipients that did not comply with the terms and conditions of the sub-awards.
- DHS resolved the initial finding in accordance with their corrective action plan, however, DHS did not have controls in place throughout the entire state fiscal year of 2016.
- This audit finding should be eliminated in the SY 2017 process.



SFY 2016 Audit Results

Published Single Audit Findings

LIHEAP, Child Support Enforcement, Aging Cluster -- Perform Sub-recipient Risk Assessments

Finding

- As a pass-through entity, DHS is responsible for determining appropriate monitoring activities for sub-recipients of federal awards.
- The monitoring procedures in place during the year did not require program personnel to perform risk assessments to determine each sub-recipient's risk of noncompliance.

Corrective Action

- DHS has implemented a mandatory pre-award risk assessment process for its programs to evaluate sub-recipients prior to issuing renewal and new contracts effective for SFY 2018.



SFY 2016 Audit Results

Published Single Audit Findings

Strengthen Change Management and System Logical Access Controls

Finding

- Review of DHS' information system general controls associated with an eligibility and payment applications revealed deficiencies related to change management and logical access.
 - *Change Management*
The DHS did not adhere to its established policies and procedures.
 - *Logical Access*
Sub-recipients logical access policies and procedures which were applied inconsistently.
- DHS did not effectively monitor the policies developed or implementation by the sub-recipients.

Corrective Action

- Monthly monitoring will be performed on agency systems. The monitoring will compare the current configuration to verify that unauthorized changes to the production system have not occurred.
- Reports are now generated to identify new users, current user roles, and termination dates; these reports are validated against user access request/approval forms.



SFY 2016 Audit Results

Published Single Audit Findings

Continue to Strengthen the Bank Reconciliation Process

Finding

- Issues related to timely performance of bank reconciliations and correction of book reconciling items were not fully resolved during the year due to staff turnover within DHS.
- The lack of sufficient resources for the bank reconciliation process impacted the operating effectiveness of the established controls.

Corrective Action

- A new General Ledger team is now in place and is operating the monthly bank reconciliation process and procedures.
- A major challenge continues to be long outstanding reconciling items. While the current reconciliation process prevents adding of the list of historical items, it does not lend itself to the extensive research and corrective actions required to clear all historical balances.



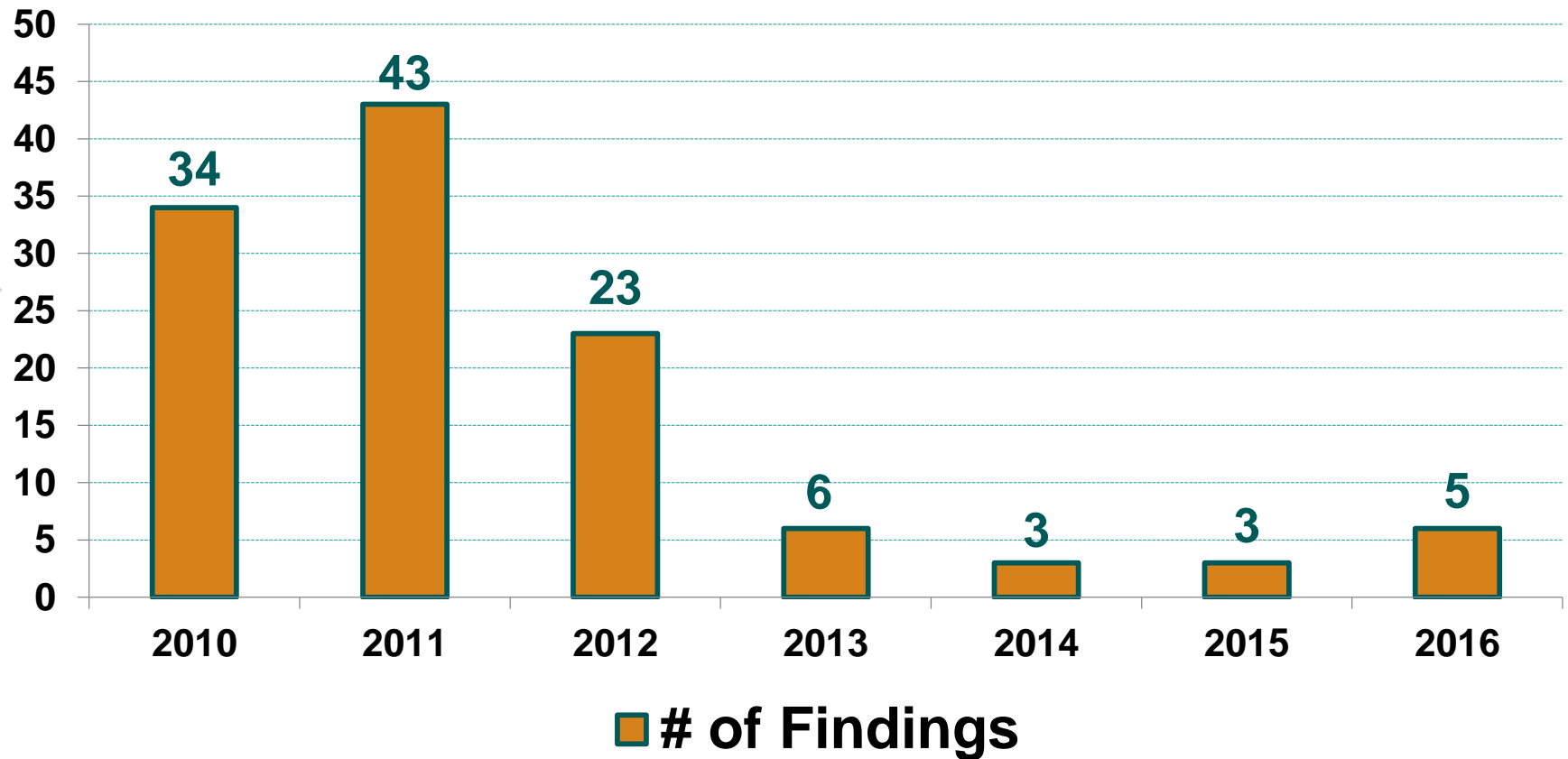
SFY 2016 Audit Results

Published Single Audit Findings

DHS Single Audit Findings

DHS audit findings have dramatically decreased since 2011.

New federal regulations present a new challenge.



SFY 2016 Audit Results

Unpublished Management Letter Comment

Internal Control Framework

Recommendation

- A formal internal control framework is necessary to allow Management to gain reasonable assurance DHS will achieve its objectives in complying with operational, financial reporting, and compliance requirements.

Response

- The Department of Human Services (DHS) is in the process of implementing the internal control framework standards presented in the U.S. Government Accountability Office's (GAO) Green Book in accordance with the guidance and timeline set forth by the State Accounting Office (SAO).
- DHS staff will participate in SAO provided training relating to the GAO Green Book implementation process.
- DHS will formally document its comprehensive internal control structure for financial reporting, risk assessments and internal control evaluations.



SFY 2016 Audit Results

**Comprehensive Annual
Financial Report (CAFR)**

<http://sao.georgia.gov/comprehensive-annual-financial-reports>

**Budgetary Compliance
Reports**

<http://sao.georgia.gov/budgetary-compliance-report>

Single Audit Reports

<http://sao.georgia.gov/single-audit-reports>

**Schedule of Expenditures
For Federal Awards (SEFA)**

<http://sao.georgia.gov/single-audit-reports>
(Section C-1)



SFY 2017 Audit

- The SFY 2017 audit kicked off April 28th with an Entrance Conference
- The Federal programs to be reviewed are:
 - TANF
 - Child Support Enforcement
 - LIHEAP
 - Foster Care
 - Aging Cluster
- The DHS Board Members may be contacted for Fraud Awareness interviews.



Questions

