



# GEORGIA DEPARTMENT OF AUDITS AND ACCOUNTS



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# DOAA Award of Distinction for Excellent Financial Reporting

# 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.

# DOAA Award of Distinction for Excellent Financial Reporting

Criteria	Description of Best Practices
<b>Timeliness</b>	<p>Financial Statements including MD&amp;A, note disclosures, required supplementary information and supplementary schedules and all key supporting evidence were available for auditors by November 15.</p> <p>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.</p>
<b>Quality of Financial Statements, Note Disclosures, Required Supplementary Information and Supplementary Information</b>	<p>First set of financial statements, MD&amp;A, notes, required supplementary information and supplementary information provided for audit required only minimal adjustments during the audit.</p>

# DOAA Award of Distinction for Excellent Financial Reporting

Criteria	Description of Best Practices
<b>Quality of Audit Documentation</b>	Full supporting documentation to substantiate financial statements provided in a timely manner. Evidence easy to locate and use for audit.
<b>Resolution of Accounting Standards/Presentation Issues</b>	Management resolved all accounting standards and presentation issues in a timely manner.
<b>Key Staff</b>	Key staff readily available and cooperative during the audit and did not contribute to any delays in finalizing the audit.
<b>Number/Significance of Deficiencies Identified</b>	No significant deficiencies or material weaknesses noted during the audit. No more than 3 to 5 control deficiencies reported within the management letter.
<b>Clean Audit Opinion</b>	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 - FY14 Recipients

Coffee County

City of Chickamauga

City of Gainesville

Columbia County

Coweta County

Crisp County

Dawson County

Decatur County

Early County

Evans County

Hall County

Houston County

Lee County

Lincoln County

Marion County

McDuffie County

McIntosh County

Morgan County

Mitchell County

Paulding County

Thomas County

Tift County

Towns County

Washington County

Webster County

# Accounting and Reporting Issues

# MD&A

- Management's Discussion and Analysis
- Required Supplementary Information – GASB 34
- Purpose is to provide an **objective** and easily readable **analysis** of the government's financial activities
- Management's analysis – Auditor role is to ensure that the required elements exist

# Elements of an MD&A

***Analysis*** of the government's financial activities based on currently known facts, decisions, or conditions.

- Focus on making reader aware of differences between governmental funds and the governmental activities caused by the differences in measurement focus and basis of accounting
- Items in the reconciliation schedules
- Example – Why would a purchase of land decrease fund balance on the fund level but not on the net position of governmental activities

# Elements of an MD&A

***Comparisons*** of the current year to the prior year based on the government-wide information.

- Total assets (distinguish capital assets from other assets)
- Total liabilities (distinguish long-term liabilities)
- Total Net Position (distinguish each of 3 components)
- Program Revenues
- General Revenues
- Total Revenues
- Program Expenses by function
- Total Expenses

# Elements of an MD&A

***Comparisons*** of the current year to the prior year based on the government-wide information.

- Excess (deficiency) before contributions, special and extraordinary items, and transfers
- Contributions
- Special and extraordinary items
- Transfers
- Change in net position
- Ending net position

# Elements of an MD&A

***Comparisons*** of the current year to the prior year based on the government-wide information.

- Should be presented as condensed financial statements
- Charts and Graphs can supplement, but not substitute

# Elements of an MD&A

Provide an analysis of the government's overall financial position and results of operations to assist users in assessing whether that financial position has improved or deteriorated as a result of the year's activities

- Analysis should address important economic factors that affected the results of operations (changes in tax base)
- Explain *reasons* for significant changes in:
  - Financial Position
  - Results of operations
  - Significant changes in Net Position
  - Significant changes in Fund Balance

# Elements of an MD&A

Provide an analysis of the government's overall financial position and results of operations to assist users in assessing whether that financial position has improved or deteriorated as a result of the year's activities

- Not analysis

*“Net position increased by \$2 million in the current fiscal year.”*

- Analysis

*“Net position increased by \$2 million in the current fiscal year due to an increase in the millage rate of 1.5 mills approved by the Board of Education”*

# Elements of an MD&A

Provide an **analysis** of significant changes that occur in funds and significant budget variances.

- Why did variations occur?
- Reasons for changes in General Fund
  - Original Budget to Final Budget
  - Final amended budget to actual results

# Elements of an MD&A

## GASB 34 Implementation Guide Question #9

Q—In the discussion of significant general fund budget variances, is it sufficient to state that the original budget was increased to cover higher-than-expected expenditures?

A—No. MD&A is required to provide an analysis of significant budget variances. The analysis should discuss reasons for those variances including those that are expected to significantly affect future services or liquidity. MD&A should explain why the variances occurred (for example, the factors that contributed to expenditures exceeding budgeted amounts). The analysis may refer the reader to discussions of those reasons presented in other sections of the MD&A.

# Elements of an MD&A

Describe capital asset and long-term debt activity during the year.

Examples:

- Construction-related commitments
- Changes in credit ratings
- Changes in Debt limitations

# Elements of an MD&A

Discussion of *currently known* facts, decisions, or conditions that are expected to have a *significant effect* on results or operations.

Limit discussion to factors *already in place*

- *Bill that has been enacted*
- *Resolution adopted*
- *Contract that has been signed*
- *Award of major grant*
- *Settlement of lawsuit*
- *Major change in tax base*

# MD&A – Omission?

- Audit report is required to highlight the omission in an explanatory paragraph.
- Possible violation of bond covenant to provide annual GAAP financial statements.
- School District will be less comparable to its peers.
- Inability of management to fully communicate its financial position could be viewed unfavorably by the board of education, bond rating agencies, etc.
- Omission does not affect the auditor's opinion

# MD&A – Auditor’s Responsibility

- Management’s analysis
- Omission does not affect the auditor’s opinion
- Auditor’s report must mention that required element is missing
- Inquiries of management regarding the process used to prepare the report. This might include verification of currently known facts, decisions, or conditions at the date of the auditor’s report.
- Verification of data provided in the MD&A to the information in the financial statements.

# Capital Assets - Impairments

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* - an **unexpected** and **significant** decline in the **service utility** of a capital asset .

# Capital Assets - Impairments

Three terms are used to define impairment in GASBS No. 42 — significant, service utility, unexpected.

- **Unexpected** - the event or circumstance was not expected to occur during the life of the asset.
- **Significant** – will require judgment, GASB does not define the term
- **Service utility** - the usable capacity that an asset was expected to provide at its acquisition, as opposed to the capacity currently being used.

# Capital Assets - Impairments

Examples of common indicators that an asset may have been impaired:

- Evidence of physical damage, for example by fire or flood.
- A change in legal requirements or environmental factors that govern the asset's use, for example, enactment of new water quality standards that cannot be met by an existing water treatment plant.
- Technological changes or evidence of obsolescence, for example, an asset that is no longer used because a newer model is more efficient.

# Capital Assets - Impairments

Examples of common indicators that an asset may have been impaired:

- A change in the way an asset is used or in the length of time it was expected to be used, for example, a piece of equipment used in a utility plant that is being closed before the end of its useful life.
- Construction stoppage, for example, when construction is halted due to lack of funds.
- Development stoppage, for example when a government stops developing internally generated software due to a change in management priorities.

# Capital Assets Impairments

## Impairment Tests:

- Magnitude - Would the expenses associated with continuing to operate and maintain the asset (other than depreciation) or with restoring the asset be significant in relation to the current service utility of the asset?
- Unexpected Nature - Is the restoration cost or other impairment circumstance a part of the normal life cycle of the asset ?

# Capital Assets - Impairments

## *Not a fishing expedition.....*

GASBS No. 42, paragraph 6 —“The events and changes in circumstances affecting a capital asset that may indicate impairment are prominent — that is conspicuous or known to the government.”

These events or changes in circumstances “are expected to have prompted discussion by the governing board, management, or the media.”

# Capital Assets - Impairments

## Temporary Impairment

Example: A school building that is closed temporarily due to a drop in enrollment that is expected to reverse itself in the next few years.

- When an impairment is shown to be temporary, the capital asset should not be written down (no loss should be reported).
- Impairment should always be considered permanent when it is indicated by physical damage

# Capital Assets - Impairments

## Reporting Impairment Losses:

**Fund Level Statements** – Not reported because governmental funds measure only the flow of current financial resources.

**District-wide Statements** – Reported loss as program expense, extraordinary, or special item.

# Capital Assets - Impairments

## Insurance Recoveries

- **Fund Level Statements** - report as an “other financing source” or as an extraordinary or special item. Restoration or other costs related to the impairment of a capital asset should be reported as separate transactions – not netted with insurance recovery. Recoveries should only be recognized when realized or realizable.
- **District-wide Statements** - Insurance recoveries should be netted against the impairment loss if both occur in the same fiscal year. Recoveries that occur after the year the asset is written report the same way as the write-off (as a program revenue, special item, or extraordinary gain).

# Capital Assets - Impairments

## Material misstatement? – Possibly....

- Identifying impairments in year of occurrence is important
- If unidentified, in future periods when the asset is eventually written down or off:
  - Restatement of Beginning Net Position
  - Financial Reporting deficiency depending on magnitude

# Restricted and Agency Funds

## Why are the auditors looking at this?

- **Reemphasis at training on reviewing balances for deficits in both agency funds and other restricted funds (federal programs)**
- **Large deficits or balances could indicate weak internal controls over the monitoring of these programs**

# Restricted and Agency Funds

**My auditor is asking for Agency Fund Agreements. Do I really have to set up agreements on all of my school accounts?**

**Not necessarily. Does not have to be anything formal. Document in some way -**

- Purpose of the fund
- Sponsor
- A policy/procedure for transfers to other funds
- May need something formal for scholarships or trusts

# SYSTEM TESTING

# System Testing

What's covered:

- System Walkthrough
  - Performed at all LEA audits for each system deemed in scope
- Procedures in the “K” Section
  - Logical Access (Manipulation of Data)
  - Change Management (Inaccurate Processing)
  - Backup and Recovery (Loss of Data)

# Terminology

- IT General Controls – Generally implemented and administered by an organization’s IT department with objectives to:
  - Ensure the proper operation of the application and availability of systems
  - Protect both data and programs from unauthorized access (**Logical Access**)
  - Protect both data and programs from unauthorized changes (**Logical Access and Change Management**)
  - Provide assurance that applications are developed and maintained so that they function as intended (**Change Management**)
  - Ensure that an entity can recover from system and operational failure related to IT (**Backup & Recovery**)

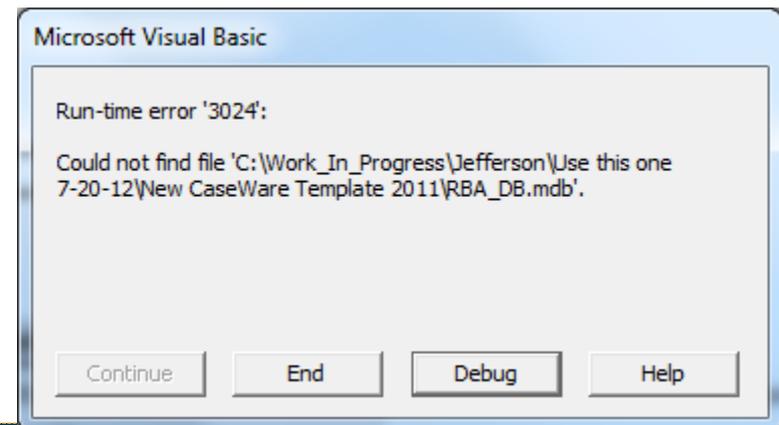
# Terminology

- Logical Access Controls – Policies, procedures, and automated controls that exist for the purpose of restricting access to information assets to only authorized users.
  - Process for setting up or removing user access
    - Recertification of access
    - Terminated users
    - Privileged users
  - Password policies & settings
  - Manipulation of Data Risks



# Terminology

- Change Management Controls - Policies, procedures, and automated controls that exist for the purpose of governing how changes are made to information system applications and supporting infrastructure.
  - Customization of software (forms, tables, queries, reports)
  - Updates
  - Inaccurate Processing Risks



# Terminology

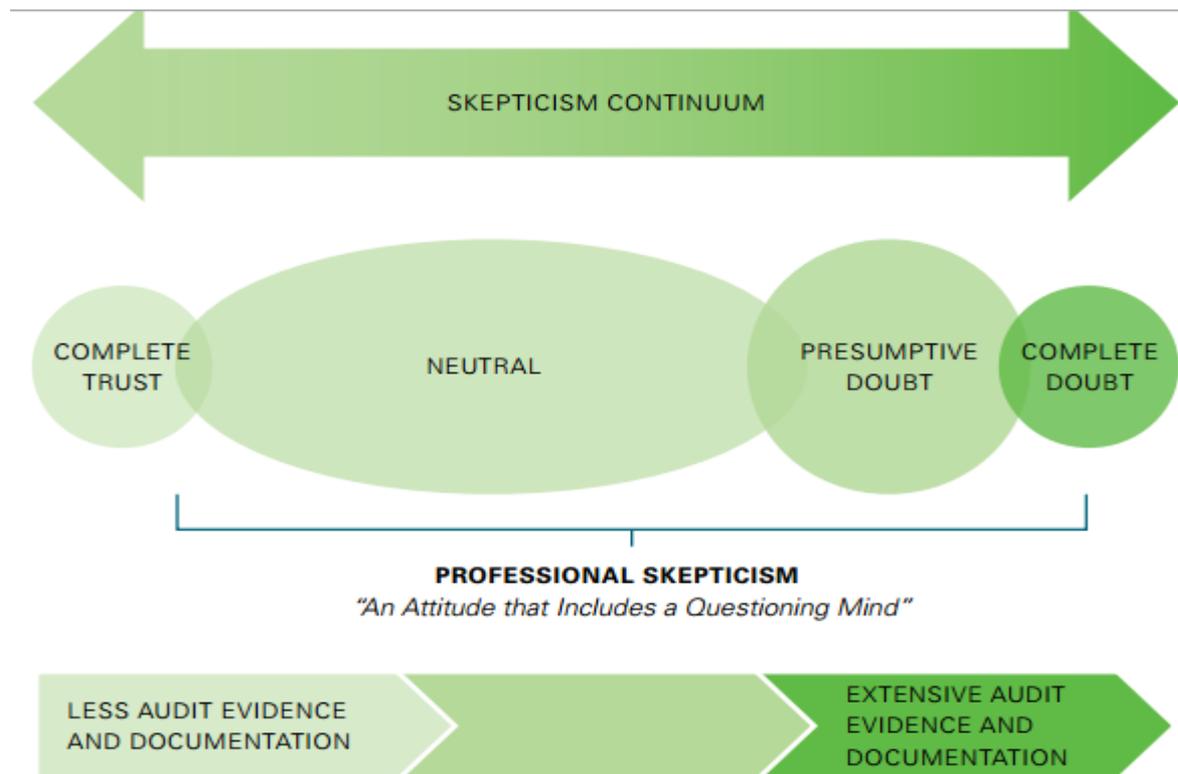
- Backup and Recovery - Policies, procedures, and automated controls that exist for the purpose of ensuring the continuity of financial data and reporting capabilities.
  - Business continuity plan (disaster recovery plan)
  - IT Backups
  - Testing of IT Backups
  - Loss of Data Risks

# Terminology

- COTS – Commercial Off-the-Shelf Software
  - Software that is published and made commercially available to the general public.
  - COTS are deemed to have a low inherent risk when certain criteria are met.
    - Can result in reduced testing over change management.
  - PC Genesis, MUNIS, McAleer, SSUI, CSI

# Terminology

- Professional Skepticism – Having a questioning mind and critically assessing audit evidence.



# What Systems Should be In Scope

## Common systems to consider:

- Financial Accounting System
  - In scope at all LEA audits
  - If the Financial Accounting System utilizes a separate database (such as Oracle), treat the database as another system. This would also be in scope.
  - If the LEA uses a separate system for approvals (such as SoftDocs), treat it as another system. This would also be in scope.
- School Activity Account System (i.e. QuickBooks)
  - Ordinarily, would not test this year. May reevaluate in the future.

# What Systems Should be In Scope

Common systems to consider:

## ➤ School Food POS System

- In scope when performing CNC or Title I compliance

## ➤ Student Information System

- In scope when performing SEC or Title I compliance

# Systems Walkthrough

- Common deficiencies:
  - No formal IT policy that covers passwords, assigning access, recertification of access, termination of access, backups, testing backups, etc.
  - CFO assigns access to PC Genesis.
  - Lack of formal documentation for assigning access.

# Systems Walkthrough

- If **testing** mitigating controls to reduce the deficiency level, the mitigating control must actually address the risk.
  - For example, bank reconciliations **do not** address IT risk for privileged users.
  - A report from the system of journal entries (JEs) processes through the system compared to a log of manually reviewed JEs **could** address the risk related to privileged users for the JE process if properly designed.
  - A report from the system of payroll changes compared to manually approved payroll changes **could** address the risk related to privileged users for the employee compensation process if properly designed.

# GASB Updates

# Upcoming GASB Pronouncements

**June 30, 2015**

- Statement No. 68  
Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27
- Statement No. 69  
Government Combinations and Disposals of Government Operations
- Statement No. 71  
Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68

# Upcoming GASB Pronouncements

June 30, 2016

That's It! Guess GASB is out of ideas!

**WRONG**

# GASB Projects

## 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.

# GASB Projects

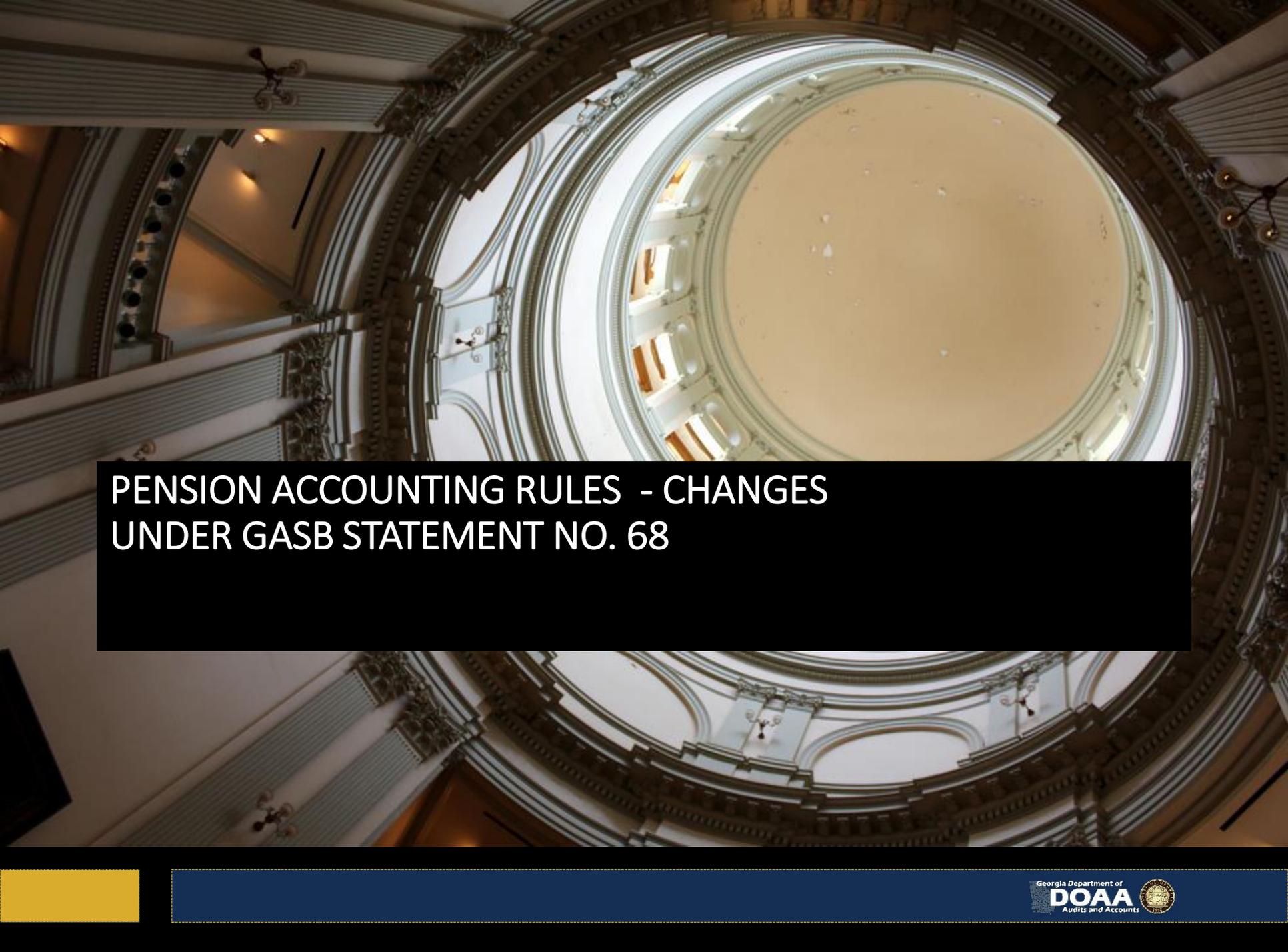
## **Lease Accounting—Reexamination of NCGA Statement 5 and GASB Statement 13**

Project Description: The objective of this project is to reexamine issues associated with lease accounting, considering improvements to existing guidance. This project will provide a basis for the Board to consider whether operating leases meet the definitions of assets or liabilities.

# GASB Projects

## Other Postemployment Benefit Accounting and Financial Reporting

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.



**PENSION ACCOUNTING RULES - CHANGES  
UNDER GASB STATEMENT NO. 68**

# Scope of Standards

- GASB 67 applies to governmental pension plans administered through trusts where:
  - Contributions and earnings are irrevocable
  - Plan assets are dedicated to providing pensions based on benefit terms
  - Plan assets are legally protected from creditors
- GASB 68 applies to:
  - Governments whose employees participate in plans covered under GASB 67
  - Governmental nonemployer entities who are obligated to provide contributions directly to the plans

# Effective Dates

- GASB 67 (Pension Plans)
  - Effective for periods beginning after June 15, 2013
- GASB 68 (Employer Accounting and Reporting)
  - Effective for periods beginning after June 15, 2014

# Defined Benefit Classifications

- Single-employer
  - Provides pensions to employees of only one employer
  - A primary government and its component units are considered to be one employer
- Cost-sharing multiple-employer
  - Obligations of more than one employer are pooled
  - Assets can be used to pay benefits to employees of any employer
- Agent multiple-employer
  - Assets are pooled for investment purposes
  - Separate accounts are maintained for individual employers
  - Each employer's share of pooled assets is legally available to pay benefits of only its employees

# Accounting De-linked from Funding

- Accounting and financial reporting are de-linked from funding policy
- Funding
  - Annual Required Contribution (ARC) is no longer defined
  - New *Actuarially Determined Employer Contribution (ADEC)* or *Contractually Required Contribution*
    - Based on plan's funding policy and disclosed in RSI
  - Evaluate if a change in the Plan's current funding policy is necessary
- Accounting and financial reporting
  - Annual pension cost (APC) replaced by *Pension Expense*
  - *Net Pension Liability (NPL)* reported on balance sheet for all employers

# Funding Policy Focus

- Funding is a policy decision of governments
  - A formal funding policy is recommended
  - Legislative changes may be needed
- The ARC is eliminated
- The funding policy will be the primary driver of if and when a Cross-Over date will occur and result in lowering the discount rate.
- Required Supplementary Information (RSI) section of the CAFR will include disclosure of the ADEC, if one is calculated, and a comparison to the actual employer contribution made.

# New Balance Sheet Liability

- The *Net Pension Liability* (NPL) will be added to the balance sheet for all employers
- $NPL = TPL - FNP$ 
  - $NPL = Total\ Pension\ Liability - Plan's\ Fiduciary\ Net\ Position$
- Liabilities will be based on:
  - Entry Age Normal actuarial cost method
  - Discount rate equal to expected investment rate of return, except for:
    - Benefit payments not expected to be covered by plan assets - referred to as the Cross-Over Date
    - Such payments discounted at long-term AA municipal bond rate
- First-year impact likely to be significant due to size of NPL
- Employers in cost-sharing plans will be allocated proportionate share of plan NPL to record

# Pension Expense

- Pension Expense will be recognized during each fiscal year and reflects recognized changes in the NPL for:
  - Service Cost (cost of one year's benefit accrual), Plus
  - Interest cost on the NPL, Less
  - Expected Investment Earnings on the Plan's MVA, Plus (or Minus)
  - Recognition of changes for:
    - Plan changes (recognized immediately)
    - Difference between actual and expected investment earnings (closed 5-year period)
    - Changes in liability due to assumption changes or experience gains/losses in the liabilities (amortized over average remaining service life of active and inactive employees)
- Deferred items will be adjusted by additions to or recognition of, the items above
- Pension Expense is not the same as a funding amount – it is the change in the NPL recognized from year to year

# Expanded Disclosures

- Note disclosures include:
  - Description of methods and assumptions used to calculate the contributions
  - Schedule of changes in net pension liability (single/agent)
  - **Proportionate share of NPL (cost-sharing)**
  - Investment policy, asset allocations, expected long-term rate of return, and how calculated
  - NPL sensitivity to discount rate changes
  - Pension expense and deferred items with amortization schedule

# Expanded Disclosures

- Required Supplementary Information (RSI) expanded to ten years and schedules added
  - Schedule of changes in net pension liability with related ratios (single/agent)
  - **Schedule of proportionate NPL with related ratios (cost-sharing)**
  - Schedule about contributions, amounts actually contributed, and related ratios

# 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

- Plan auditor has selected a list of employers to test.
- DOAA or other 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

# Employers chosen for Census Testing

- Atkinson County
- Bacon County
- Berrien County
- Buford City
- Colquitt County
- DeKalb County
- Dougherty County
- Gainesville City
- Houston County (ERS)
- Jeff Davis County
- Madison County
- Marion County
- Tattnall County
- Thomasville City
- Troup County
- Wheeler County
- White County
- Wilcox County

# 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

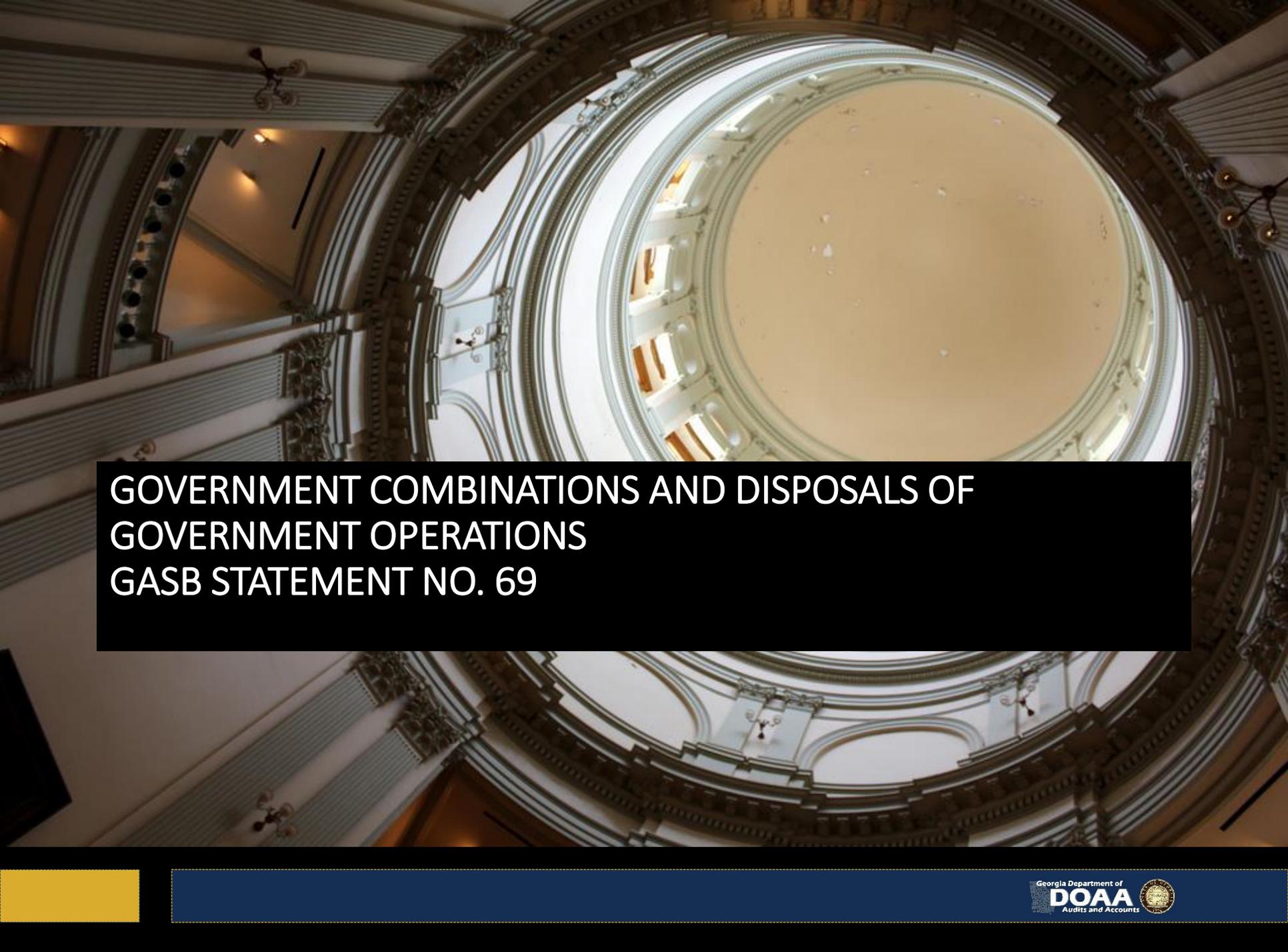
- How to gather the information necessary to test that the net pension liability and other pension data recorded are materially correct?
  - GASB 67 does not require the plan to allocate the shares of pension activity to individual employers.
  - How will employers get the information required to be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

# AICPA Solution

- In 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.



**GOVERNMENT COMBINATIONS AND DISPOSALS OF  
GOVERNMENT OPERATIONS  
GASB STATEMENT NO. 69**

# Scope of Standard

This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

# Effective Dates

- GASB 69
  - Effective for financial reporting periods beginning after December 15, 2013 (FY15)

# Types of Government Combinations

A **government merger** is a government combination of legally separate entities in which no significant consideration is exchanged and either:

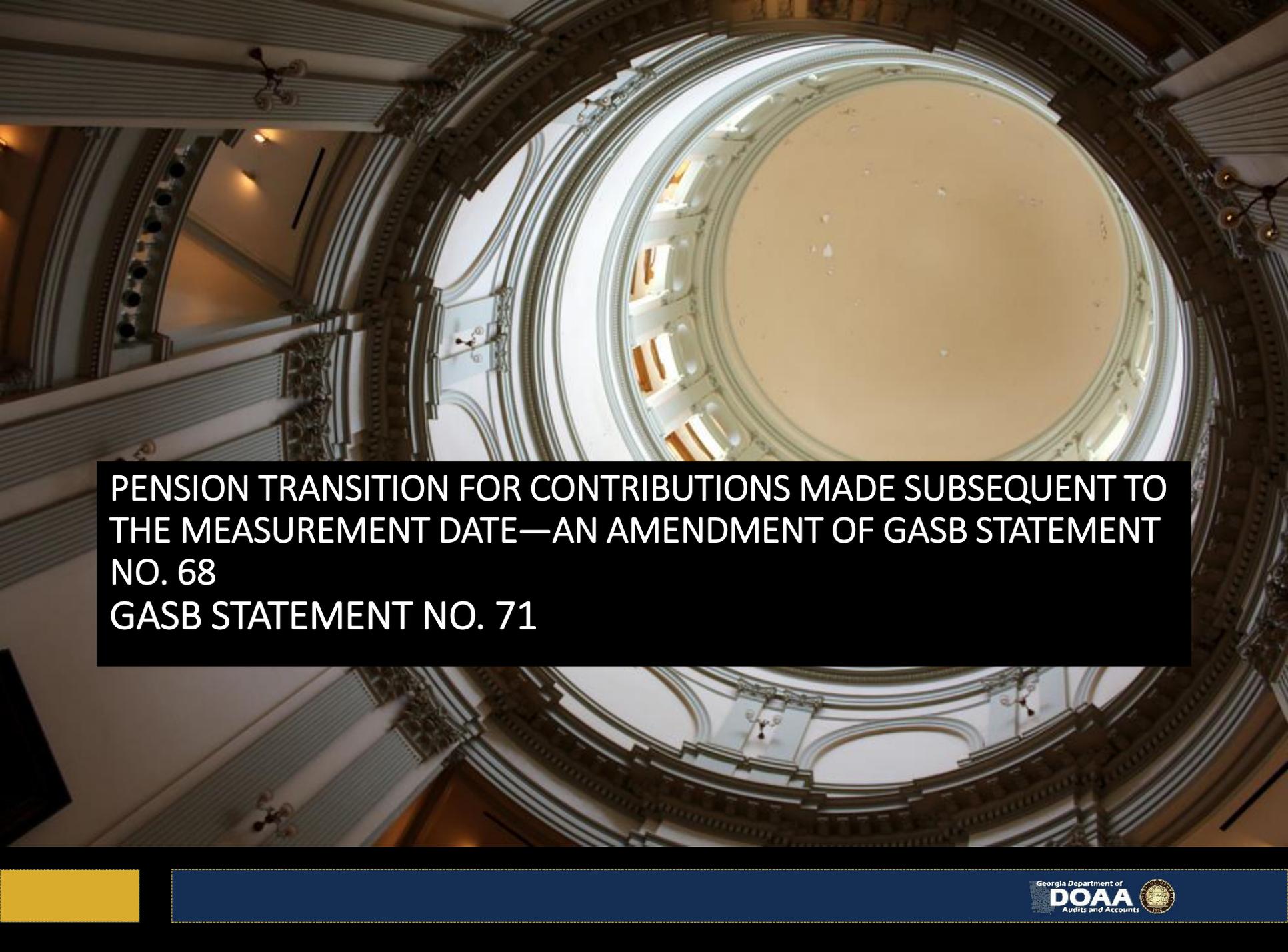
- a. Two or more governments (or one or more governments and one or more nongovernmental entities) cease to exist as legally separate entities and are combined to form one or more new governments, or
- b. One or more legally separate governments or nongovernmental entities cease to exist and their operations are absorbed into, and provided by, one or more continuing governments.

# Types of Government Combinations

A **government acquisition** is a government combination in which a government acquires another entity, or the operations of another entity, in exchange for significant consideration. The consideration provided should be significant in relation to the assets and liabilities acquired. The acquired entity or operation becomes part of the acquiring government's legally separate entity.

# Types of Government Combinations

A **transfer of operations** is a government combination involving the operations of a government or nongovernmental entity, rather than a combination of legally separate entities, in which no significant consideration is exchanged. Operations may be transferred to another existing entity or to a new entity.



**PENSION TRANSITION FOR CONTRIBUTIONS MADE SUBSEQUENT TO  
THE MEASUREMENT DATE—AN AMENDMENT OF GASB STATEMENT  
NO. 68  
GASB STATEMENT NO. 71**

# Scope of Standard

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

# Scope of Standard

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

# Effective Dates

- GASB 71
  - The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.



# Grant Reform “Super Circular”



# Uniform Grant Guidance

Eight different OMB guidance streamlined into one. Eliminating overlapping duplicative and conflicting guidance.

- A-21
- A-50
- A-87
- A-89
- A-102
- A-110
- A-122
- A-133

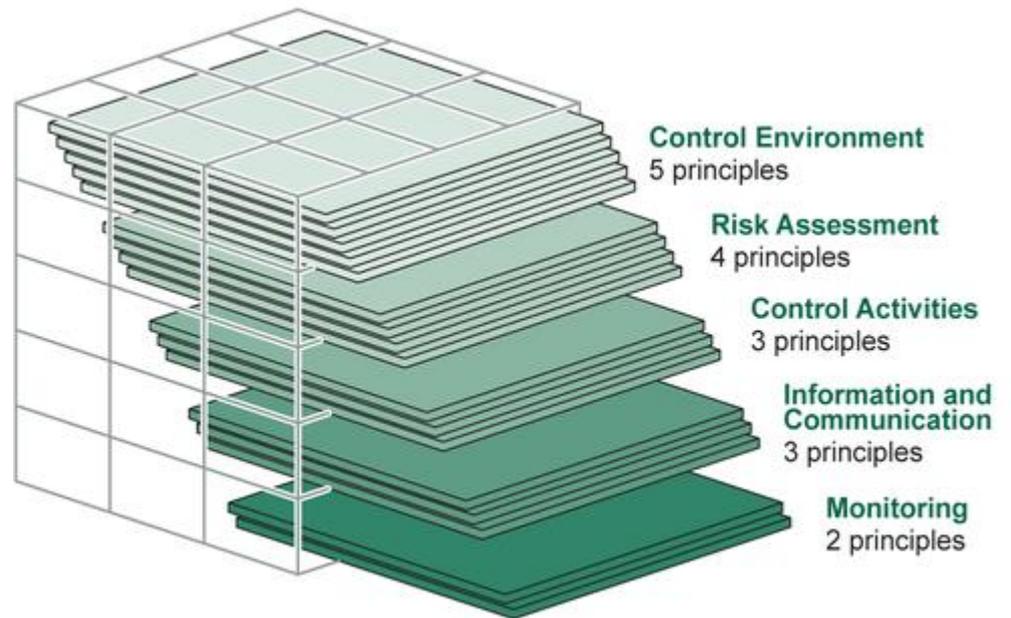
**Title 2 of CFR, Subtitle A, Chapter II, Part 200**

**UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES,  
AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS**

**“SUPER CIRCULAR”**

# U.S. GAO - The Green Book

GAO issued its revision of *Standards for Internal Control in the Federal Government* (The Green Book).

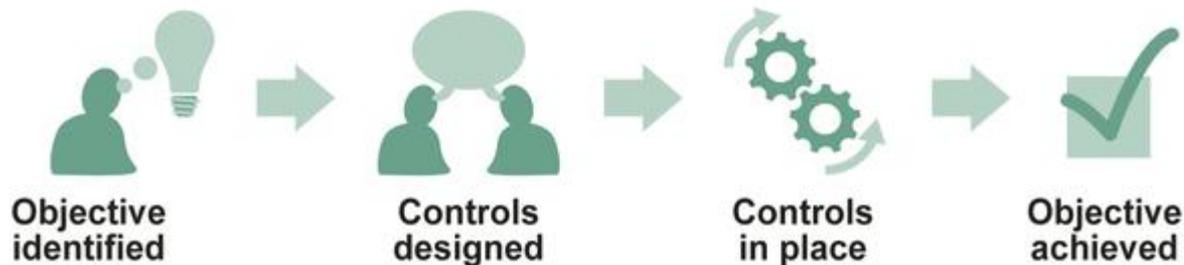


Source: GAO. | GAO-14-704G



# U.S. GAO - The Green Book

- Can be adopted as a framework for an internal control system.
  - Written for government, so easier to implement
  - Should recommend the LEAs to use The Green Book to strengthen internal controls especially when we note control deficiencies.



Source: GAO. | GAO-14-704G

# Uniform Grant Guidance – Audit Perspective

- We audit to the Compliance Supplement, which is not currently available
- Audit requirements – Threshold increased from \$500,000 to \$750,000
- The threshold for reporting known questioned costs has been raised from \$10,000 to \$25,000

# Uniform Grant Guidance – Audit Perspective

- Low risk Type A - program must have not had internal control deficiencies identified as material weaknesses, a modified opinion on compliance, or known or likely questioned costs that exceed five percent of the total federal awards expended for the program.
- "Percentage of Coverage" Rule
  - Auditor is required to test a minimum percentage of total federal awards expended as major programs.
  - Decreased from 25 percent to 20 percent of total federal awards expended for low-risk auditees and from 50 percent to 40 percent for all others.

# Q&A

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