


State Audit Update

State Transportation Board Finance Committee

December 9, 2009



State Audit Findings FY 09

Findings	Status	Findings
1	New	GDOT could not provide formal written internal control policies and procedures for critical processes and tasks related to identifying, recording, and monitoring financial transactions and file maintenance
2	Repeat	GDOT sub-ledgers at the 'fund source' level were not properly maintained (Repeat FY 08 Finding #4)
3	Repeat	GDOT did not maintain adequate accounting records at the legal level of budgetary control as prescribed by the Appropriation Act (Repeat FY 08 Finding #10)
4	New 	GDOT did not perform adequate monthly reconciliations between accounts receivable and revenue account balances in the general ledger and the relevant subsidiary ledgers
5	Repeat	GDOT did not properly monitor the status of outstanding contractual obligations (Repeat FY 08 Finding #6)
6	Repeat	Material weaknesses in internal control were noted regarding the GDOT's ability to record, process, and report contractual obligations and supplemental agreements (Repeat FY 08 Finding #9)
7	Repeat	GDOT failed to maintain subsidiary capital asset inventory records for land (Repeat FY 07 Finding #2)

State Audit Recommendations and Status

Finding 2009 #1	Recommendations	GDOT Response	Status
<p>GDOT could not provide formal written internal control policies and procedures for critical processes and tasks related to identifying, recording, and monitoring financial transactions and file maintenance</p>	<p>GDOT should ensure that internal control policies and procedures are formally documented. In addition, documentation should be properly maintained and monitored by management to ensure that internal control procedures are correctly and consistently performed.</p>	<p>GDOT is working to properly document internal control policies and procedures for critical level processes and tasks related to identifying, recording and monitoring financial transactions and file maintenance, in accordance with the guidelines outlined in the Accounting Procedures Manual for the State of Georgia. These additional policies and procedures will be monitored by management and maintained in electronic format so that they are available to all GDOT Staff.</p> <p>GDOT follows the module reconciliation procedures as published by the State Accounting Office in their Business Process Document titled: "PeopleSoft Subsystem Reconciliation Procedures". GDOT will formally incorporate these procedures into our policies.</p>	<p>Currently, GDOT is gathering and documenting our business processes for financial transactions.</p> <p>We anticipate that we will complete documentation of the accounting processes by June 30, 2010.</p>

State Audit Recommendations and Status

Finding 2009 #2	Recommendations	GDOT Response	Status
<p>GDOT's sub-ledgers at the 'fund source' level were not properly maintained.</p>	<p>GDOT should ensure that all fund source ledgers are adequately maintained within the accounting system. This includes correctly maintaining receivable, payable, and clearing account balances within the fund source trial balances in accordance with the Accounting Procedures Manual for the State of Georgia.</p> <p>A fund source identifier should be used to designate revenue sources and track expenditures made against those revenues. Since a full set of balanced financial statements should be available by fund sources, fund source identifiers should also be used to account for assets, liabilities, and fund balances for all specific funding sources.</p> <p>In addition, State organizations that administer Federal programs must maintain sufficient accounting records to allow for the recording of Federal funds at an expenditure level adequate to establish that the funds have not been used in violation of Federal laws and regulations. Such records must provide for the identification of individual grants, revenues, and expenditures from those grants, unobligated balances, and grant assets and liabilities. Therefore, for Federal programs, a separate fund source should be established for each grant received.</p>	<p>GDOT concurs with this finding. However, we do have some challenges that must be overcome from a system perspective. We are working closely with the State Accounting Office to determine a short-term remedy and ultimate long-term resolution to the automation of the revenue process. Additionally, GDOT is documenting the business requirements needed and the current gaps that exist. We anticipate that some programming changes will be necessary in order to remedy this finding as it relates to revenue and receivables. With regard to payables and clearing accounts, the Department will reconcile these monthly using ledgers at the fund source level.</p>	<p>GDOT is actively engaged in correcting the expense sub ledgers.</p> <p>On the receivable/revenue side, modifications to the State-wide accounting system would be required to record accounts receivable/revenue at a 'Fund Source' level. The Department is monitoring the changes to accounts receivable and revenue at a Fund Source level. Also, we are currently analyzing clearing accounts to resolve outstanding issues.</p> <p>Until the accounting system can be modified, we are pursuing an interim solution. The interim solution will allow us to post revenue by program but it will not meet the requirement that receivables be posted by program.</p>

State Audit Recommendations and Status

Finding 2009 #3	Recommendations	GDOT Response	Status
<p>GDOT did not maintain adequate accounting records at the 'legal level of budgetary control' as prescribed by the Appropriation Act.</p>	<p>GDOT should utilize the Peoplesoft budget comparison reports and general ledger reports to monitor activity at the funding source within program level to ensure that the accounting records are being properly maintained. GDOT should obtain additional guidance and training to assist them in developing and implementing internal controls that would provide for compliance with Prioritized Program Based Budgeting requirements.</p>	<p>GDOT concurs with this finding. Approximately 65% of the Department's funding is based on reimbursements of cash disbursements from Federal and Other sources. Due to the long term nature of road construction, the majority of these receipts stem from disbursements against Purchase Orders from prior Fiscal Years, established before inception of Program Based Budgeting and the use of a Program identification code. Receipts from Federal and Other sources do not identify the Fiscal Year of the budgetary controlled program..</p>	<p>We are continually monitoring the expense sub ledgers. On the receivable/revenue side, modifications to the State-wide accounting system would be required to record accounts receivable/revenue at the 'legal level of budgetary control'. The state's accounting system does not provide the Department with the ability, to increase the receivable/ revenue each time a payment is made, and decrease the receivable each time a reimbursement is received at the 'legal level of budgetary control' on an automated basis. We are working closely with the State Accounting Office to determine a short-term remedy and ultimate long-term resolution to the automation of the revenue process.</p> <p>Again, we can pursue an interim solution which will partially resolve this finding. Complete resolution cannot happen until the state's accounting system is modified.</p>

State Audit Recommendations and Status

Finding 2009 #4	Recommendations	GDOT Response	Status
<p>GDOT did not perform adequate monthly reconciliations between accounts receivable and revenue account balances in the general ledger and the relevant subsidiary ledgers</p>	<p>GDOT should establish and implement policies and procedures to ensure that balances in the general ledger are routinely reconciled with relevant subsidiary ledgers with any variances noted and resolved in a timely manner. A supervisory review of the reconciliations should be consistently performed and documented.</p>	<p>GDOT concurs with this finding. The Department is now performing all required accounting reconciliations per the State Accounting Manual and has developed a monthly checklist that notes that the appropriate supervisor reviewed and approved the reconciliations.</p>	<p>The Department is now performing all required accounting reconciliations per the State Accounting Manual. The Office Head or Assistant Office Head of Accounting is reviewing and approving the reconciliations and signing off on a monthly basis. All reconciliations are being tracked on an account reconciliation checklist to ensure all reconciliations are completed and contain the required signatures.</p>

State Audit Recommendations and Status

Finding 2009 #5	Recommendations	GDOT Response	Status
<p>GDOT did not properly monitor the status of outstanding contractual obligations.</p>	<p>GDOT should implement policies and procedures to ensure that outstanding contractual obligations are consistently monitored throughout the year. Additional training on the guidelines outlined in Sections 3-2-1 and 3-2-3 of the Accounting Procedures Manual for the State of Georgia should be provided to employees responsible for approving and recording encumbrances.</p>	<p>GDOT concurs with this finding. We are working with the State Accounting Office to develop the purchase order queries that we will need to more closely monitor activity and ensure that obsolete purchase orders are closed in a timely fashion. Additionally, we will make sure that employees responsible for approving and recording</p>	<p>Development of a query or report, which would identify contracts with 'no payment activity' in excess of one year, has been requested from the State Accounting Office. This report is being tested and will be put into production in January.</p>
		<p>encumbrances receive training on the guidelines outlined in Sections 3-2-1 and 3-2-3 of the Accounting Procedures Manual for the State of Georgia.</p>	<p>GDOT continues to monitor the status of outstanding contractual obligations on a monthly basis using existing reports and queries. Projects which have no requested reimbursement from the Federal Highway Administration are reviewed for final billing, de-obligation or closure and letters of inquiry are sent to Project Managers regarding the status of the contracts.</p>

State Audit Recommendations and Status

Finding 2009 #6	Recommendations	GDOT Response	Status
<p>Material weaknesses in internal control were noted regarding the GDOT's ability to record, process, and report contractual obligations and supplemental agreements.</p>	<p>GDOT should develop and implement internal control procedures that will enable management to consistently monitor contractual obligations to ensure that they are properly identified and correctly recorded in a timely manner.</p>	<p>GDOT concurs with this finding. Previously, executed contracts were returned to the business owner for distribution. This led to delays in the contracts being appropriately routed to the Office of General Accounting. GDOT has changed this process so that all executed contracts are sent to the Office of Legal Services for distribution.</p> <p>In addition, the Department has implemented a new Contract Tracking System (CATS) to identify and track the location of all contracts as they progress through the approval process. CATS is a workflow tool that can help the Department identify issues in the process and can be used by General Accounting to proactively monitor that they are in receipt of executed contracts.</p>	<p>On July 1, 2009, the Department implemented a new Contract Tracking System (CATS) to identify and track the location of all contracts as they progress through the approval process. As with any new system there are opportunities for improvement. We are working to ensure staff are fully trained and that system improvements continue on a timely basis. Also, all executed contracts are now sent to the Office of Legal Services for distribution.</p>

State Audit Recommendations and Status

Finding 2009 #7	Recommendations	GDOT Response	Status
<p>GDOT Failed to maintain subsidiary capital asset inventory records for land</p>	<p>GDOT should maintain its land inventory in a manner such that each parcel of land identifies, at a minimum, the number of acres, cost (or estimated historical cost), and location</p>	<p>GDOT concurs with the finding. We currently maintain detailed actual cost for land, in an Access database. The source of this cost data resides in the state's financial accounting system. Currently this system does not provide the fields necessary to capture and record the description, location, parcel and acreage, for the purchase of land at the time of payment. This information is available in paper form and is tracked in separate databases.</p>	<p>The Department is actively engaged in resolving this finding. Potential resolutions include: the purchase of a software tool to track this information, or a remediation of the statewide accounting system's fixed asset module. We anticipate that we will make a decision on which path to take within the next month.</p>