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The Honorable Clyde L. Reese, III, Esq, Commissioner  
State of Georgia's Department of Community Health

In planning and performing our audit of the financial statements of the State of Georgia's Department of Community Health (Department of Community Health) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Department of Community Health's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department of Community Health's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department of Community Health's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the Department of Community Health as of and for the year ended June 30, 2015. A separate report dated November 20, 2015, contains our report on significant deficiencies and material weaknesses in the Department of Community Health's internal control. This letter does not affect our report dated November 20, 2015, on the financial statements of the Department of Community Health.

The following items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Department of Community Health's practices and procedures.

### **MLC-1: Provider Receivables**

During our testing of Provider receivables, we noted that approximately \$925,000 has been recorded as prior year uncollectable receivables under Benefit Recovery for the past five years. This amount has been fully allowed for in each of the past five years but no action has been taken by the Department to write off this receivable in accordance with Georgia statutes.

Further, during discussions with management we became aware that there is a general lack of communication and formal reconciliation of provider receivables between the OIG office and financial management personnel. Accordingly, collections have been made under certain payment plans during the year which are still shown as outstanding by the OIG.

We recommend that procedures be implemented which result in a reconciliation on a monthly or at least quarterly basis between financial management and the OIG on all outstanding payment plans from providers. Further, we recommend the Department consider turning these receivables over to the Attorney General if management has determined that they are uncollectable.

### **MLC-2: Supporting Documentation**

As part of the Georgia Gateway Project, the Department of Community Health contracts with Deloitte and Georgia Technology Authority (“GTA”) to provide certain software licenses and services, among other services. As of year-end, the Department of Community Health initially booked approximately \$2.5 million of prepaid expenses and accounts payable for amounts paid by GTA and Deloitte for future years of software licenses for the Georgia Integrated Eligibility System. These amounts were booked before year-end because it was believed that GTA and Deloitte had paid these amounts on behalf of the Department of Community Health prior to June 30, 2015, although the Department of Community Health was not invoiced until after year-end. However, upon our request, management further investigated these amounts and learned that payments were not made by Deloitte and GTA for these services until after June 30, 2015. As a result, an adjustment was needed to decrease prepaid expenses and accounts payable by approximately \$2.5 million.

We recommend that management request and review supporting documentation for all amounts booked to the general ledger. This will help ensure that amounts are recorded in the general ledger in the proper accounting period.

### **MLC-3: Violations of Purchase Card Policy**

The laws of the State of Georgia state that business purchases paid with State of Georgia (State) funds are exempt from State sales and use tax, and according to the Purchasing Card Policy and Procedures (P-Card Policy), the Department of Community Health's approving officials and Purchasing Card (P-Card) holders are responsible to ensure merchants do not charge State sales and use tax. If tax is charged, the P Card cardholder should contact the appropriate merchant to obtain a credit for any sales and use tax paid. Further, the P-Card cardholder is required to document attempts to obtain credit for any State sales and use tax charged in error. During our fieldwork we noted one transaction in which State sales and use tax was improperly charged.

According to the Department of Community Health's policy, P-Card statements are to be closed within ten days after the closing date of each monthly statement. As P-Card statements are closed, the amounts are applied to the appropriate general ledger accounts and the encumbrance reduced. If statements are not closed in a timely manner, these amounts are not allocated to the general ledger. As a result, encumbrances and reductions in budgeted amounts are not reflected in the appropriate accounts. This could lead to problems such as errors, misstatements or budget overruns at the end of the fiscal year. During our testwork, we noted one P-Cardholder statement which was not closed in a timely manner.

We recommend the Department of Community Health clearly communicate to all P-Card users the importance of ensuring merchants do not charge State sales and use tax. We additionally recommend the approver perform a detailed review of the monthly transactions to make certain State sales and use tax was not charged, as well as maintain an audit trail which documents the attempts to obtain credit for the tax charged in error. Finally, we recommend additional training for the appropriate employees to ensure the importance of complying with P-Card Policies including those related to approvals and timely closing of transactions.

### **MLC-4: Service Auditor's Reports**

User organizations that obtain a service auditor's report from their service organizations receive valuable information regarding the service organization's controls (SOC) and the effectiveness of those controls. We noted significant improvement by management in obtaining and reviewing service auditor reports. However, management was unable to provide a SOC 2 report for the Georgia Technology Authority, a service organization relevant to the Department of Community Health's controls. We understand management at the Georgia Technology Authority is currently documenting controls and reviewing a readiness report in an effort to offer a SOC 2 report to the Department of Community Health at a future date. We encourage management to continue monitoring the progress made by the Georgia Technology Authority toward completing a SOC 2 report over the Georgia Technology Authority's controls relevant to the services provided the

Department of Community Health. We recommend management obtain a SOC Type 2 report which includes an understanding of controls in place as well as testing the operational effectiveness of those controls. In addition, we further encourage management to ensure the requirement to provide the appropriate level of SOC report as well as the appropriate subdivided report (either Type 1 or Type 2) is included in the written agreement with any service organization.

**MLC-5: Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards**

The Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (“Uniform Guidance”) replaces and consolidates the OMB Circular requirements for Federal Awards. The Uniform Guidance was effective for all new Federal awards or funding increments after December 26, 2014. We noted that as the Department received new awards or funding increments for the Medicaid program and CHIP after December 26, 2014, federal expenditures during the year were subject to requirements under the prior OMB Circulars for awards issued through December 26, 2014 and to requirements under the new Uniform Guidance for awards or funding increments issued after December 26, 2014. Although the Department’s expenditure coding identifies the fund source and federal award year for expenditures, the coding does not have sufficient information to identify whether a federal fiscal year 2015 expenditure was funded with a federal award or incremental funding issued through December 26, 2014 or whether it was funded with a federal award or incremental funding issued after December 26, 2014. The Department of Community Health should consider expanding their expenditure coding to identify and differentiate between those expenditures subject to the prior OMB Circulars and those expenditures subject to the Uniform Guidance. However, the Uniform Guidance may be applied to the entire Federal award that is uncommitted or unobligated as of the Federal award date of the first increment received on or after December 26, 2014.

**MLC-6: Voided Checks**

During fieldwork, we noted one (1) stale dated check in a sample of twenty-six (26) voided checks was voided more than six months after the date of issuance. MD/MJ recommends that DCH improve review of stale dated checks to ensure that they are voided and refunded to the appropriate program in a timely manner.

**Closing Thoughts**

We have already discussed many of these comments and suggestions with various Department of Community Health personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Metcalf Davis Muddiman & Tealman*

Atlanta, Georgia  
November 20, 2015