



Tower Place, Suite 2600
3340 Peachtree Road, NE
Atlanta, Georgia 30326

404.264.1700 (T)
404.264.9968 (F)
WWW.METCALF-DAVIS.COM

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Gateway Plaza, Suite 300
300 Mulberry Street
Macon, Georgia 31201

478.464.8000 (T)
478.464.8051 (F)
WWW.MJCPA.COM

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, 2014, 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, 2014. A separate report dated November 18, 2014, 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 18, 2014, 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: Accounting for Other Receivables and Cash

The Department of Community Health reported certain receivables (also known as other receivables), and cash in their draft financial statements provided to us in early October 2014. During our audit of other receivables and cash, we noted accounts approximating \$14 million which were collected during the fiscal year ended June 30, 2014, but continued to be included in the other receivables balance and were not included in the Department of Community Health's cash balance. Consequently, an audit adjustment was required to accurately report the amount of the Department of Community Health's other receivables and cash.

We recommend the Department of Community Health's management increase its level of supervision and review of those parties responsible for accurately reconciling and recording other receivables and cash. Such reconciliations should be performed and reviewed monthly. Timely and accurate reconciliations between the monthly financial institution statements and the general ledger are important in order for errors or fraud to be detected and corrected in a timely manner as well as ensuring the Department of Community Health's balances are properly reported. We further recommend additional training be provided to ensure amounts are appropriately accounted for and reconciled in the future.

MLC-2: Internal Oversight Function

In an entity the size and complexity of the Department of Community Health, even an excellent system of internal controls will only provide reasonable assurance that financial reporting errors, irregularities, fraud and operating inefficiencies will be identified, addressed and resolved. We believe independent procedures performed by an auditor within the Internal Audits Division of the Office of Inspector General could be used to further enhance the Department of Community Health's system of internal quality control.

We recommend the auditor, with input from management of the Division of Financial Services, complete a formal, documented assessment of the Department of Community Health's risks, particularly in the area of financial reporting. The identified risks should be prioritized according to degree of risk. In response to those identified risks, an audit plan should be developed and implemented to provide adequate testing and reporting directed at mitigating such risks. The risk assessment should be performed periodically (at least annually) and the audit plan updated accordingly.

MLC-3: Violations of Purchase Card Policy

The laws of the State of Georgia provide that business purchases paid with State of Georgia (State) funds are exempt from the 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 for ensuring merchants do not charge State sales and use tax. If tax is charged, the P-Card holder should contact the appropriate merchant to obtain a credit for any sales tax paid. Further, the P-Card holder is required to document attempts to obtain credit for any State sales and use tax charged in error. During our fieldwork, we noted seven transactions in which sales tax was improperly charged.

We understand management randomly selects a P-card holder's transactions to audit on a monthly basis. The audit consists of timeliness of reconciliation, signature of approvers, documentation of receipt of purchases, and appropriate documentation maintained on the P-Card log. These audits have historically been documented on an audit log; however, we noted these audits were not formally documented in the current year. Additionally, we understand management works with the Budget Office and division directors to establish and maintain usage controls for each card. Spending limits are based on job responsibilities of the cardholder and are reviewed annually by the supervisor/approver to ensure that actual usage is consistent with spending limits. However, this review was not formally documented in the current year.

We recommend the Department of Community Health clearly communicate to all P-Card holders 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. Secondly, we recommend the monthly random audits performed by the P-Card administrator to ensure compliance with state P-Card Policies and best practices be formally documented in order to provide an adequate audit trail for management's consideration as needed throughout the year. Lastly, we recommend management document their annual review of cardholder spending limits.

MLC-4: Vendor Performance Monitoring and Performance Management

The Department of Community Health has adopted policies and procedures which govern the manner in which management conducts activities associated with grant performance monitoring and management's interaction with grantees. Grant monitoring and reporting activities are the responsibility of each grant manager assigned to the grant. The Grantee Management System utilizes a Grantee Report Card (Report Card) to assess and document the progress a grantee is making in accordance with the terms of the agreement. The frequency of the Report Card is based upon the execution date and/or a profile and a risk assessment analysis. Report Card frequencies vary from one per year to 12 per year.

In order to adequately document and evaluate the performance of a grant, it is important that these assessments be completed in a timely manner. From a sample of two grants, we noted one grant whereby the monthly assessments were not always performed in a timely manner. The grant was considered an American Recovery and Reinvestment Act (ARRA) grant which required a monthly Report Card for the period of September 5, 2013 through January 31, 2014. The first monthly Report Card was completed in a timely manner; however, the October monthly Report Card was not completed until December 6, 2013; the November monthly Report Card was not completed until January 9, 2014; and the December monthly Report Card was not completed until March 18, 2014. Since the grant was fully disbursed in December 2013, there was no fourth monthly Report Card.

Recognizing the need for the Department of Community Health to ensure grant compliance on the part of the Department of Community Health's grantees, we recommend all assessments be performed and documented in a timely manner, but not more than 15 days after the performance period.

MLC-5: 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-6: User Controls Related to Service Auditor's Reports

During our testing of user controls, we identified areas in which the Department of Community Health can enhance its system of internal controls. One of the user controls listed in the service auditor's report for Policy Studies, Inc. which the Department of Community Health is expected to have in place is the following: "Review of monthly statistical reports occurs timely and discrepancies are reported to the Project." Per discussion with management, there appears to be no documentation for this review of monthly reports during the current year, as documentation appears to be maintained only on the reports with identified errors, and there were no such error reports in the current year. We recommend the individual reviewing monthly reports initial and date each report to document their review.

During user control testing for WellPoint, Inc. ("WellPoint"), we identified another opportunity for improvement. The user controls listed on the service auditor's report for WellPoint's WGS 2.0 system included the following: "Customers should ensure that transmission errors are corrected according to agreed-upon time frames." Per discussion with management, we understand that no time frame has been agreed upon between the Department of Community Health and WellPoint for such corrections. Additionally, we selected one error report during the current year and noted that the items on the error report were not corrected for more than one month. We recommend management establish an agreed-upon time frame for the correction of such errors, and that every effort be made to meet the established time frame.

MLC-7: Money Follows the Person (MFP) Eligibility

We noted the Department of Community Health performed monitoring reviews on eligibility determinations made by the Georgia Department of Human Services' Division of Aging Services (DAS); however, monitoring reviews on eligibility determinations made by the Georgia Department of Behavioral Health and Developmental Disabilities (DBHDD) were not performed during fiscal year 2014. As this is an eligibility requirement under the MFP program, we recommend the

Department of Community Health perform monitoring reviews on eligibility determinations made by both DAS and DBHDD.

MLC-8: Children’s Health Insurance Program (CHIP) Quality Assurance Reports

We noted Maximus did not perform a review of new web-based applications for PeachCare for Kids on the February Monthly Quality Assurance Report. As this is an eligibility requirement under the CHIP program, we recommend the Department of Community Health improve monitoring of the Monthly Quality Assurance Reports to ensure that reviews of both paper and web-based applications are appropriately documented.

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 Maudlin-Jensen

Atlanta, Georgia
November 18, 2014