2015 Combined IPA Conference

August 21, 2015

Hilton Columbus at Easton
3900 Chagrin Drive
Columbus, Ohio 43219

2015 Combined IPA Conference Agenda

Friday, August 21, 2015

7:30 - 8:00 a.m.	Registration
8:00 - 8:10 a.m.	**Conference Welcome**

8:10 - 9:00 a.m.	**SSARS-21: Friend or Foe?**
	Robin Ring, Robin L Ring and Associates
	Course Description:
	SSARS 21, which revises the standards for reviews, compilations and engagements to prepare financial statements, is effective for engagements performed for periods ending on or after December 15, 2015.
	You will learn:
	What changed, examine how the changes will affect your peer review, and explore the potentail long-term impact of these changes on the nature of practice in the future.
	Level: Intermediate
	Field of Study: Accounting

9:00 - 10:15 a.m.	**Assuring Completeness of the Federal Schedule: Emphasis on ODOT**
	Kelly Berger-Davis, Ohio Auditor of State's Office
	Course Description:
	Testing completeness of the Federal Schedule is a very important audit step. This presentation will cover the 'what', 'when', 'why', and 'how' of this audit procedure. In addition, several difficulties are often encountered by entities & auditors with regards to reporting ODOT grants on the SEFA. This presentation will also take a deeper dive into reporting the ODOT grants.
	You will learn:
	• How to properly test completeness of the SEFA
	• A better understanding of when ODOT grants should be reported on an entities SEFA
	Level: Intermediate
	Field of Study: Auditing

10:15 - 10:25 a.m.	Break
10:25 - 11:40 a.m.	**Government Fraud: Trends, Risks and Case Studies**
	Lee Wagner, Elliott Davis Decosimo
	Course Description:
	This session will discuss fraud in the context of state and local governments and consider the role of the external auditor in assisting in the prevention and detection of fraud. In addition, real-life case studies of governmental fraud will be presented and analyzed. Virtually every organization in the world, including state and local governments, is vulnerable to fraud, and as auditors we have certain responsibilities regarding our consideration of fraud during a financial statement audit.
	You will learn:
	• Observe fraud statistics and trends from the ACFE's "Report to the Nations"
	• Identify fraud risks specific to governments and learn how to appropriately address those risks
	• Learn from case studies of actual occurrences of fraud in government
	Level: Intermediate
	Field of Study: Fraud/Auditing/Forensic Accounting

11:40 - 12:40 p.m.	Lunch

12:40 - 1:40 p.m.	**GASB 68**
	Tracie McCreary, Ohio Auditor of State's Office
	Course Description:
	This session will review the theory behind the net pension liability, identify the steps to generate the appropriate documentation, and highlight the corresponding journal entries.
	Level: Advanced
	Field of Study: Accounting

1:40 - 2:10 p.m.	**WebGAAP**
	Tim Downing, Ohio Auditor of State's Office
	Course Description:
	Provides an overview of the Web GAAP system and available reports.
	You will learn:
	• What reports are available on the web gaap system
	• How to access the web gaap system and navigate within the system
	Level: Beginnger
	Field of Study: N/A

2:10 - 2:20 p.m.	Break

2:20 - 2:50 p.m.	**Update to IPA Contracting with the Auditor of State**
	Leanna Abele & Ami Mayne, Ohio Auditor of State's Office
	Course Description:
	An overview of the current and upcoming modifications to the IPA contracting process with the Auditor of State (AOS) as a result of the Ohio Society of CPAs/AOS Independent Public Accountant (IPA) Contracting Process Task Force.
	You will learn:
	• A summary of the changes to the IPA Contracting Process that have been implemented in the last year.
	• A summary of the upcoming changes to the IPA Contracting Process - including increased functionality of the IPA Portal, automated billing approval, changes to lessen the cumbersome contracting process, and centralization of the process.
	Level: Beginner
	Field of Study: N/A

2:50 - 3:40 p.m.	**Understanding General IT Controls**
	Chris McGee & Angela Leggett, KPMG
	Course Description:
	This session would help the audience to understand the role IT General Controls play in the auditing of critical business processes and financial data. At the conclusion the user would understand the various areas of IT General Controls, typical deficiencies and how those deficiencies impact the overall audit.
	You will learn:
	• What role do modern IT and ERP systems play in the financial reporting process?
	• What controls are expected to exist over those systems?
	• What is the impact on the business process and related audit assertions when issues are found?
	Level: Beginner
	Field of Study: IT Audit

3:40 p.m.	Adjourn

SSARS-21: Friend or Foe?
Presentation unavailable at this time.

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Ohio Auditor of State
Dave Yost

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Testing Completeness of the Federal Schedule

IPA Conference
August 21, 2015

Presented by:
Kelly Berger-Davis

Agenda

Testing Completeness of the SEFA

ODOT Grants

Common Single Audit Deficiencies

2015 OMB CS Updates / UGG

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What Are the Risks

- Risk of missing federal programs on the Schedule of Expenditures of Federal Awards (SEFA)
- Risk of having materially misstated amounts on the SEFA
- Risk of testing the wrong major program(s)
- Risk of missing a Single Audit

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Why We Test Completeness

- A-133, Subpart C, section .300 states the <u>auditee</u> shall:
  - (a) Identify, in its accounts, all federal awards received and expended and the Federal programs under which they were received.
  - (d) Prepare appropriate financial statements, including the schedule of expenditures of federal awards.

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Why We Test Completeness

- A-133, Subpart B:
  - .200(a) Non-federal entities that expend $500,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year.
  - .205(a) The determination of when an award is expended should be based on when the activity related to the award occurs……..such as: expenditure/expense transactions..….the disbursement of funds passed through to subrecipients…..etc.

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Why We Test Completeness

- On-Behalf-Of Expenditures
  - Sometimes a local government enters into an agreement with another local government, the State, or the federal government to have a program administered "on their behalf", where the benefitting government may not receive cash or make disbursements
  - The expenditures made by the administering government (ie. the State), on-behalf-of the benefitting government (ie. the local government) should be booked to the benefitting governments ledgers.
  - See AOS Bulletin 2000-008 for further guidance.

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Why We Test Completeness

- A-133, Subpart E, section .500(a) states the audit shall be conducted in accordance with GAGAS.
- GAGAS, Chapter 2, paragraph 2.08 states GAGAS incorporates by reference the AICPA Statements on Auditing Standards (SAS).
- AU-C 315.A114 states auditors must ensure completeness – all transactions that should have been recorded, have been recorded.

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When We Test Completeness of the SEFA

- Audit Workpapers:
  - Planning –
    - Obtain entities SEFA
    - Determine if a single audit is required
    - Assess the completeness of the schedule

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How We Test Completeness

- SEFA Completeness:
  - Compare programs listed to the p/y schedule
  - Inquire of the client of new programs and if they received any on-behalf assistance
    - Examples of on-behalf include OPWC and ODOT- a source of risk as entities often do not record in their accounting systems.
  - Scan revenue postings to identify new funding sources

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How We Test Completeness

- SEFA Completeness (continued):

  – Read the DTL for evidence of new Federal programs passed through the State.

  – When reading the minutes be alert for indications of new programs.

How We Test Completeness

- SEFA Completeness (continued):

  – School audits - Read the Federal Subsidy Summary Report issued by ODE for evidence of new Federal programs passed through ODE (often ODE programs appearing on the Federal Subsidy Summary Report will also appear on the DTL).

How We Test Completeness

- RSAR – Step 1 – footnote 1 states

  – Auditors should remember to test the completeness and accuracy of federal expenditures using the AOS Confirmation listings.

How We Test Completeness

- AOS Internet – Confirmations
  - Several listings available from state agencies & federal, including:
    - Ohio Department of Transportation (ODOT) Local Projects
  - Note: While 20.205 is the main program included on this listing, there are others included as well on it. Transit examples include:
    - 20.507
    - 20.509
    - 20.513
    - 20.516
    - 20.521

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Ohio Department of Transportation (ODOT)

- Have you ever received an inquiry from ODOT regarding if you missed one of their federal programs on the SEFA of an audit that has been released?

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- ODOT has clarified to us that their listing is not a "confirmation" (reasons discussed on later slides).

- ODOT added the following notes to the listing to make auditors aware:

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1. Listing of Projects that included Federal Disbursements made by the Ohio Department of Transportation (ODOT) to and on behalf of Sponsoring Agencies with administrative responsibilities as defined by OMB Circular A-133.
2. It is also necessary to use the LPA Federal Statewide Projects listing.
3. No MPO Planning Expenditures are included in the reports.

Ohio Department of Transportation (ODOT)

4. Every effort has been made to report accurate and complete information. If a user has any questions or concerns regarding this report, or for further assistance, please contact ODOT.

Ohio Department of Transportation (ODOT)

5. 20.205 Project Funding - Auditors should inquire of the client regarding all expenditures made, as ODOT can only report expenditures it has paid and/or reimbursed.
6. Auditors should trace funding received and expended to ledgers.
7. ODOT has provided the project information to help audits ensure completeness of the Federal Schedule; however the ODOT report and CMS data should not be the primary source of Federal expenditure reporting for the Locals.

Ohio Department of Transportation (ODOT)

8. Most of ODOT's <u>non-</u>20.205 funding is for Transit Agencies.
   - Most of these projects will include a FAN number, rather than a PID.
   - These projects are not searchable using the CMS portal since there is no PID.
   - The local or transit agency will still need to identify expenditures and report funding for the non-20.205 projects.
   - ODOT has provided the project information (FAN Number) to help auditors ensure completeness of the Federal Schedule.
   - Auditors should inquire of the client regarding the expenditures related to the FAN Number and trace funding received and expended to ledgers.
   - Some Projects are for on-behalf of expenditures (vehicle purchases)

Ohio Department of Transportation (ODOT)

- Due to the ongoing goal for each local agency to provide accurate expenditure data based upon its own payment date, rather than an ODOT reimbursement date, beginning with Fy 2013 audits, ODOT no longer provides a *detailed* entity *expenditure* listing.

Ohio Department of Transportation (ODOT)

- ODOT instead provides an entity project listing (PID listing).
   - ODOT provides a listing of projects that had Federal expenditures made by the Ohio Department of Transportation (ODOT) during the applicable calendar year.
   - This listing includes projects for which Federal expenditures were made to <u>and on behalf of</u> Sponsoring Agencies <u>with administrative responsibilities</u> as defined by OMB Circular A-133.

Ohio Department of Transportation (ODOT)

- ODOT instead provides an entity project listing (cont'd)
  – The Fy 2014 report included projects for which Federal expenditures were made for the period January 1, 2014 - December 31, 2014.
  – Since ODOT has a few statewide projects which include one PID to many entities, detailed entity expenditure information will be provided for these projects.

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Ohio Department of Transportation (ODOT)

- ODOT's Fy 2012 listing:

Federal Disbursements made by the Ohio Department of Transportation (ODOT) to and on behalf of Sponsoring Agencies with administrative responsibiliti
For the period January 1, 2012 - Decem
Every effort has been made to report accurate and complete information. If a user has any questions or concerns regarding this report, or for further assistance, please contact

Note for Calendar Year 2012:
It must be noted that this report only should be used to verify the accuracy of amounts that are already tracked by the entity that received the Federal funds. Accordingly, **this docu accordance with OMB Circular A-133 (see excerpt below).**
This report lists Federal funds ODOT disbursed to, or on behalf of, local agencies (entities). However, there frequently are timing differences between the date upon which an enti

*Circular A-133 §___300, Auditee responsibilities, states-
The auditee shall: (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award iden

Sponsoring Agency	PID	Name (Paid to)	Project Name (ie CRS)	Transaction Date	Voucher No	Amount	CFDA No
Ada, Village of	85351	JDR EXCAVATING INC	HAR ADA-LINCOLN ST PHASE 2	5/11/2012	VS2230	3,900.80	20.205
Ada, Village of	85351	JDR EXCAVATING INC	HAR ADA-LINCOLN ST PHASE 2	5/11/2012	VS2230	84,489.12	20.205
Ada, Village of	85351	JDR EXCAVATING INC	HAR ADA-LINCOLN ST PHASE 2	6/13/2012	VS7921	7,621.28	20.205
Ada, Village of	85351	JDR EXCAVATING INC	HAR ADA-LINCOLN ST PHASE 2	6/13/2012	VS7921	101,019.68	20.205
Ada, Village of	85351	JDR EXCAVATING INC	HAR ADA-LINCOLN ST PHASE 2	7/12/2012	V05248	84,773.67	20.205

- Note: The report provided detailed expenditure information for each entity.

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Ohio Department of Transportation (ODOT)

- Issues with past ODOT reports:
  – Many entities simply reported the ODOT expenditure amounts on their SEFA, although the entity ledgers had expended amounts different than what ODOT reported.
    • Some entities are reimbursed by ODOT in a different calendar year (reporting period) than when the entity made the expenditure.
    • Some local governments have not been reporting their expenditures on their SEFA until they have received their reimbursement from ODOT, causing reporting errors that can affect multiple year's Schedules of Expenditures of Federal Awards.

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- Example:
  - The Fy 2014 ODOT Federal Expenditure report (PID listing & CMS portal) identified $100,000 in Federal Funding provided to ABC County.
  - ABC County used the Fy 2014 ODOT report and included $100,000 on its Federal Schedule for 20.205.
  - However, ABC County actually expended an additional $800,000 on a 20.205 Federal project in December 2014, and requested reimbursement from ODOT. ODOT reimbursed the entity on Jan 15, 2015.
  - What *should* have been the amount reported on their SEFA in Fy 2014 for 20.205?

Ohio Department of Transportation (ODOT)

- Results:
  - Depending on what other federal programs the entity had:
    - A single audit may have been missed, or performed over the wrong audit period.
    - The major program determination may have selected the wrong programs.
      - This could affect the major program determination in both Fy 2014 & Fy 2015.

Ohio Department of Transportation (ODOT)

- Also keep in mind:
  - It is not unusual for a local entity to submit 1 large reimbursement request at the end of a multi-year project.
  - There is no requirement prohibiting this practice.

Ohio Department of Transportation (ODOT)

- Example:
  - XYZ County has a 3 year project, has expenditures in each year, but doesn't request reimbursement until the beginning of the 4th year (ie. once the project is over).
  - XYZ County used the ODOT report for their SEFA, and therefore did not report any expenditures on its Federal Schedule for 20.205 for those 3 years.
    - They include all on the 4th years SEFA (the year ODOT shows it on their report)
  - How many years SEFA's were misstated?

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Ohio Department of Transportation (ODOT)

- Each entity should report <u>their</u> expenditures made during <u>their</u> fiscal year on <u>their</u> SEFA…..from <u>their</u> ledgers!!!!!
  - Not just pulling a $ amount off ODOT's listing!
  - This is the entities SEFA, and it should report <u>their</u> activity!

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Ohio Department of Transportation (ODOT)

- How will the entities know the correct amounts to report?
  - Entities sign grant agreements for these funds.
  - The source of funds is included in each agreement, and in payment documentation.
    - Remember, the local entity initiates the request for funds to ODOT by submitting the payment request, which details the proportionate share of local, state, and federal funding.
  - On-behalf-of payments – in addition to the grant agreement, documentation is sent to the entity for each payment made by ODOT on their behalf.
    - Issue is whether the engineer, etc. submits the documentation to the fiscal officer to enter to their ledgers.

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Ohio Department of Transportation (ODOT)

- Each local agency can still use the ODOT CMS Portal to view its project data for their fiscal year, but should report Federal Expenditure data based upon its own records (expenditure dates), rather than those of ODOT to avoid reporting errors and schedule restatements.

    http://www.odotonline.org/cmsportal/

Ohio Department of Transportation (ODOT)

- To _assist_ _auditors_ in determining completeness of the amount the client reports, ODOT provides 2 reports beginning in Fy 2013:
    - Listing of entity PIDs (Project ID Numbers)
    - Listing of payment detail for Statewide Projects
- These reports are _just a starting point_ for auditors to determine completeness.

Ohio Department of Transportation (ODOT)

- Listing of PID's
    - This listing provides PIDs that are related to only 1 entity.
    - Auditors can take the PIDs and look up the related expenditures (_including on-behalf-of expenditures_) on ODOT's website.
    - Please be aware of timing differences for reimbursement payments. _The local entity should report these expenditures on their SEFA based upon the date they expend the funds, rather than the date ODOT expended the funds._

Ohio Department of Transportation (ODOT)

- Listing of payment detail for Statewide Projects
  - There are a handful of statewide projects each year
  - One Project Number is associated with multiple entities
    - ODOT provides the expenditure detail for statewide projects to AOS, as the amount per entity cannot be determined from ODOT's website.
    - Please be aware of timing differences for reimbursement payments. The local entity should report these expenditures on their SEFA based upon the date they expend the funds, rather than the date ODOT expended the funds.

Ohio Department of Transportation (ODOT)

- Both reports are needed for complete reporting.
  - Statewide projects are not included in the Listing of Entity PIDs/Projects.

Ohio Department of Transportation (ODOT)

- ODOT's Fy 2013/2014 listing #1 – Entity PIDs:

  Aberdeen, Village of
  - 88277

  Ada, Village of
  - 83157
  - 85351
  - 89346

  ADAMS COUNTY
  - 89330
  - 92276

- Remember – This listing will include on-behalf-of expenditures.

Ohio Department of Transportation (ODOT)

- Looking up the PIDs on ODOT's CMS Portal:

  http://www.odotonline.org/cmsportal/
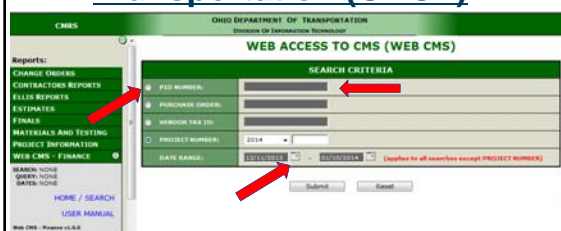
Ohio Department of Transportation (ODOT)

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Ohio Department of Transportation (ODOT)

- Federal, State, Local and Bond payment information is displayed – including on-behalf-of payments.
- Reminder: ODOT's warrant date identifies the payment date for ODOT. The local entities payment date was prior to this date for reimbursements. Some local entity payments may have been made in the same year, while others could have been expended one year or multiple years prior to the ODOT expenditure date.

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To get back to the search criteria screen, simply select the back arrow.

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Ohio Department of Transportation (ODOT)

- ODOT's Fy 2013/2014 listing #2 – Statewide Projects

Sponsoring Agency	PII	Name (Paid to)	Project Name (ie CRS)	Distr	Project Ty	Trans Da	Voucher f	Amount	CFDi
ALLEN COUNTY	92742	KOHLI & KALIHER ASSOC INC	STW 2013 CEAO Load Ratings #4	13	Non-Let	2/11/2013	V36976	16,584.80	20.205
ALLEN COUNTY	93896	KOHLI & KALIHER ASSOC INC	STW 2013 CEAO Load Ratings #5	13	Non-Let	6/11/2013	V54748	15,357.60	20.205
ALLEN COUNTY Total								31,942.40	
BELMONT COUNTY	92742	JONES STUCKEY LTD INC	STW 2013 CEAO Load Ratings #4	13	Non-Let	3/8/2013	V40975	3,394.60	20.205
BELMONT COUNTY Total								3,394.60	
BUTLER COUNTY	92742	STANTEC CONSULTING SERVICES IN	STW 2013 CEAO Load Ratings #4	13	Non-Let	2/11/2013	V36975	42,960.00	20.205
BUTLER COUNTY Total								42,960.00	
CARROLL COUNTY	90189	HAMMONTREE & ASSOCIATES	STW 2011 CEAO Load Ratings #3	13	Non-Let	4/5/2013	V44773	6,907.20	20.205
CARROLL COUNTY Total								6,907.20	
CHAMPAIGN COUNTY	90189	CHAMPAIGN COUNTY	STW 2011 CEAO Load Ratings #3	13	Non-Let	6/3/2013	V53098	7,846.40	20.205
CHAMPAIGN COUNTY Total								7,846.40	

- Remember: The local entity should report these expenditures on their SEFA based upon the date they expend the funds, rather than the date ODOT expended the funds. This listing includes both direct and on-behalf of expenditures.

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Ohio Department of Transportation (ODOT)

- When is the listing of entity PID's and Statewide Projects normally available:
  – Around mid-February

- Where are these 2 reports located:
  – As in the past, the AOS "confirmations" internet page has a link to ODOT's webpage where the listings are located.

Ohio Department of Transportation (ODOT)

- Has AOS ISA tested ODOT's CMS Portal?
  – ISA performed limited control testing as part of the State of Ohio's audit.
  – While no issues were noted last audit, it was just limited testing, so again, the CMS Portal is just a starting point for auditors testing – not a confirmation.

Ohio Department of Transportation (ODOT)

- Do all ODOT federal expenditures get reported on the SEFA?
  – No.
    - State administered projects do not get reported on the SEFA.
  - Section V of the 20.205 FACCR includes guidance.

Ohio Department of Transportation (ODOT)

- ODOT has reported only projects identified as local-administered (not state administered) on the PID listing.

- If a local entity disagrees with any project, please contact ODOT, for investigation and a final determination.

Ohio Department of Transportation (ODOT)

- ODOT Federal Expenditure Contacts
  - **Stephanie Wagenschein CFE, Auditor**
    Audit Concentration: Local Public Agencies (LPA)
    Phone: 614-387-0390
    E-Fax: 614-887-4974
    Email: Stephanie.Wagenschein@dot.state.oh.us

  - **Michael Miller, Auditor**
    Audit Concentration: Transit Systems
    Phone: 614-466-0588
    E-Fax: 614-887-4772
    Email: Michael.Miller@dot.state.oh.us

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- ODOT contact for CMS reporting related questions:
  - Stephanie   Wagenschein   -   614-387-0390
    Stephanie.Wagenschein@dot.state.oh.us
  - Or e-mail DOT.LPAQuestions@dot.state.oh.us
  - Although the CMS portal will provide other contacts, please do not use these contacts as they will not be familiar with the Federal reporting requirements. These contacts are primarily for the physical project/engineering, IT access, and vendor payments.

Ohio Department of Transportation (ODOT)

- Additional Guidance Added to Fy 2014 ODOT FACCR:
  - If clients present their SEFA with ODOT programs split out by PID #, auditors should <u>not</u> roll them up by CFDA # and include all PID's in 1 line.
  - If clients present their SEFA with ODOT programs rolling all PID's into 1 line, auditors should <u>not</u> split them out.
  - It is the entities SEFA, and unless ODOT adds a requirement either way to the grant agreement, we should not change with no basis.

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Ohio Department of Transportation (ODOT)

- Additional Guidance Added to Fy 2014 ODOT FACCR:
  - ODOT occasionally requests AOS to post <u>immaterial</u> errors to the next years SEFA.
  - In most cases, AOS asks that ODOT make that request of the client.
    - If the client mgmt. chooses <u>not</u> to add it to their next years SEFA, then we cannot force them to.
    - If the client mgmt. does add it to a subsequent years SEFA, that makes things more interesting.

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- Time & Effort:
  - FACCR Section B includes testing T&E
  - However, testing of items in the FACCR are only required if they are 5% or more of the programs expenditures
  - We feel that payroll costs do not typically exceed 5% of 20.205's expenditures, due to the nature of the grant
    - If this is the case, T&E testing is not required – just document reasoning
    - **If payroll costs are 5% or more, T&E testing <u>is</u> required.**

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COMMON SINGLE AUDIT DEFICIENCIES

AUDIT CHECKLIST
☑ Audit Satisfactory
☐ Nonconformances Found
☐ Observations Made

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Common Single Audit Deficiencies

Missed Major Programs
- Failure to properly cluster programs
- Using improper A/B threshold
- Improper low risk auditee assessment
- Failure to properly audit amounts on SEFA

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Common Single Audit Deficiencies

SEFA Deficiencies
- Missing information such as:
- Name of federal awarding agency or pass-through entity
- Total federal expenditures for each federal program (when passes through multiple agencies)

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Common Single Audit Deficiencies

DCF Deficiencies

- Typos in $ amounts – total does not even agree to SEFA total
- Major program identification - failure to identify all programs in a cluster
- Audit finding #'s, program opinion, etc. do not agree to report
- Type A/B threshold on DCF doesn't match threshold shown on Summary of Auditor's Results

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Common Single Audit Deficiencies

Inadequate Audit Documentation

- 'N/a' is not enough – explain why as section or step is n/a

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Common Single Audit Deficiencies

Avoiding Common Deficiencies

- Ensure review changes are carried through the DCF
- Proper supervision and review
- Avoid SALY (Same As Last Year)!

Slide 58

2015 OMB Compliance Supplement (and FACCR) Updates

2 CFR PART 200, APPENDIX XI

COMPLIANCE SUPPLEMENT

JUNE 2015
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

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Slide 59

2015 OMB CS Updates / UGG

- Removed:
  - Section D – Davis-Bacon Act
  - Section K – Real Property Acquisition and Relocation Assistance
- However, some programs have retained Davis-Bacon by including it in Section N
  - ie. Department of Transportation

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Slide 60

2015 OMB CS Updates / UGG

- FFATA tests in Section L removed (were only applicable to direct awards)
- Section H changes from "Period of Availability" to "Period of Performance"
- Program specific changes:
  - 66.458 & 66.468 –
    - Added 2 new Section N's:
      - American Iron & Steel
      - Fiscal Sustainability Plans

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2015 OMB CS Updates / UGG

- Program specific changes:
  – 84.000 (Dept. of Ed. Crosscutting Req's)
    - Added 2 new substantive steps in Section N Schoolwide
    - Added 'In recent years, the Office of Inspector General in ED has investigated a number of significant criminal cases related to the risk of misuse of Federal funds and the lack of accountability of Federal funds in public charter schools. Auditors should be aware that, <u>unless an applicable program statute provides otherwise, public charter schools and charter school LEAs are subject to the requirements</u> in this cross-cutting section <u>to the same extent as other public schools and LEAs</u>

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2015 OMB CS Updates / UGG

- Program specific changes:
  – 84.010 (Title I)
    - ESEA flexibility extension - Ohio was approved for a 1 year extension through Fy 2015.
    - Added new Section N on Assessment System Security.
  – ARRA programs deleted
    - CDBG Entitlement – 14.253 & 14.254
    - CDBG State Administered – 14.255
    - JAG – 16.803 & 16.803
    - TIF – 84.385

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2015 OMB CS Updates / UGG

Part 3
- 3.1 – A-87 & A-102
- 3.2 – New Uniform Grant Guidance

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Testing Completeness of the Federal Schedule

Center for Audit Excellence
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Government Fraud Considerations and Case Studies

Lee Wagner, CPA, CFE
Senior Manager
August 21, 2015

Disclosure

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Goals and Overview

- Fraud types and trends from ACFE's "Report to the Nations"
- Professional Standards related to fraud and journal entry testing in a financial statement audit
- Fraud risks specific to governmental entities
- Case Studies

Speaker Background

- Senior Manager, Raleigh office
- Over 9 years experience in public accounting
- CFE since 2011
- Experience with a variety of forensic accounting and fraud examination projects
- Financial statement audit experience in industries including state and local government and not for profit

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Fraud Types and Trends from ACFE's "Report to the Nations"

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ACFE's 2014 Report to the Nations

- Association of Certified Fraud Examiners (ACFE) surveys the population of all certified fraud examiners and compiles results
- 2014 report is based on 1,483 cases of occupational fraud as reported by CFEs
- Provide valuable information on how fraud is committed, how it is detected, and how organizations can reduce their vulnerability to the risk of fraud
- Entire report available for download:
  - http://www.acfe.com/rttn-download-2014.aspx

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ACFE's 2014 Report to the Nations

"The cost of fraud is the equivalent of a financial iceberg; some of the direct losses are plainly visible, but there is a huge mass of hidden harm that we cannot see."

- Report to the Nations, ACFE

Fraud Triangle

The Fraud Triangle

Opportunity | Rationalization

Pressure

Type and size of frauds

Figure 3: Occupational Fraud and Abuse Classification System (Fraud Tree)
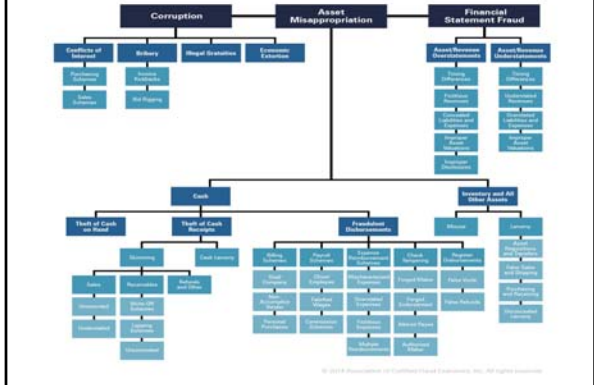
Distribution of Losses

Figure 2: Distribution of Dollar Losses

Frequency of Frauds by Category

Figure 4: Occupational Frauds by Category — Frequency

Median Loss by Category

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Figure 5: Occupational Frauds by Category — Median Loss

Detection of frauds

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Initial Detection of Frauds

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Figure 11: Initial Detection of Occupational Frauds

Type of Victim Organization – Median Loss

Figure 18: Type of Victim Organization — Median Loss

Heat Map – Schemes by Industry

Figure 24: Frequency of Schemes Based on Industry

Fraud controls

Fraud Controls in Place

Figure 26: Frequency of Anti-Fraud Controls

Primary Control Weaknesses

Figure 39: Primary Internal Control Weakness Observed by CFE

The perps

Position of Perpetrator

Figure 40: Position of Perpetrator — Frequency

Position of Perp – Median Loss

Figure 41: Position of Perpetrator — Median Loss

Number of Perps and Loss

Figure 53: Number of Perpetrators — Frequency and Median Loss

Age of Perpetrator

Figure 55: Age of Perpetrator — Frequency

Age of Perpetrator – Median Loss

Figure 56: Age of Perpetrator — Median Loss

Gender of Perpetrator

Figure 57: Gender of Perpetrator — Frequency

Gender – Median Loss

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Figure 59: Gender of Perpetrator — Median Loss

MEDIAN LOSS

$250,000
$200,000
$150,000
$100,000
$50,000
$0

Female   Male

GENDER OF PERPETRATOR

2014
2012
2010

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Tenure of Perpetrator

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Figure 63: Tenure of Perpetrator — Frequency

PERCENT OF CASES

50%
40%
30%
20%
10%
0%

Less than 1 year   1-5 years   6-10 years   More than 10 years

TENURE OF PERPETRATOR

2014
2012
2010

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Department of Perpetrator

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Figure 66: Department of Perpetrator — Frequency

PERCENT OF CASES

2014
2012
2010

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Typical Behavioral Red Flags

Figure 71: Behavioral Red Flags Displayed by Perpetrators

The outcomes

Cases Referred to Law Enforcement

Figure 77: Cases Referred to Law Enforcement

Cases Resulting in Civil Suits

Figure 80: Cases Resulting in Civil Suits
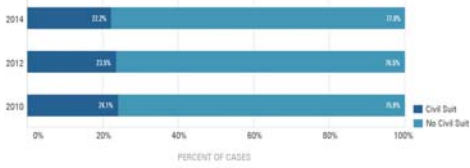
Recovery of Losses

Figure 82: Recovery of Victim Organization's Losses
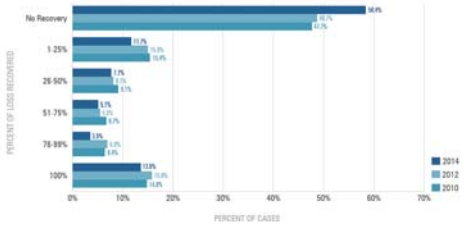
Responsibility for Fraud Detection in a Financial Statement Audit

"Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards required that we plan and perform the audit to obtain <u>reasonable assurance</u> whether the financial statements are free from <u>material misstatement</u>."

Professional Standards

- AU-C Section 240, Consideration of Fraud in a Financial Statement Audit
  - Discussion amongst engagement team, which must include brainstorming how and where entity's financial statements might be susceptible to material misstatement due to fraud (financial reporting and/or asset misappropriation)
  - Inquiries of management and others within the entity

Professional Standards

- AU-C Section 240, Consideration of Fraud in a Financial Statement Audit, continued
  - Perform procedures responsive to risks related to management override of controls
    - "…test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, including entries posted directly to the financial statement drafts."

Professional Standards

- AU-C Section 240, Consideration of Fraud in a Financial Statement Audit, continued
  - As part of journal entry testing:
    - Obtain understanding of financial reporting process and controls over JE's and other adjustments
    - Make inquiries of individuals involved in process about inappropriate or unusual activities relating to the processing of journal entries
    - Consider fraud risk indicators, nature/complexity of accounts, and entries processed outside the normal course of business

---

Professional Standards

- AU-C Section 240, Consideration of Fraud in a Financial Statement Audit, continued
  - As part of journal entry testing:
    - Select journal entries and other adjustments made at the end of a reporting period
    - Consider the need to test journal entries and other adjustments throughout the period

---

Journal Entry Testing

Why so important?

- Journal entries used to commit financial statement fraud
- Journal entries often used to cover up asset misappropriation

So how much time and consideration are we putting into the planning of our test of journal entries?

- Test smarter, not harder!

Journal Entry Testing

- Develop strategy for evaluation of entire population of adjusting journal entries
- Determine completeness of the population
- Use IDEA, ACL, or Excel to "slice and dice" population several ways, including (but not limited to):
  - By journal or reference number
  - By date
  - By general ledger account
  - By description
  - By initiator
- What are "high risk" journal entries based on above?

Journal Entry Testing

- Consider:
  - Recurring vs. non-recurring journal entries
  - Journal entries recorded on weekends or at later hours
  - Round-number amounts
  - Unexpected/unusual combination of accounts
  - Manual adjusting journal entries 'camouflaged' as normal recurring entries
  - Presence of words such as "plug", "true-up", "suspense", or "miscellaneous"

Government-Specific Fraud Risks

Government Fraud Risks

- <u>Fraudulent financial reporting</u> examples for local governments:
  - Misstating revenue/expenditure amounts to meet budget or targeted year-end fund balance
  - Overstating assets or revenues for bond covenant compliance purposes (revenue bonds)
  - Overstating assets or revenues for purposes of maintaining bond rating
  - Overstatement of grant expenditures to avoid having to return unused grant funds
  - Overstatement or misclassification of expenditures in order to meet matching requirements of grants

---

Government Fraud Risks

- <u>Misappropriation of assets</u> examples for local governments:
  - Skimming of cash receipts
  - Theft of assets (equipment, supplies, gasoline)
  - Fraudulent disbursements
    - Ghost employee schemes
    - Fictitious vendor schemes

Government Fraud Risks

- <u>Corruption</u> examples for local governments:
  - Official bribery
  - Procurement schemes (e.g. bid rigging)
  - Kickback schemes
    - Typically involve collusion between governmental employee(s) and vendor
    - Almost always found in purchasing function
    - Vendor will submit fraudulent or inflated invoice to the governmental entity and an employee of the entity helps make sure that a payment is made on the false invoice
    - The employee receives a payment ("kickback") from the vendor

Government Fraud Risks

- Example responses to fraud risks
  - Fraudulent financial reporting
    - Adjusting journal entry testing
    - Revenue recognition testing
    - Testing interfund transfers
    - Detailed review of accounting estimates for bias

Government Fraud Risks

- Example responses to fraud risks
  - Misappropriation of assets and corruption
    - Control/attribute testing over both A/P and payroll disbursements
    - Control/attribute testing over cash receipts
    - Benford's Law analysis over A/P disbursement population for fiscal year
    - "Top 30" vendor payments analysis
    - Vendor master list analysis / comparison to employee file

Example Benford's Law Analyses

- IDEA Data Analysis Software
  - Population is all disbursement transactions for a medium-sized school district
  - First graph is Benford First Digit analysis
  - Second graph is Benford First Two Digits analysis
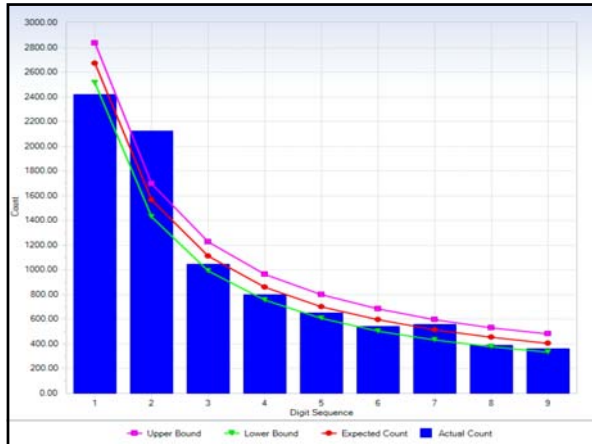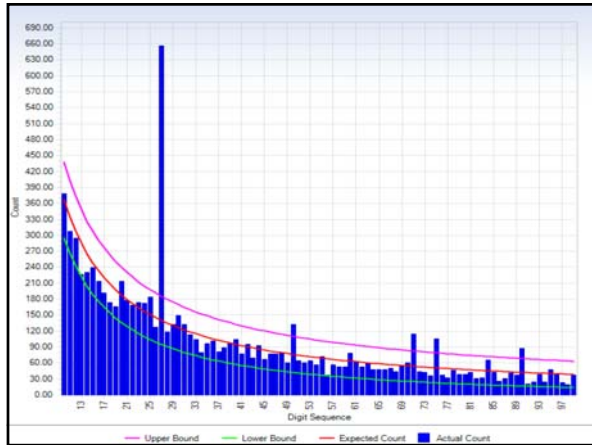
Other Governmental Risks

- Political / reputational risk
  - Members of press are almost always present at meetings of governing boards
  - Concept of materiality not easily understood by members of governing board or general public
  - "Expectation gap" between what our audit is and what others perceive it to be

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Other Governmental Risks

- Risks inherent with elected officials
  - For example, elected sheriff that does not feel he needs to act in accordance with County policy or cooperate with finance department
  - Competency of elected Treasurer
- Cash accounts not maintained on the GL
  - Often the case with certain sheriff's or clerk of court funds
  - Accounts balances may be reconciled and recorded in financial statements at year end, but what about receipt/disbursement activity?

Case Studies

Case Studies and Anecdotes - 1

- Rita Crundwell – City Comptroller, Equine Enthusiast and Brazen Fraudster

Rita Crundwell – City Comptroller and Fraudster

- Background Info:
  - Became comptroller of City of Dixon, Illinois, in 1983
  - Dixon: working-class city of approx. 16,000, and the boy-hood home of Ronald Reagan
  - Dixon's 2011 general fund operating budget was $6.9 million
  - Rita's salary in 2011 was approx. $80,000
  - Between 1991 and April 2012, Rita embezzled $53.7 million from Dixon

Rita Crundwell – City Comptroller and Fraudster

- How did she do it?
  - December 1990: Rita opens a bank account at an Ohio bank (bank subsequently acquired by Fifth Third Bank) in the name of City of Dixon and RSCDA, c/o Rita Crundwell (Reserve Sewer Capital Development Account)
  - Rita repeatedly transferred funds from City of Dixon accounts to the RSCDA account
  - Rita used funds deposited into RSCDA account for personal expenses and for operations of her race horse breeding business
  - Rita generated fake invoices (179 in total), mostly supposedly from the State of Illinois, as support for amounts deposited/withdrawn into RSCDA account

Rita Crundwell – City Comptroller and Fraudster

- How did she get away with it?
  - Poor (or altogether nonexistent) segregation of duties allowed Rita complete control over Dixon's finances
    - Rita made bank deposits and transfers without second signature or authorization
    - Rita reconciled all monthly bank accounts
    - Rita prepared interim financial reports for the mayor and council
    - Rita even received the mail each day
  - Blamed Dixon's weak financial position on lagging or late payments from the State of Illinois

Rita Crundwell – City Comptroller and Fraudster

- How was she caught?
  - In 2011 Rita took unpaid leave for 12 weeks to focus on her horse breeding operation
  - During this time a monthly statement for the RSCDA account was intercepted in the mail by another Dixon employee
  - The mayor contacted the FBI – it all unraveled from there

---

Rita Crundwell – City Comptroller and Fraudster

- What was the fall-out?
  - Rita's purchases included the following:
    - Two lavish homes in Dixon
    - 80 acres of farmland
    - A house in Florida
    - Extensive updates and construction at her horse farm property
    - A $2 million custom motor home
    - Several hundred quarter horses (some at more than $100k)
    - Several vehicles, tractors , horse trailers and trucks (including a 1967 Corvette Roadster)
    - At least $500 k in jewelry and furs

Rita Crundwell – City Comptroller and Fraudster

- What was the fall-out?
  - Rita plead guilty to $53 million scam in November 2012
  - Sentenced to 19 years and 7 months in prison
  - CliftonLarsonAllen, one of two accounting firms used by Dixon, settled with Dixon for $35.15 million in gross negligence suit
  - Janis Card Associates (other accounting firm) paid $1 million in settlement
  - Fifth Third Bank paid $3.85 million in settlement with Dixon

Rita Crundwell – City Comptroller and Fraudster

Rita Crundwell began working for the City of Dixon while still in high school, was made treasurer in 1983, and by this time she was fully <u>trusted</u> with complete control of the City's finances.

- What was it that Ronald Reagan used to say???

Case Studies and Anecdotes - 2

- Controller of a small business in Columbia, SC steals more than $1 million over course of 6-plus years

Small Company Controller and Embezzler

- Background info:
  - No names included here as investigation and legal proceedings are ongoing
  - Company is industrial laundry / linens facility
  - Former controller ("Suspect") was employed by Company from 2005 through 2013
  - During that time, Suspect made payments to herself via direct deposit from Company's payroll bank account at least in the amount of $978,311
  - Additionally, Suspect altered two checks totaling $51,388 to be paid to a shell company owned by Suspect

Small Company Controller and Embezzler

- How did Controller do it?
  - Two bank accounts: operating and payroll
  - In addition to "normal" bi-monthly company-wide payroll disbursements, Controller initiated three smaller direct deposit transactions most months to Controller's personal bank account
  - In the GL, these three transactions were recorded as one transaction, most typically as an expense transaction to one of the Company's most significant income statement line items

---

Small Company Controller and Embezzler

- How did Controller do it?

Account	Account Description	Period	Date	Comments	Journal	Source	Debit	Credit
1000-00	Cash	3	12/1/2011	A/P CHECK REGISTER	CD-000502	A/P	-	1,777.14
1000-00	Cash	3	12/5/2011	A/P CHECK REGISTER	CD-000503	A/P	-	86.88
1000-00	Cash	3	12/6/2011	A/P CHECK REGISTER	CD-000504	A/P	-	137,627.64
1000-00	Cash	3	12/8/2011	A/P CHECK REGISTER	CD-000505	A/P	-	894.9
1000-00	Cash	3	12/8/2011	A/P CHECK REGISTER	CD-000506	A/P	-	350
1000-00	Cash	3	12/13/2011	A/P CHECK REGISTER	CD-000507	A/P	-	153,478.86
1000-00	Cash	3	12/13/2011	A/P CHECK REGISTER	CD-000508	A/P	-	760
1000-00	Cash	3	12/13/2011	A/P CHECK REGISTER	JE-002394	G/L	-	19,396.74
1000-00	Cash	3	12/15/2011	A/P CHECK REGISTER	CD-000510	A/P	-	713.66
1000-00	Cash	3	12/16/2011	A/P CHECK REGISTER	CD-000511	A/P	-	55.62
1000-00	Cash	3	12/19/2011	A/P CHECK REGISTER	CD-000512	A/P	-	260
1000-00	Cash	3	12/21/2011	A/P CHECK REGISTER	CD-000513	A/P	-	55,237.59
1000-00	Cash	3	12/21/2011	A/P CHECK REGISTER	CD-000514	A/P	-	1,664.89
1000-00	Cash	3	12/21/2011	A/P CHECK REGISTER	CD-000515	A/P	-	1,355.93
1000-00	Cash	3	12/28/2011	A/P CHECK REGISTER	CD-000516	A/P	-	61,228.45
1000-00	Cash	3	12/28/2011	A/P CHECK REGISTER	CD-000517	A/P	-	309.25

- Which one of these is not like the other??

Small Company Controller and Embezzler

- How did Controller do it?
  - From December 2011 payroll account bank statement, other debits section:
    - 12-6 Company Payroll – XXXXX $ 6,249.76
    - 12-13 Company Payroll – XXXXX $ 6,523.49
    - 12-20 Company Payroll – XXXXX $ 6,623.49
    - $ 19,396.74

Small Company Controller and Embezzler

- How was Controller able to get away with it?
  - Lack of segregation of duties: Controller had responsibilities over payroll, A/P disbursements, and bank reconciliations
  - General manager of Company "reviewed" bank statements but clearly did not understand them or look very closely; evidence does not indicate that General Manager was ever even provided with the payroll account monthly statement
  - Three-payment pattern per month consistently followed over several years, but never during month of September
  - Company year end was September 30

Small Company Controller and Embezzler

- How was Controller caught?
  - Controller quit company early 2013
  - Before leaving Controller got greedy and careless
    - Recorded illicit transactions in GL against inventory account rather than expense account (on accident?)
    - Additionally, altered two checks recorded in GL to Company's largest supplier and made payable to shell company of Controller
  - Financial statement audit for FY2013: inventory sub-ledger was out of balance which led to subsequent investigation

---

Small Company Controller and Embezzler

- What was the fall-out?
  - Known amounts embezzled:
    - 2007 – $ 90,000
    - 2008 – $ 141,000
    - 2009 – $ 190,000
    - 2010 – $ 143,000
    - 2011 – $ 141,000
    - 2012 – $ 204,000
    - 2013 – $ 121,000 (resigned 4 months in to fiscal year)
    - Total – $ 1,030,000

Case Studies and Anecdotes - 3

- Chief Clerk of Court – Large County in Georgia
  - Long-time civil servant
  - Elected Judge granted Chief Clerk full power to handle business of the court
  - Court held funds in a fiduciary capacity on behalf of beneficiaries of estates when third-party guardian/custodian was not legally able to
  - Chief Clerk would also siphon court revenues (copying fees, filing fees, etc.) into these fiduciary accounts
  - Chief Clerk writes checks to "Cash" and is able to cash at bank where she is a "well known customer"

Chief Clerk of Court

- From 2010 to 2014, over $800,000 in suspicious/questioned disbursements
- Federal indictment
- County along with banks are parties in several lawsuits filed by attorneys of beneficiaries

Chief Clerk of Court

- Warning signs
  - Unwillingness to let go of control
  - Known gambling problem
  - Corvette enthusiast
  - Desk drawer full of lottery tickets

Chief Clerk of Court

- What's next?
  - Chief clerk pleads guilty to two of six counts on July 31, 2015
  - To be continued…

Lessons Learned

- Are we considering all sides of the fraud triangle when we have our planning meetings?
- Importance of inquiry of personnel at all levels of the organization
- Don't be kept awake at night worrying about the agency funds at your clients!
- How good is your journal entry testing?
- What other fraud risks are present at your clients? How will you respond?

Open Discussion

- **Questions or comments?**

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GASB 68

Presented by: Tracie McCreary

Ohio Auditor of State
Dave Yost
www.**ohioauditor**.gov

GASB 68 Components

- Calculating the NPL
- Generating the Journal Entries
- Preparing Note Disclosure
- Presenting RSI

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Calculating the NPL

- Select the Measurement Date
- Determine Proportionate Share (percentage)
- Identify:
  - Collective NPL Information
  - Pension Expense
  - Deferred Inflows/Outflows

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Select the Measurement Date

- The NPL is to be measured as of a date no earlier than the end of the employer's prior fiscal year, consistently applied from period to period
- Determined by the employer

Determine Proportionate Share

- A measure of the proportionate relationship of the employer to all employers
- Calculated by the retirement system

Collective NPL Information

- Measured as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan's fiduciary net position
- Provided by the pension system

Pension Expense

- Changes in the collective net pension liability should be included in collective pension expense except for the components of deferred inflows/outflows
- Collective amounts come from the pension system
- Contributions to the pension plan from employers should not be included in pension expense

Deferred Inflows/Outflows From Pension System

- Difference between expected and actual experience in the measurement of the total pension liability *
- Changes of assumptions *
- Net difference between projected and actual earning on pension plan investments **

Deferred Inflows/Outflows Calculated by Employer

- Change in the employer's proportion percentage*
- Difference between the employer's contribution and the employer's proportional share of contributions *
- These two amounts can be presented net

Deferred Inflows/Outflows Amortization

- *Amortized beginning in the current period over the average of the expected remaining service life of all employees. Provided by the pension system.

- **Amortized over a five year period

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Payments Subsequent to Measurement Date

- Contributions to a plan from the employer subsequent to the NPL *measurement date* and before the end of the employer's reporting period should be reported as a deferred outflow.

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Journal Entries

- Based on current year activity from the pension systems. Journal entries will need to be revised in future years based on the specifics of those years.

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Journal Entries
Restatement

Dr.   Net Positon

Cr.   Net Pension Liability

- To record the NPL provided by the pension system at June 30, 2014 (measurement date June 30, 2013)

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Journal Entries
Restatement

Dr.   Deferred Outflows (pmt subsequent)

Cr.   Net Position

- To defer payments subsequent to the June 30, 2013 measurement date—this amount is identified by the employer

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Journal Entries
Current year Activity

Dr.   Net Pension Liability *

Dr.   Deferred Outflows *

Dr.   Pension Expense **

Dr./Cr.   Deferred Outflows/Inflows ***

Cr.   Deferred Inflows *

Cr.   Deferred Outflows(pmt subsequent-prior year)

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Journal Entries
Current year Activity

- * From pension system
- ** From pension system—allocated to various functions/expenses
- ***The difference between the proportionate share of employer contributions and actual employer contributions is recorded as a deferred outflow/inflow
- Consider GASB 68 paragraph 56

Journal Entries
Current year Amortization

Dr.   Deferred Inflows/Pension Expense

Cr.   Deferred Outflows/Pension Exp

Note -- allocate pension expense to the various functions/expenses

---

Journal Entries
Current Year Payments Subsequent

Dr.   Deferred Outflows (pmt subsequent)

Cr.   Pension Expense

Note: allocate pension expense to the various functions

Note Disclosure

- Description of the plan
- Information about the employer's proportionate share of the collective net pension liability
  - Includes disclosure about actuarial assumptions

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Note Disclosure

- Other Information
  - Includes information about:
    - Proportionate share amount
    - Proportionate share percentage
    - Pension expense
    - Deferred inflows/outflows and amortization

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RSI 10 Year Schedule 1
Determined as of the Measurement Date

- Employer's percentage of the collective NPL

- Employer's amount of the collective NPL

- The employer's covered employee payroll

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RSI 10 Year Schedule 1
Determined as of the Measurement Date

- The employer's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll

- The pension plan's fiduciary net position as a percentage of the total pension liability

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RSI 10 Year Schedule 2
Determined as of Fiscal Year End

- Contractually required employer contribution (A)

- Amount of contributions recognized by the pension plan in relation to the contractually required employer contribution (B)

- Difference between A and B

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RSI 10 Year Schedule 2
Determined as of Fiscal Year End

- The employer's covered-employee payroll

- The amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the employer's covered-employee payroll

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Questions?

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Tracie McCreary

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WebGAAP

Presented by:
Tim Downing

Ohio Auditor of State
Dave Yost

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Agenda

- What is it?
- Why should I use it now?
- Where do I even find it?
- How do I access it?
- What info is available?
- WIKI
- Common Q&A's

Before We Start

Anagram Challenge

Examples

- Debit Card
- Bad Credit

- A decimal point
- I'm a dot in place

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Anagram Challenge

- Early nod
- Read Only

- Weave gap below
- We love WebGAAP

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WebGAAP

- Owned by AOS
- Developed and maintained by NWOCA
- ISA performs testing
  - Issues ADAM each year
  - See ADAM 2015 handout, available at:
  - http://www.ohioauditor.gov/ipa/correspondence/default.html
  - Don't forget the User Control Considerations!

Adobe Acrobat
Document

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What is it?

Web-based application for
Financial Statement conversion

- Used by?
  - Schools, counties, cities & other govts
    - Each has a different chart of accounts
    - Users have limited ability to customize some of the aesthetics of their reports
- Optional – not required to use

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What is it?

- Consists of:
  - Program to upload client cash basis data
  - Journal entry / trial balance systems
  - Reporting Module

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Why should I use it now?

- Easy to use
- Use of legacy reports for planning when GAAP statements are not available yet
- Electronic trial balances
- Reduces trial balance testing
  - Eliminates footing / cross-footing
  - Reliance of fund roll up on the statements and accrual roll up in trials

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Where do I find it?

https://gasb34sys.auditor.state.oh.us/gaap/login.asp

How do I access it?

• Obtain user name and password from:
   Tracie McCreary
   LGS Chief Project Manager
   TLMcCreary@ohioauditor.gov

Only need to obtain user name / password first time you are accessing system.
<< You should not use someone else's login for access. >>

How do I access it?

• USAS software school districts
(USAS/ USPS):
   – Request **READ ONLY** access from Treasurer each audit period
   – Treasurer contacts ITC requesting WebGAAP access to the District's information.

User's Name	Username	Email address	Contact Phone #	Fiscal Year End	Type of Access
Your Name	WebGAAP Username	you@youremail.com	Your phone Number	Year Needed	Read Only

How do I access it?

- Other (non-USAS) users:
  - Request **READ ONLY** access from Fiscal Officer each audit period
  - Fiscal Officer sends fax (419-267-5248) or pdf and email to NWOCA (gaap@nwoca.org) on entity's letterhead to WebGAAP Team requesting access to their information

User's Name	Username	Email address	Contact Phone #	Fiscal Year End	Type of Access
Your Name	WebGAAP Username	you@youremail.com	Your phone Number	Year Needed	Read Only

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Recheck

Re-check page ✓

Re-check page ✓

- Who do you request user name / password from?
  - Tracie McCreary with LGS

- Do you request user name / password each year?
  - No….First time only

- Who do I contact to request access to specific entity information in WebGAAP?
  - Treasurer / Fiscal Officer (who will then request the access from at ITC or NWOCA)

- Do they request access each audit year?
  - Yes

- What access do they request?
  - **READ ONLY**

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What info is available?

- Journal Entry Reports
- Trial Balances
- Published Statements

  - Export to Excel **binary** file & filter data
    - Do not export in HTML, CSV or Tab Delimited formats
  - Date & time stamp the reports
  - Check the system update date at end of the audit to be certain you have the latest reports

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Journal Entry Reports

Ohio Auditor of State - GAAP Reporting System
Based on the GASB-34 Reporting Model

Home | Journal Entry | Reports | Legacy Cash Rpts | Setup | Admin | Logout

Current Entity: Web-GAAP Training School (Stark County) - 2006

GAAP Journal Entry Reports

- Cash Journal Report
- Initial Year Governmental Fund Journal Report
- Initial Year Governmental Consolidation Journal Report
- Modified Accrual Journal Report
- Governmental Restricted Net Position Journal Report
- Program Revenue Journal Report
- Full Accrual Journal Report
- Governmental Consolidation Journal Report
- General Capital Assets Journal Report
- General Debt Consolidation Journal Report
- Cash Flow Journal Report
- Component Unit Journal Report

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Journal Entry Reports

- Cash Journal Report – upload of cash activity
- Initial Year Reports – 1st year of GAAP reporting only
- Cash Flow & Component Unit Journal Reports – convertors don't use

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Trial Balances

Trial Balances and Working Papers

- Initial Year Governmental Fund Trial Balance
- Initial Year Governmental Consolidation Trial Balance
- Modified Accrual Trial Balance
- Governmental Restricted Net Position Trial Balance
- Full Accrual Trial Balance
- Governmental Consolidation Trial Balance
- General Capital Assets Worksheet
- General Debt Consolidation Worksheet
- Budgetary Consolidation Trial Balance - Governmental Funds
- Budgetary Consolidation Trial Balance - Proprietary and Fiduciary Funds
- Budgetary Worksheet - Governmental Funds
- Budgetary Worksheet - Proprietary and Fiduciary Funds
- Budget and Actual by Fund Type

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Trial Balances

- <u>Initial Year</u> – 1st year of GAAP reporting only
- <u>Non-Budgetary Trial Balances & Worksheets</u> – correspond to journal entry reports on the previous slide
- <u>Budgetary Trial Balances</u> – combining reports

Published Statements

Published Statements
- Budget and Actual - Governmental Funds
- Revenues, Expenditures & Changes in Fund Bal - Governmental
- Combining Revenues, Expenditures & Changes in Fund Bal - Nonmajor Governmental
- Combining Revenues, Expenditures & Changes in Fund Bal - Nonmajor Special Revenue
- Combining Revenues, Expenditures & Changes in Fund Bal - Nonmajor Debt Service
- Combining Revenues, Expenditures & Changes in Fund Bal - Nonmajor Capital Projects
- Combining Revenues, Expenditures & Changes in Fund Bal - Nonmajor Permanent Funds
- Combining Revenues, Expenditures & Changes in Fund Bal - Nonmajor Governmental (Few Funds)
- Balance Sheet - Governmental Funds
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Debt Service Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Balance Sheet - Nonmajor Governmental Funds (Few Funds)

Published Statements – Governmental

- <u>Budget and Actual</u> – financial statement columns
- <u>Revenues, Expenditures & Changes in Fund Balance & Balance Sheet</u> – combined formats
- <u>Combining</u> –
  - ➢ modified accrual basis
  - ➢ presented in back of CAFR
- <u>Few Funds</u> reports –
  - ➢ used if not a lot of funds
  - ➢ not used for reporting

Published Statements – Proprietary

- Budget and Actual - Proprietary and Fiduciary Funds
- Statement of Fund Net Position - Proprietary Funds
- Statement of Fund Net Position - Enterprise Funds
- Statement of Fund Net Position - Internal Service Funds
- Combining Statement of Fund Net Position - Nonmajor Enterprise Funds
- Combining Statement of Fund Net Position - Internal Service Funds
- Revenues, Expenses & Changes in Fund Net Position - Proprietary Funds
- Revenues, Expenses & Changes in Fund Net Position - Enterprise Funds
- Revenues, Expenses & Changes in Fund Net Position - Internal Service Funds
- Combining Revenues, Expenses & Changes in Fund Net Position - Enterprise Funds
- Combining Revenues, Expenses & Changes in Fund Net Position - Internal Service Funds
- Statement of Cash Flows - Proprietary Funds
- Statement of Cash Flows - Enterprise Funds
- Statement of Cash Flows - Internal Service Funds
- Combining Statement of Cash Flows - Nonmajor Enterprise Funds
- Combining Statement of Cash Flows - Internal Service Funds

Published Statements – Proprietary

- Budget and Actual – financial statement columns
- Revenues, Expenses & Changes in Fund Net Position & Statement of Fund Net Position – combined formats
- Combining – modified accrual basis (presented in back of CAFR)
- Statements of Cash Flows & Combining Statements of Cash Flows – converters do not use these in WebGAAP

Published Statements – Fiduciary & Other Reports

- Statement of Changes in Fiduciary Net Position
- Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds
- Combining Statement of Changes in Fiduciary Net Position - Investment Trust Funds
- Combining Statement of Changes in Fiduciary Net Position - Private Purpose Funds
- Combining Statements of Changes in Assets and Liabilities for Agency Funds

- Statement of Net Position
- Statement of Activities

- Fiscal Year Notes
- Fiscal Year MD&A
- Reconciliations - Governmental Funds Balance Sheet to Statement of Net Position
- Reconciliations - Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities

Published Statements – Other Reports

- Statement of Net Position & Statement of Activities – Government Wide Statements

- Notes, MDA & Reconciliations – convertors do not use these in WebGAAP

Legacy Cash Reports

- Includes the cash account balances (not the individual transactions) upload

- Fund financial statements present the funds as mapped within the application
  - Present major funds.
  - Fund type defined by the entity

- Possible planning when GAAP statements are not available yet

Legacy Cash Reports

- Upload done by client / conversion company if using Webgaap

- Even if GAAP conversion isn't done in WebGAAP, the conversion company may upload the file for budgetary statement purposes

Legacy Cash Reports

Legacy Cash Reports

Governmental Funds

- Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Debt Service Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Permanent Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental (Few Funds)

Proprietary Funds

- Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds
- Statement of Revenues, Expenses, and Changes in Net Assets - Enterprise Funds
- Statement of Revenues, Expenses, and Changes in Net Assets - Internal Service Funds
- Combining Statement of Revenues, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds
- Combining Statement of Revenues, Expenses, and Changes in Net Assets - Internal Service Funds

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Legacy Cash Reports

Fiduciary Funds

- Statement of Changes in Fiduciary Net Assets
- Combining Statement of Changes in Fiduciary Net Assets - Pension Trust Funds
- Combining Statement of Changes in Fiduciary Net Assets - Investment Trust Funds
- Combining Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Funds
- Combining Statement of Changes in Fiduciary Net Assets - Agency Funds

Other

- Reconciliation of Interfund Transactions by Fund
- Schedule of Expenditures by Objects for All Funds
- Schedule of Expenditures by Function and Object Categories

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THE WIKI

- http://gaapwiki.oecn.k12.oh.us/Main_Page

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WebGAAP

Common Questions & Answers

See Handout

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WebGAAP

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Auditor of State IPA Contracting Update

Presented by: Leanna Abele and Ami Mayne

August 21, 2015

Ohio Auditor of State
Dave Yost

www.**ohioauditor**.gov

Overview

- OSCPA / AOS Contracting Process Task Force
- Changes Which Have Occurred
- Upcoming Changes
- Questions

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OSCPA / AOS Contracting Process Task Force

- In Early 2014, the OSCPA requested forming a task force to take a look at IPA contract bidding practices.
- AOS partnered with OSCPA to form a working group to review matters of common concern and provide input to help shape policy and direction going forward.
- Contracting Process Task Force included IPA Firm representatives, client representatives and the AOS.

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OSCPA / AOS Contracting Process Task Force

- Based on feedback from the Task Force, the AOS proposed modifications to the IPA contracting process related to:
  – Lessening the cumbersome bidding process
  – Differentiation of clients (tier differentiation)
  – Scoring; and
  – Timeliness of the contracting process

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Changes Which Have Occurred

- **Appointment of a Coordinator of Audit Administration in the Center for Audit Excellence (CFAE)** - to implement changes to the contracting process and, once implemented, provide an oversight function to ensure timeliness and consistency.

Coordinator

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Changes Which Have Occurred

- **Change in Definition of Tier 3 Clients**
  – Tier 3 clients are now defined as entities which are small and/or lower risk, with no customized or specific IPA experience required, and reflect no unusual transactions. Entities which prepare CAFRs are excluded from Tier 3.

TIER 3

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Changes Which Have Occurred

- **Tier Assigned to All Clients** – to ensure consistency, we have assigned a tier to all clients rather than assigning the tier when contracting.
- **Related Bundling** – although unrelated entity bundling will continue for tier 3, only related entities will be permitted for tier 1 and tier 2.

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Changes Which Have Occurred

- **Separate Forms for Modifications and Extensions** – we have split the previous Modification/Extension Agreement Form into:
  - *Modification Agreement Form* – initiated by the IPA firm/client (refer to 9/8/14 email regarding contract modification issues – available on AOS website)
  - *Extension Agreement Form* – initiated by AOS.

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Changes Which Have Occurred

- **Additional Changes for Modification Agreement Form effective 8/15/15:**
  - **Report Due Date Extensions** – since the report due date is identified in the contract, any extension to the due date is required to be requested on a Modification Agreement Form rather than an email to the regional Chief Auditor.
  - **Budget for Agreed Upon Procedures** – when modifying from an audit to an AUP, the budgeted hours for the AUP must accompany the request. The Modification Agreement Form now includes an appendix with AUP budget categories.

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Changes Which Have Occurred

- **One-Time Contract Renewals for Eligible Incumbent IPA Firms** – 6/12/15 email
  - When AOS determines subsequent audit will not be conducted by AOS.
  - If incumbent firm has not conducted the audit for 10 consecutive years, is in good standing, and meets minimum quality score requirements.
  - If client and IPA firm agree to an extension.
  - AOS will prepare an Extension Agreement Form for a one-time extension, up to a maximum of the number of years of the original contract.
  - Extensions only apply to individual clients. For clients originally contracted in a bundle, each client will be considered separately for extension unless related entities.

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Upcoming Changes

CHANGE AHEAD

- **IPA Portal Structure Conversion** (planned implementation by 9/30/15)
  - Expand access to IPA Portal to IPA staff
    - Access to firm contracts and scores
    - Access to client information, including AFDRS submissions (4/6/15 email)
  - Controlled access to perform functions by individual - view only, prepare and/or approve
  - Capture repetitive firm data for use in bidding
    - Audit Staff Profiles
    - Training/CPE
    - Firm policies

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Upcoming Changes

- **IPA Portal Structure Conversion** (planned implementation by 9/30/15)
  - Automated Invoice Processing
    - Designated IPA firm staff will create invoices for clients via the IPA Portal by AOS project number
    - Application includes edit checks – 80% limit prior to acceptance by AOS, MBE/EDGE requirements, etc.
    - Partner/Principal required to submit invoice for AOS approval
    - Immediate AOS approval by email to the IPA firm and the client
    - Email will suffice for client billing; however, IPA may provide additional detail to client if necessary. (**Important to ensure client contact info up-to-date with AOS!**)

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Upcoming Changes

- **Addition of Request for Quotes (RFQ) and Invitation to Bid (ITB)**
  - Historically, the AOS has used a Request for Proposal (RFP) for all contracting.
  - RFQ will be used for some Tier 1 clients at the discretion of the AOS – involves significant client involvement.
  - ITB will be used for all Tier 3 bundles – all necessary info prepared by AOS with IPA to formulate cost bid and documentation necessary to form a contract.
  - RFP will continue to be used for Tier 2 and most Tier 1 clients.

ITB

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Upcoming Changes

- **Submission of Proposals, Quotes and Bids via the IPA Portal**
  - To streamline the process, we will be using a forms-driven approach for firms to create proposals, quotes and bids via the IPA Portal.
  - The application will include edit checks to ensure firms complete all required sections.
  - Firms will have the ability to access the captured repetitive firm data (discussed earlier) in preparing their submission.
  - Assigned staff can prepare the document; however, submission must be by the partner/principal of the firm's office which expressed interest in the contract.

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Upcoming Changes

- **Changes to Scoring** –
  - Balancing Client Preference Points for RFPs – to bring ratio for RFP and ITB into balance.
  - Re-defining AOS "Compliance with Bidding" points as "AOS Discretionary Score."

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Upcoming Changes

- **Changes to Scoring** –
  - Additional CFAE score for IPA contract compliance – designated IPA firm actions/inaction, detrimental to the contracting or audit processes, will reduce the score. **SCORES**
    - Examples:
      - Submission of an audit/AUP report without a necessary contract modification in place.
      - Failure to notify the AOS of potential FFRs/FFAs
      - Submission of a report without required post audit/communications with client.

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Upcoming Changes

- **Changes to Scoring for Tier 3** – **TIER3**
  - *Quality Scores for New Firms* – For Tier 3 contracts, firms without their own quality scores will receive the full quality score points; however, the current reduced point allocation will remain in place for Tier 1 and Tier 2 contracts.
  - *Balancing of MBE/EDGE Points* – Since the total points for Tier 1 and 2 scoring are double the points for Tier 3 scoring, we will balance the points for MBE/EDGE firms for Tier 3 scoring.

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Upcoming Changes

- **Contract Timeliness** –
  - After contract bidding via the IPA Portal is in place, we plan to provide:
    - Earlier Notification of Clients to be Contracted
    - Earlier Completion of Contract Execution
    - Differentiation of Days Allowed for IPA Response Time by Tier
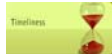
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Upcoming Changes

- **Training/Additional Guidance** –
  - Today's training was only a very high overview.
  - As we implement the changes, we will be providing training and/or additional guidance.

Questions

- From Today's Presentation?
- Think of something later?
  - IPACorrespondence@ohioauditor.gov

Auditor of State

Presenters:

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Understanding General IT Controls

August 2015

Purpose

To Gaining an understanding of the role IT General Controls play in auditing of critical business processes and financial data

- **Planning and Scoping of GITCs**
- **Types of General IT Controls**
- **Typical deficiencies and how they impact the overall Audit**

Planning and Scoping of GITCs

This report shows the financial condition of the company as of a particular date .It is an itemized statement that summarizes the assets and liabilities of a business as on a given date usually at the end of a financial year. This is the company's report card.

Balance Sheet

This report shows the total amount of sales, all costs incurred in achieving them and other operating costs. This helps see if the company has recorded a profit for that particular month.

Income Statement

In many cases, while a transaction occurs it is not recorded on the income statement. In such cases it is put in the statement of cash flow. For example a loan that is taken and kept aside for later use. This statement records this cash transaction.

Statement of Cash Flow

What is a General IT Control

General IT Controls (GITC's): represent the foundation of the IT control structure. They help ensure the reliability of data generated by the IT systems and support the assertion that systems operate as intended and that the output of the systems is reliable.

IT Application Control (ITAC): Is a business process control, and allows action to be automatically performed by the software application. An ITAC control should demonstrate that software applications used for specific business processes are properly maintained, are only used with proper authorization, are monitored, and are creating audit trails.

Relation between ITAC Controls and ITGC Controls?

If an application control (or business process control) contains an automated component, then GITC's need to be tested because of the IT component (or automated component) within the business process control (ITAC Control).

Recent PCAOB Findings

Scoping

- An important IT system was not scoped into the audit (e.g. report writers, infrastructure, service providers, interfaces)
- ITGC were tested for a system which no application controls existed
- IT systems for component audits were improperly scoped out of the audit
- IT scoping decisions were not documented

Addressing test exceptions

- Test exceptions were noted, however were not assessed as control deficiencies
- Control deficiencies were noted, however the impact on the audit approach was not considered

Incompleteness of testing

- Completeness and accuracy of critical reports and populations (both process and IT)
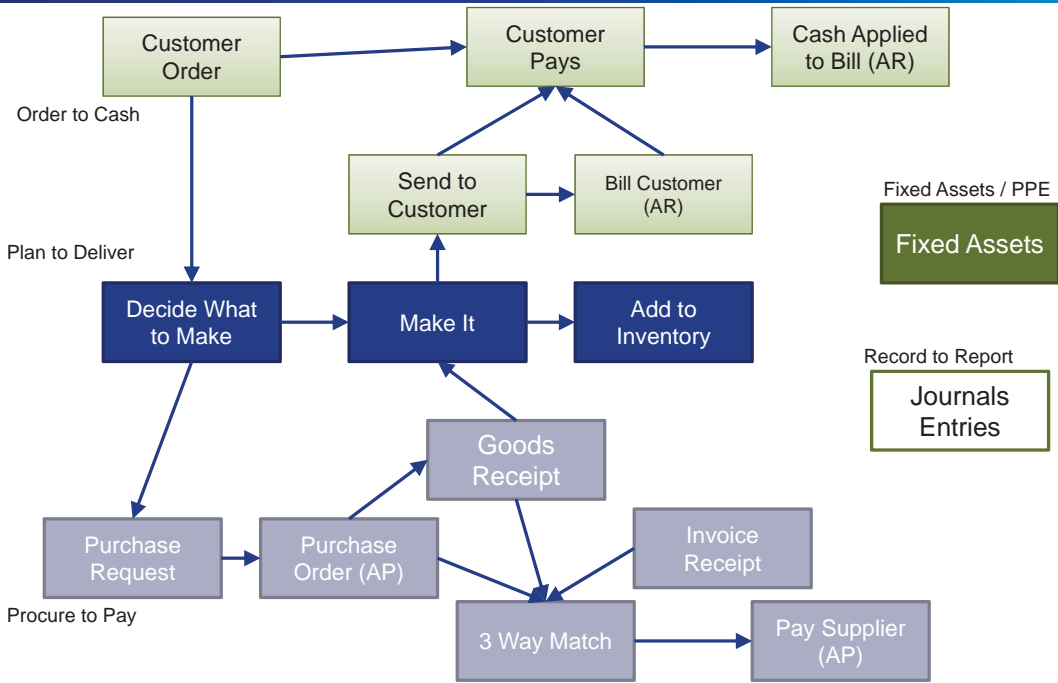- Test of 1 – application controls, completeness and accuracy of a report

Timing

- Testwork was performed at interim and not properly rolled forward to year-end
- Testwork was performed late (after year-end)
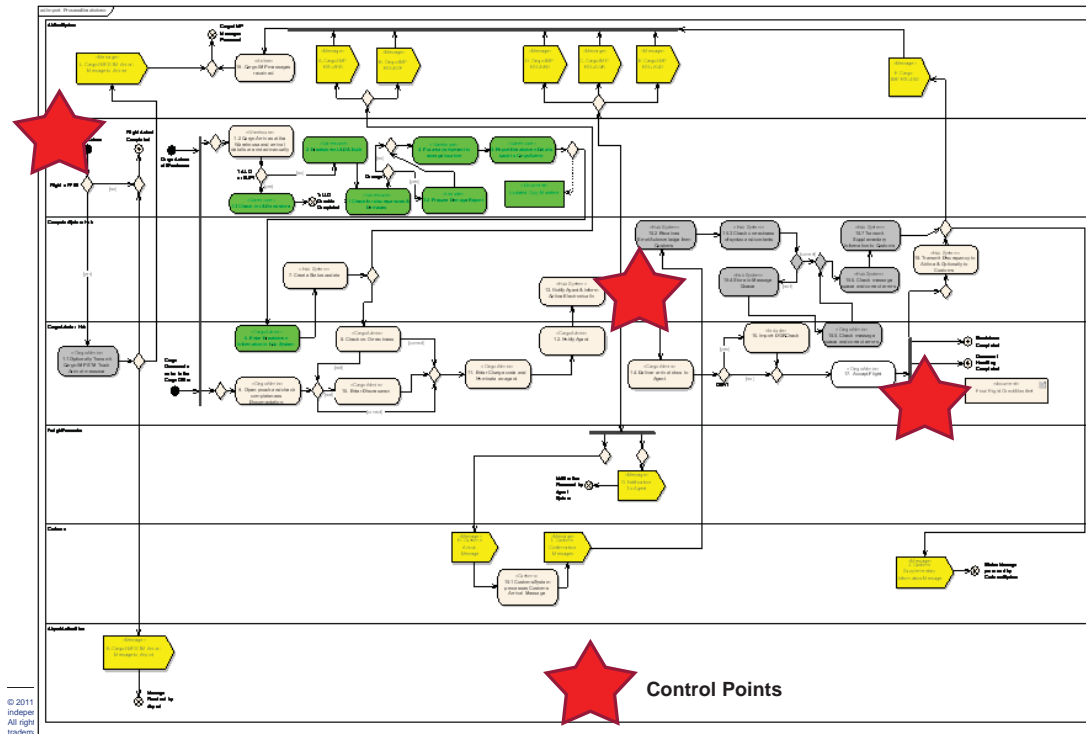
Reliance on Others

- Management's objectivity and competence was not sufficiently documented for IT professionals
- IT reliance approach (reperformance) not consistent with audit team and not documented

High Level Standard Business Process Flow

Order to Cash

Plan to Deliver

Procure to Pay

Customer Order → Customer Pays → Cash Applied to Bill (AR)

Send to Customer → Bill Customer (AR)

Decide What to Make → Make It → Add to Inventory

Goods Receipt

Purchase Request → Purchase Order (AP) → 3 Way Match → Pay Supplier (AP)

Invoice Receipt

Fixed Assets / PPE

Fixed Assets

Record to Report

Journals Entries

Business Process Flow That supports an Account

Control Points

IT System Landscape that Supports a Business Process
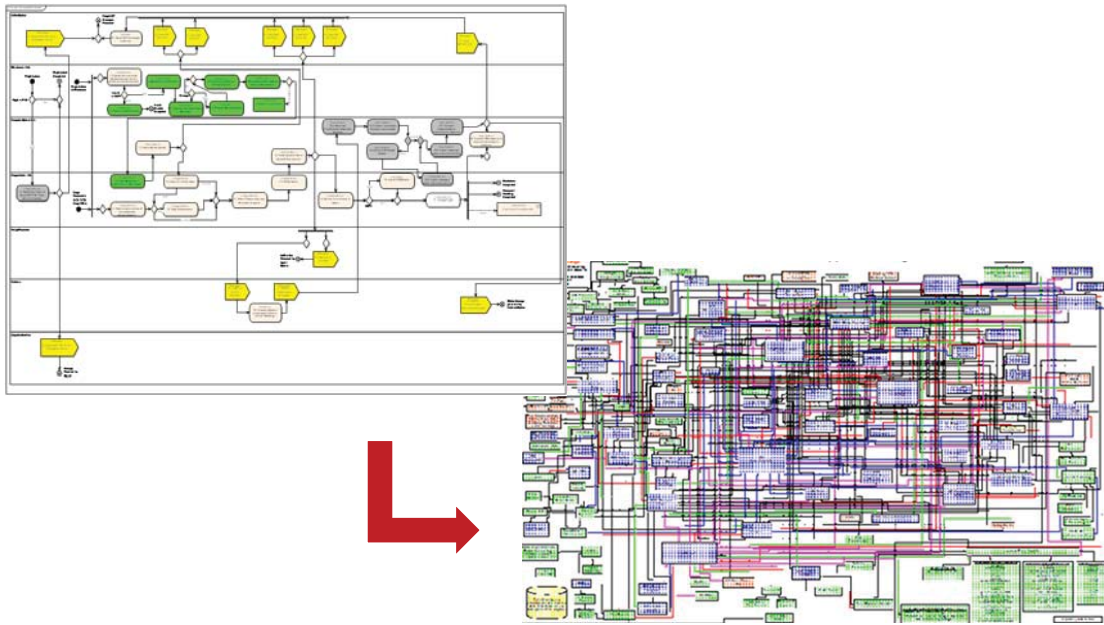
Application Controls Map to General IT Controls

Type of Application Controls:

- **Access Approval:** Validation of appropriateness for specific transactional access

- **Calculation:** Automated control that creates a new transactional number/calculation

- **Edit Check:** System Validation of a field criteria

- **Interface:** The automated flow of data from one in scope application to another

- **Key Report:** A report utilized within the audit

- **Work Flow:** Automated transactional process with designated approvers within an in scope application.

Type	Access	Change Management	Computer Operations
Approval	✓		
Calculation	✓	✓	✓
Edit Check	✓	✓	
Interface	✓	✓	✓
Key Report	✓	✓	✓
Work Flow	✓	✓	✓

Types of General IT Controls

Understanding the Application Stack

Application Controls

Business Process (Revenue, Accounting, Expenditure, etc.)

IT General Controls

Application Layer (Configuration and Security)

Infrastructure (Operating System, Database, Network, Router, etc.)

Applications
Middleware
Database
Operating System
Virtual Machine
Servers
Storage
Network
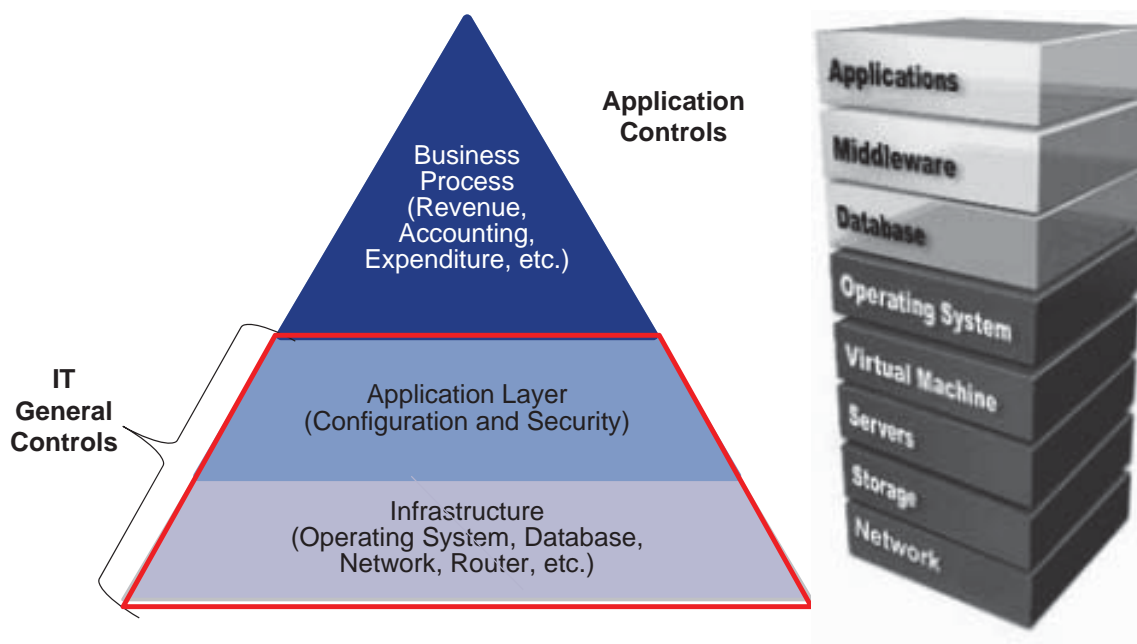
General IT Processes to consider

Process	Description
Control environment,	• Controls designed to shape the corporate culture or "tone at the top."
Change management procedures	• Controls designed to ensure changes meet business requirements and are authorized.
Source code/document version control procedures	• Controls designed to protect the integrity of program code
Software development life cycle standards	• Controls designed to ensure IT projects are effectively managed.
Logical access policies, standards and processes	• Controls designed to manage access based on business need.
Incident management policies and procedures	• Controls designed to address operational processing errors.
Problem management policies and procedures	• Controls designed to identify and address the root cause of incidents.
Technical support policies and procedures	• Policies to help users perform more efficiently and report problems.
Hardware/software	• configuration, installation, testing, management standards, policies and procedures.
Disaster recovery/backup and recovery procedures	• Controls to enable continued processing despite adverse conditions.
Physical security	• Controls to ensure the physical security of information technology from individuals and from environmental risks.

IT General Controls Example of Groupings

|		Network	OS		Database			Applications					
		Windows	iSeries	Unix	DB	DB	DB	App	App	App	App	App	App
Logical Access	Data Center Access	LA-1 - Data Center Access											
	Password Parameters	LA-2.2 (Password Parameters - OS Layer)	LA-2.2 (Password Parameters - OS Layer)					LA-2.3 (Password Parameters - Application Layer)					
	New User Access	LA-3 - New User Access Approval											
	Terminations	LA-4 - Terminations											
	User Access Reviews	LA-5 (Annual User Access Review)											
	Administrative Access	LA-6.1 (Administrative Access - Network Domain Layer)	LA-6.2 (Administrative Access - Operating		LA-6.3 (Administrative Access - Database Layer)			LA-6.4 (Administrative Access - Application Layer)					
	Vendor Default and Generic Accounts	LA-7.1 (Vendor Default and Generic Accounts - Network Domain Layer)	LA-7.2 (Vendor Default and Generic Accounts - OS Layer)					LA-7.3 (Vendor Default and Generic Accounts - Application Layer)					
Change Management	Segregated	MC-1 (Segregated Environments)											
	Program Source	MC-2.1 (Object/Program Source Change Test and Approval)											
	Emergency Change	MC-3 (Emergency Changes)											
	Segregation of Duties	MC-4 (Program Change: Segregation of Duties)											
Computer Operations	Job Scheduling	OP 1 (Incident Management)											
	Job Scheduling Access	OP-3 (Job Scheduling Access)											
	Backups	OP-4 (Backup Scheduling)											

Typical Access Controls

- **Data Center Access -** Physical access to computer facilities that house in-scope systems is restricted to authorized personnel.
- **Password Configurations** - In-scope systems (application, OS and DB) require an authentication mechanism and appropriate password controls (min. length, max. age, complexity) in order to gain access.
- **New User Access** - User access requests for additions and modifications to in-scope systems (application, OS and DB) are authorized by Management prior to implementation.
- **Terminated Users** - User termination requests to in-scope systems (application, OS and DB) are implemented in a timely manner.
- **User Access Review** - Management performs a periodic review of active users and their respective access rights for in-scope systems (applications, OS and DB) to identify and remove unauthorized access and Segregation of Duties conflicts.
- **Administrative Access** - Access to powerful/administrative IDs for in-scope systems (application, OS, and DB) is restricted to authorized personnel.
- **Vendor and Generic Accounts** - Access to vendor default and generic IDs for in-scope systems (application, OS, and DB) is restricted to authorized personnel and use of the ID is understood by management.

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Typical Change Management Controls

- **Separated Environments-** Environments for in-scope applications are physically or logically separated.
- **Segregation of Duties**- Access for migrating changes to in-scope systems into production is controlled and restricted to authorized personnel that do not have the ability to develop program changes.
- **Test and Approved Changes** - Changes to in-scope systems are authorized, tested (both IT and business/user testing) and approved by Management.\
- **Emergency Change Approval** – Access to emergency change IDs is granted on an as needed basis and approval is documented in a ticket. Access to the IDs is automatically removed within 24 hours of being granted.
- **Change Monitoring** - Management performs a periodic review, for applications with an SOD issue, of changes to the application to identify tickets were appropriate created and approved prior to implementation.

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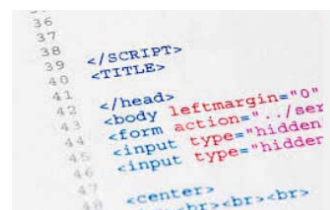
Typical Computer Operations

- **Job Scheduling Access:** Access to job schedulers for in-scope systems is restricted to authorized personnel.
- **Job Scheduling Notification** – System jobs in the production environment are configured to notify management in the event of a job failure
- **Incident Management** - Operational events (incidents, problems and errors) are recorded and tracked to resolution
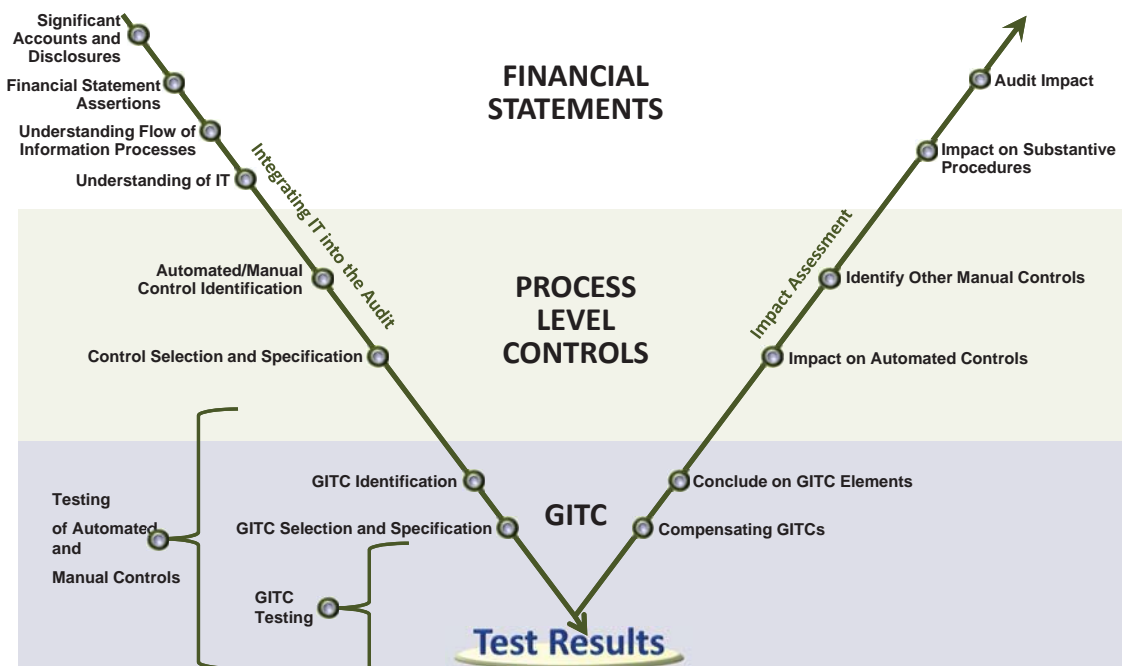- **Backups** – Backups are configured to run on a periodic basis.

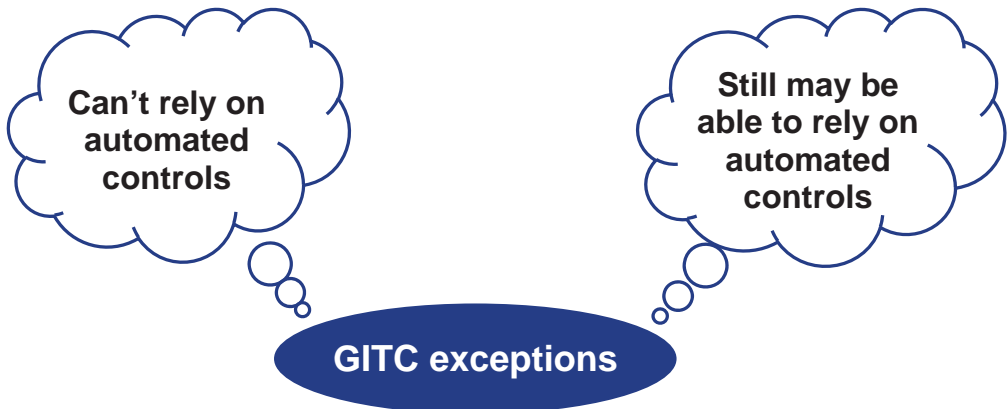# Typical deficiencies and how they impact the overall Audit

Typical General IT Control Deficiencies

Logical Access	Change Management	Computer Operations
Data Center Access	Segregated Environments	Job Scheduling Notification
Password Parameters	Segregation of Duties	Job Scheduling Access
New Users	Program Change Test & Approval	Incident Management
Terminations	Emergency Change	Backup Scheduling
Admin Access	Change Monitoring	
User Access Reivew		
Vendor and Generic Accounts		

Integrating IT Into the Audit – Impact Assessment

FINANCIAL STATEMENTS

Significant Accounts and Disclosures
Financial Statement Assertions
Understanding Flow of Information Processes
Understanding of IT

Integrating IT into the Audit

Audit Impact
Impact on Substantive Procedures

PROCESS LEVEL CONTROLS

Automated/Manual Control Identification
Control Selection and Specification

Impact Assessment

Identify Other Manual Controls
Impact on Automated Controls

GITC

Testing of Automated and Manual Controls
GITC Identification
GITC Selection and Specification
GITC Testing

Conclude on GITC Elements
Compensating GITCs

Test Results

GITC Deficiencies

Can't rely on automated controls
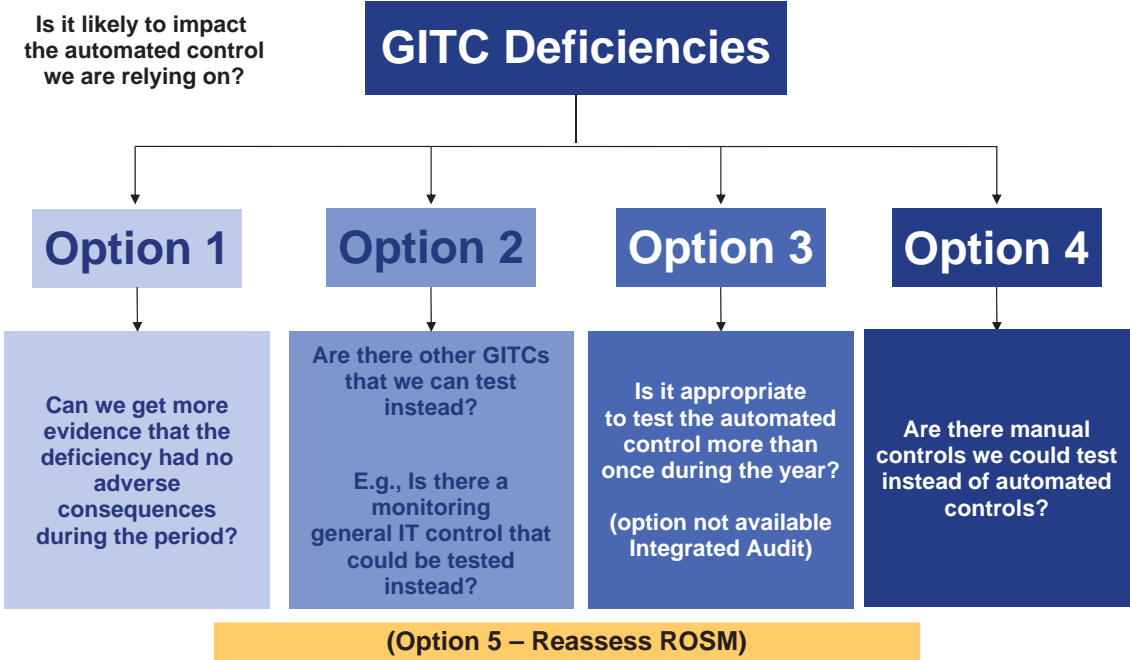
Still may be able to rely on automated controls

GITC exceptions

GITC exceptions do not necessarily mean we cannot rely on automated controls – there are strategies to resolve them

Impact of General IT Control Deficiencies

Is it likely to impact the automated control we are relying on?

GITC Deficiencies

Option 1

Can we get more evidence that the deficiency had no adverse consequences during the period?

Option 2

Are there other GITCs that we can test instead?

E.g., Is there a monitoring general IT control that could be tested instead?

Option 3

Is it appropriate to test the automated control more than once during the year?

(option not available Integrated Audit)

Option 4

Are there manual controls we could test instead of automated controls?

(Option 5 – Reassess ROSM)

Questions?

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