2017 COMBINED IPA CONFERENCE

Aug. 18, 2017

Hilton Columbus at Easton
3900 Chagrin Dr.
Columbus, OH 43219

Dave Yost
Ohio Auditor of State

2017 Combined IPA Conference Agenda

FRIDAY, AUG. 18, 2017

Registration
7:30-8 a.m.

Yellow Book - Current Issues & Plans for the Future

Session Time: 8-9 a.m.

Presenter(s): Melisa Galasso, Galasso Learning Solutions LLC

Description: Government Auditing Standards, frequently referred to as Yellow Book, are layered on to the AICPA auditing requirements when performing an audit of most governmental entities. As these are additional requirements, auditors need to pay particular attention to where there are differences. We'll discuss common deficiencies related to the current Yellow Book (2011). Then we'll switch gears and discuss the recent proposal to update Yellow Book and discuss some of the more significant changes.

Session objective:

- Describe common deficiencies in the area of Yellow Book compliance
- List significant changes proposed to the Yellow Book

Level: Beginner

Field of Study: Auditing (Governmental)

Federal Update/ODOT

Session Time: 9-10 a.m.

Presenter(s): Kelly Berger-Davis, Ohio Auditor of State

Description: This session will cover common questions we receive about the Uniform Guidance. We will also discuss clarification recently received on federal loans. A very important topic also covered in this session is how to audit CFDA #20.205 ODOT programs on the Federal Schedule.

Session objective:

- Clarification on federal loans vs. grants
- Reminders/clarification on common Uniform Guidance questions
- How to audit 20.205 on the SEFA

Level: Intermediate

Field of Study: N/A

Break
10-10:15 a.m.

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Cybersecurity

Session Time: 10:15-11:15 a.m.

Presenter(s): Nicole Beckwith, Ohio Auditor of State

Description: More than ever, cybertheives are targeting Ohio's local governments and tax dollars with great sophistication.

Session objective:

- Different types of cyberattacks
- Why governments are targeted
- How to minimize your risk
- Ways to spot digital threats
- What to do if you're attacked
- How bitcoin works

Level: N/A

Legal & Legislative

Session Time: 11:15-11:55 a.m.

Presenter(s): Mark Altier and Shawn Busken, Ohio Auditor of State

Description: This session will detail important legislative developments relative to charter schools with the recently passed FY '18 '19 budget bill (HB 49) and other proposed legislation dealing with charter schools.

Session objective:

- Understand new laws pertaining to charter schools to encourage greater compliance
- Understand policy reasons for various legislative changes
- Learn about new policy proposals relative to charter schools

Level: N/A

Lunch
11:55-12:55 p.m.

GASB 68

Session Time: 12:55-1:45 p.m.

Presenter(s): Eric Kline, Ohio Auditor of State

Description: While we made it through the implementation of the new pension reporting requirements, we learned that the second year posed additional complexities. This session will discuss some of the most common errors identified during the second year as well as additional complexities when allocating amounts to proprietary funds.

Session objective:

- Learn about the most common errors identified in reporting for pensions in accordance with GASB 68
- Learn about additional complexities involved when employers allocate pension amounts to proprietary funds
- Learn about suggested audit procedures beyond recalculating the amounts reflected in the financial statements

Level: Intermediate

Field of Study: Accounting and Auditing

Break
1:45-2 p.m.

EMIS Overview - From an auditor's perspective

Session Time: 2-3 p.m.
Presenter(s): Roger Holbrook, Ohio Department of Education
Description: Not available at this time.
Session objective: N/A
Level: N/A

Was it fraud? If so, who did it?

Session Time: 3-4:40 p.m.
Presenter(s): David Cotton, Cotton & Company LLP
Description: Fraud is characterized by deceit, deception, concealment, trickery, lies, cover-up, and of- ten collusion. Should auditors really be expected to find fraud? Two powerful forensic tools can be used in finding fraud: fraud brainstorming and expanded fraud inquiries. This session will focus on the best ways to employ these two tools and discuss the skills needed to apply them effectively. The session will conclude with an in-depth case study exercise designed to give participants hands-on experience in applying both tools. Was a seemingly very successful not-for-profit organization the victim of one or more fraud perpetrators? If so, who did it, and how?
Session objective:
- Attendees will learn and practice the basics of fraud brainstorming
- Attendees will learn and practice the basics of conducting fraud inquiry interviews
- Attendees will participate in a case study exercise designed to identify a fraud perpetrator

Level: Intermediate
Field of Study: Auditing and accounting

Adjourn
4:40 p.m.

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Yellow Book – Current Issues & Plans for the Future

August 18, 2017

Meet the Speaker

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Yellow Book Overview

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What is Yellow Book?

- Issued by the United States Government Accountability Office, Comptroller General of the United States
- Various Names
  - Governmental Auditing Standards (GAS)
  - Generally Accepted Government Auditing Standards (GAGAS)
  - Yellow Book

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What's In Yellow Book?

- Ethics
- Independence
- Auditors' professional judgment and competence
- Quality control
- Performance of the audit
- Reporting

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When do I have to follow Yellow Book?

- Typically Audits of
  - Governmental Entities
  - Not For Profit Entities
- Single Audits (Uniform Grant Guidance)
- Required by certain laws or other regulations

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6

What makes it different?

- It's an additional layer
  - GAAS
  - GAGAS

Major Differences

- Requires reporting on ICFR
- Requires reporting on compliance with provisions of laws, regulations, contracts, and grant agreements that may have a *material effect* on the FS

Common Confusion

- UGG verses YB

Reporting on ICFR

Yellow Book

- In a written report on internal control over financial reporting
- Every FS YB audit

AU-C Section 265

- In a written communication to management and those charged with governance
- Only when significant deficiencies or material weaknesses are identified

10

Reporting on Compliance

- Compliance
  - When performing a Yellow Book audit, the auditor is required to obtain an understanding of the provisions of laws, regulations, **contracts, and grant agreements** that may have a material effect on the financial statements.
- Add on to AU-C 250 which addresses laws and regulations

11

Abuse

- Considerations of abuse
  - Not required to detect abuse in financial audits
  - If we become **aware** of abuse that could be material to the **FS**
- Can impact ICFR findings
- UGG added abuse as a required finding

12

Impact on the Audit - Deliverables

- All deliverables are effected by Yellow Book Standards
  - Engagement letter – be sure to select the "GAS" letter
    - We have to spell out any nonaudit services
  - Communication with those charged with governance at planning
  - Opinions
    - Reference the YB standards and YB report
    - Issuance of separate YB report
  - Communication with those charged with governance at the conclusion of the audit

13

Five General Standards of Yellow Book

- Independence
- Professional Judgment
- Competence
- Quality Control
- Assurance

14

Quality Control and Assurance

- Audit firms that perform Yellow Book audits must establish and maintain a system of QC
- Have an external peer review performed by reviewers

15

Yellow Book Independence

Common Confusion

- AICPA Code of Professional Conduct added threats and safeguards approach
- Does NOT perfectly align with Yellow Book

Independence

- Four interrelated sections:
  - a **conceptual framework** for making independence determinations
  - requirements for and guidance for audit organizations that are **structurally located** within the entities they audit;
  - requirements for and guidance for auditors performing **nonaudit** services; and
  - requirements for and guidance on **documentation** necessary to support adequate consideration of auditor independence.

Conceptual Framework

- Framework that auditors use to
  - identify,
  - evaluate, and
  - apply safeguards

  to address threats to independence.

Threats

- Threats to independence are circumstances that could impair independence.
- Whether independence is impaired depends on
  - the nature of the threat
  - the significance of the threat
  - the specific safeguards applied

Threats

- Self-interest threat
- Self-review threat
- Bias threat
- Familiarity threat
- Undue influence threat
- Management participation threat
- Structural threat

Safeguards

- Controls designed to eliminate or reduce to an acceptable level threats to independence
- Multiple safeguards may be necessary to address a threat

Possible Safeguards

- Consulting an independent third party, such as a professional organization, a professional regulatory body, or another auditor
- Involving another audit organization to perform or reperform part of the audit
- Having a professional staff member who was not a member of the audit team review the work performed
- Removing an individual from an audit team when that individual's financial or other interests or relationships pose a threat to independence

Identifying Threats

- Facts and circumstances that create threats to independence can result from events such as
  - the start of a new audit;
  - assignment of new staff to an ongoing audit; and
  - acceptance of a nonaudit service at an audited entity.

Nonaudit Services

- Providing such nonaudit services may create threats to an auditor's independence.
- Must consider individually and in the aggregate

SKE

- A critical component of this determination is consideration of management's ability to effectively oversee the nonaudit service
- The audited entity must designate an individual who possesses suitable **skill, knowledge, or experience**, and the individual understands the services to be performed sufficiently to oversee them.
  - Must document this consideration

Management Participation

- No safeguards can reduce to an acceptable level.
- Management responsibilities involve leading and directing an entity, including
  - making decisions regarding the acquisition, deployment and control of human, financial, physical, and intangible resources.

Management Responsibilities

- Setting policies and strategic direction for the audited entity
- Having custody of an audited entity's assets
- Reporting to those charged with governance on behalf of management;
- Deciding which of the auditor's or outside third party's recommendations to implement
- Accepting responsibility for the management of an audited entity's project
- Accepting responsibility for designing, implementing, or maintaining internal control
- Providing services that are intended to be used as management's primary basis for making decisions that are significant to the subject matter of the audit

Nonaudit Services

- Obtain assurance that management performs the following functions in connection with the nonaudit services:
  - Assumes all management responsibilities
  - Oversees the services, by designating an individual who possess suitable skill, knowledge, or experience
  - Evaluates the adequacy and results of the services
  - Accepts responsibility for the results of the services

Engagement Letter

- Objectives of the nonaudit service;
- Services to be performed;
- Audited entity's acceptance of its responsibilities;
- Auditor's responsibilities; and
- Any limitations of the nonaudit service.

Routine (Not Nonaudit)

- Routine activities directly related to an audit include:
  - providing advice to the audited entity on an accounting matter as an ancillary part of the overall financial audit;
  - providing advice to the audited entity on routine business matters
  - educating the audited entity on matters within the technical expertise of the auditors
  - providing information to the audited entity that is readily available to the auditor

Documentation of Independence

- Document threats to independence that require the application of safeguards, along with safeguards applied, in accordance with the conceptual framework for independence
- Document consideration of audited entity management's ability to effectively oversee a nonaudit service
- Document the auditor's understanding with an audited entity for which the auditor will perform a nonaudit service

Yellow Book CPE

Ch. 2

Yellow Book CPE Guidance

- Chapter 3 of the Yellow Book
- 2005 document entitled *Guidance on GAGAS Requirements for Continuing Professional Education* (CPE Guidance).

Competence

- Staff assigned to perform the audit must collective process adequate professional competence needed to perform a Yellow Book audit
  - Competence is a blend of education and experience

35

Education

- Every 2 years, at least 24 hours of CPE that directly relates to government auditing or environment of client
- Additional 56 hours to enhance ability to perform attestation / audits in general
- Total – 80 hours of Yellow Book CPE every 2 years
  - Minimum of 20 in any given year

The 2017 Proposal

Yellow Book Exposure Draft

- Issued April 2017
  - Comments Due July 6, 2017
- Overview
  - Updated internal control requirements and guidance
  - Revised peer review requirements
  - New requirements for reporting waste

Major Items to Consider

- Revised format - differentiates requirements and application guidance
- Integrated audit is added to the types of financial audits
- Definitions of common terms are expanded.
  - Added definitions for engaging party, audited entity, responsible party, and specialist

Major Items to Consider

- The independence requirements of the auditor when the engaging party differs from the responsible party are further explained
- Any services performed by auditors related to preparing accounting records & financial statements create significant threats to auditors' independence
  - Other than those that are specifically not permitted

Major Items to Consider

- New 4-hour requirement in GAGAS topics, to be required each time a new version of GAGAS is issued.

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What Questions Do You Have?

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DAVE YOST
Ohio Auditor of State

Federal Update
2017 IPA Conference

Presented by: Kelly Berger-Davis,
Center for Audit Excellence

1

Agenda

- Uniform Guidance Implementation Issues & AOS FAQ's
- Federal Loans
- ODOT
- Miscellaneous Federal Issues

Uniform Guidance Implementation Issues & AOS FAQ's

A-87 / A-102 or Uniform Guidance

Cost Principles/Administrative Guidelines the date to look for is when the FEDERAL awarding agency signed the award

- Anything signed after 12/26/2014 is Uniform Guidance
- For multi-year grants---it is important to review if there has been any incremental funding. If not, the original date still needs to be used.

4

A133 or Uniform Guidance

Uniform Guidance Audit Requirements are effective for all audits with fiscal years beginning after 12/26/2014

5

What Do I Do Now?

If predominant amt. of expenditures for a major program are *pre-UG* – use non-UG FACCR / OMB CS 3.1

- And include the UG FACCR sections, or requirements from UG FACCR, to clearly identify testing for UG items selected.

If predominant amt. of expenditures for a major program are *UG* – use UG FACCR / OMB CS 3.2

- And include the non-UG FACCR sections, or requirements from non-UG FACCR, to clearly identify testing for pre-UG items selected.

Select samples/items from entire population (UG & pre-UG)

SEFA Requirements

Face of the SEFA must include all federal awards expended including:

- Noncash Assistance
- Loan programs (beginning balance of outstanding loans plus loans disbursed during period plus interest subsidy, cash, or administrative cost allowance)
- Loan guarantee programs
- Amounts passed through to subrecipients for each program

7

SEFA Requirements

Footnotes to the SEFA must include:

- Significant accounting policies
- Year-end loan balances
- Whether or not entity used the 10% de minimis indirect cost rate

8

Written Policies/Procedures Required Under Admin. Req's & Cost Princ's

Cash Management
200.302 & 200.305

Determining Allowable Costs
Under Subpart E & the terms & conditions of the federal award
200.302

Evaluation & Selection of Procurement by Competitive Proposals
If procure by competitive proposal
200.318, 319 & 320

Conflict of Interest
For employees engaged in the selection, award & administration of contracts
200.318(c)(1)

Written Policies/Procedures Required Under Admin. Req's & Cost Princ's

Relocation Costs of Employees

200.464

Time & Effort

200.430

Travel Costs

Regular travel policy plus IF the entity chooses to have a family friendly travel policy

200.474

Written Procedures

Frequently Asked Questions

- Is each grant/dept. required to have separate policies?
- Do these policies have to be approved by the governing authority?

11

Written Policies

What if the entity does not have written policies?

If entity has an effective process, but no formal procedures

Lack of formal policy needs to be brought to the attention of management.

No /ineffective process or procedure

There would be a control failure (either SD or MW) and material noncompliance.

12

Procurement

Client must implement the procurement standards 3 full fiscal years after the effective date of the UG

A 12/31 year-end client has to implement procurement standards for its fiscal year beginning 1/1/18 (i.e., its 12/31/18 fiscal year-end)

A 6/30 year-end client has to implement the UG procurement standards for its fiscal year beginning 7/1/18 (i.e., its 6/30/19 fiscal year-end)

13

Procurement

Entities are required to document whether they are in compliance with the old or new procurement standards.

14

Procurement

Most clients have NOT adopted the new procurement policies

If this is the case, you would need to make sure to add in the old procurement procedures and test accordingly.

15

Reporting Issues

If a non-federal entity has incurred expenditures under only one program within a cluster of programs, must the auditee still identify the expenditure as being part of a cluster of programs and provide the cluster name on the SEFA?

- Yes. It is irrelevant whether the expenditures were incurred under only one program within the cluster of programs. In this situation, the name of the cluster of programs is to be provided on the SEFA.

16

Reporting Issues

2 CFR 200.510 (b)(4) requires the amounts provided to subrecipients to be reported

- This now must be shown on the FACE of the SEFA (not in a footnote)

17

Reporting Issues

What if the entity does not have any subrecipients? Do they still have to present this column?

18

Summary of Prior Audit Findings

Now required to include GAGAS findings

If a finding has not been fully corrected, the schedule also must include the reason for reissuance.

19

Summary of Prior Audit Findings

What if there is a prior year single audit finding that is NOT tested as a major program in the current year?

Have to perform reasonable procedures to determine if the entity corrected that finding.

If procedures reflect the finding is uncorrected, determine if auditee properly reported the status of the finding in the PY Schedule of Audit Findings.

If the entity has incorrectly stated a finding was corrected, evaluate if a citation needs to be made regarding the Schedule of PY audit findings materially misrepresents the status

20

Audit Related Citations

Must know if you are citing under A-133/A-87/A-102 or UG

- For audit related citations (ie. SEFA errors) unless you are doing an 12/31/14 or earlier audit, 2 CFR 200.XXX is going to be where you need to start (not A-133).
- Many of the agencies have codified requirements of UG.
  - The beginning of each FACCR has information on each agency's adoption of the UG. Additionally, each compliance section will list which agencies have any adjustments/exceptions relating to that compliance section.

21

Data Collection Form

Pass-through grant information is now required

- If there isn't a pass-through ID given by the granting agency you can just select N/A.
- You can enter up to 10 pass-through IDs for a single award.
- The Federal Audit Clearinghouse has indicated their preference is for the pass-through information on the DCF to mirror what is on the SEFA

22

Data Collection Form

Now have to report on the DCF if financial statements were not prepared in accordance with GAAP.

For regulatory audits—you would select regulatory

For cash and modified cash—you would select cash basis.

None of these are considered required by State law

23

Exceptions Granted

- OMB adopted the UG in 2 CFR Part 200 - http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl
- Each Federal Agency adopted the UG in their own section of code
- OMB granted exceptions to certain federal agencies to change parts of the UG in their own section of code – list available at https://cfo.gov/cofar/ - but as of 12/2014 – see OMB CS Appendix VII.
- Appendix II of the OMB CS reflects where each federal agency adopted the UG – then look up each section on www.ecfr.gov

No More COFAR

- However, OMB Memo M-17-26 dated 6/15/17 announced that COFAR is disbanded.
- Such responsibilities will be handled by the Chief Financial Officers (CFO) Council

2017 *(draft)* OMB CS – App. 7

- **OMB does not maintain a complete listing of approved agency exceptions to the uniform guidance in 2 CFR part 200**
- For programs included in the Supplement, the auditor should review the program supplement and, as necessary, agency regulations adopting/implementing the OMB uniform guidance in 2 CFR part 200 to determine if there is any exception related to the compliance requirements that apply to the program.
- For programs not included in the Supplement that are audited using Part 7, the auditor should review agency regulations adopting/implementing 2 CFR part 200 to determine if an exception applies to the program.
- Questions about the agency-level rulemakings that adopt/implement 2 CFR part 200 should be directed to the Federal agency key management liaisons specified in Appendix III to the Supplement.

Federal Agency Codification

APPENDIX II
FEDERAL AGENCY CODIFICATION OF GOVERNMENTWIDE REQUIREMENTS AND GUIDANCE FOR GRANTS AND COOPERATIVE AGREEMENTS

Agency (departments then agencies[1])	A-102 Common Rule (State & local governments)	OMB Circular A-110 (2 CFR part 215) (universities & non-profit organizations)[2]	2 CFR part 200[3,4] (final rule publication date, unless otherwise indicated)	Nonprocurement Suspension & Debarment[5] (2 CFR part 180 or predecessor common rule)
Agriculture	7 CFR 3016	7 CFR 3019	2 CFR 400, 415, 416 (2/16/16)	2 CFR 417
Commerce	15 CFR 24	15 CFR 14	2 CFR 1327 (7/28/15)	2 CFR 1326
Defense	32 CFR 33	32 CFR 32	2 CFR 1103 (interim final, 12/19/14)	2 CFR 1125
Education	34 CFR 80	34 CFR 74	2 CFR 3474 (11/2/15)	2 CFR 3485
Energy	10 CFR 600	10 CFR 600	2 CFR 910 (9/24/15)	2 CFR 901
Health & Human Services	45 CFR 92	45 CFR 74	2 CFR 300/45 CFR 75 (interim final and technical amendments, 1/20/16)	2 CFR 376
Homeland Security	44 CFR 13 (FEMA)	—	2 CFR 3002 (10/2/15)	2 CFR 3000
Housing & Urban Development	24 CFR 85	24 CFR 84	2 CFR 2400 (12/7/15)	2 CFR 2424
Interior	43 CFR 12	43 CFR 12	2 CFR 1402 (interim final, 12/19/14; proposed rule, 2/8/16)	2 CFR 1400
Justice	28 CFR 66	28 CFR 70	2 CFR 2800 (interim final, 12/19/14)	2 CFR 2867
Labor	29 CFR 97	29 CFR 95	2 CFR 2900 (12/30/13)	29 CFR 98

AICPA – Status of Final Agency Adoption

http://www.aicpa.org/INTERESTAREAS/GOVERNMENTALAUDITQUALITY/RESOURCES/SINGLEAUDIT/UNIFORMGUIDANCEFORFEDERALREWARDS/Pages/default.aspx

Subtitle B—*Federal Agency Regulations for Grants and Agreements*			Federal Register Notice(s)	
			Final or Proposed Rule Adopting UG	Technical Corrections or Amendments to Adoption of UG
DEPARTMENT OF HEALTH AND HUMAN SERVICES	III	300-399	1/20/2016	12/12/2016
DEPARTMENT OF AGRICULTURE	IV	400-499	2/16/2016	9/28/2016
DEPARTMENT OF STATE	VI	600-699	6/2/2015	
AGENCY FOR INTERNATIONAL DEVELOPMENT	VII	700-799	9/17/2015	
DEPARTMENT OF VETERANS AFFAIRS	VIII	800-899	12/1/2015	
DEPARTMENT OF ENERGY	IX	900-999	9/24/2015	
DEPARTMENT OF TREASURY	X	1000-1099	1/27/2016	
DEPARTMENT OF DEFENSE	XI	1100-1199	11/7/2016	
DEPARTMENT OF TRANSPORTATION	XII	1200-1299	12/17/2015	
DEPARTMENT OF COMMERCE	XIII	1300-1399	7/28/2015	
DEPARTMENT OF THE INTERIOR	XIV	1400-1499	2/8/2016	

2016 OMB CS

https://obamawhitehouse.archives.gov/omb/circulars/a133_compliance_supplement_2016

Federal Loans

Loan vs. Grants

2 CFR 200.502 discusses the basis for determining federal awards expended.

The loan section defines loans as when the FEDERAL government is at risk for the loans until the debt is paid off.

31

Loan vs. Grants

The key is how the federal monies are given to the state or the local government.

It does not matter if the state then loans the funds to the local government or if the local government issues loans with their award.

32

Loan vs. Grants

Programs that do not meet the definition of a loan should be reported on the SEFA as grants

Additionally, there would not need to be a note disclosure on the balances of the loans.

- Ohio OCD has requested an optional disclosure for local governments:
  "The current cash balance on "Community's" local program income account as of "date" is "$XXX,XXX".

33

Loan vs. Grants

EPA Grants—report as expenditures in accordance with the requirements of 2 CFR 200.502(a) which will be the date the expenditure occurred.

HUD Grants

For awards that pass through OCD, they should be sending communication to be to locals.

34

Section 108 Programs

In discussions with HUD, we became aware of Section 108 funding (CFDA 14.248)

This is CDBG funding where local entities receive loans directly from HUD.

We obtained a listing from HUD of the entities in Ohio which have received such funding.

This program SHOULD follow the loan guidance for SEFA/disclosure.

- Will need to refer to the terms of the agreement to determine if there are continuing compliance requirements or not.

35

ODOT

Types of 20.205 Projects

- ODOT Administered (with no LPA match)
- ODOT Administered (with LPA match)
- LPA Administered
- Some Phases LPA Administered / Some Phases ODOT Administered
- State Infrastructure Bank Loans (SIB Loan) associated with either ODOT or LPA admin. projects
- LPA Administered BUT an ODOT Task Order Consultant Used

37

3 Areas to Consider

- Report on SEFA (including on-behalf)
- Report on Financial Statements (on-behalf)
- Capital Asset

38

ODOT Memo's

To Clients

- http://www.dot.state.oh.us/Divisions/Finance/Auditing/AOS%20Local%20Federal%20Publications%20Clarifications/LPA%20Federal%20Reporting%20Notification%20Publication.pdf

To Auditors

- http://www.dot.state.oh.us/Divisions/Finance/Auditing/AOS%20Local%20Federal%20Publications%20Clarifications/20%20205%20IPA-AOS%20Local%20Federal%20Reporting%20Clarification.pdf

39

Testing 20.205 on SEFA

Client documents needed

- Schedule of Expenditures of Federal Awards (SEFA) & SEFA Footnotes
- Client prepared tracking spreadsheet (either using ODOT's template, or other client schedule) – rolls up to SEFA
- Related grant agreements (including SIB loan), ledgers, and support for expenditures
- Client's confirmation e-mail to/from ODOT (discussed later)

40

On-Behalf-Of Transactions for LPA Admin. Projects

The LPA initiates on-behalf-of payments

- LPA's receive an invoice from 3rd party vendor, approve, and invoice ODOT
- However, this is often done by the Engineer, Mayor, Commissioner, etc., rather than the fiscal officer
- ODOT will not pay a vendor on-behalf-of an LPA without the LPA signing off on the invoice

41

On-Behalf-Of Transactions

Determining date paid by ODOT

- ODOT has directed LPA's to report such 15 days after requests for payment are made to ODOT (ODOT tells the LPA they are to assume it was paid unless notified otherwise). However……
- Auditors should consider whether sufficient audit evidence is available to support the Occurrence, Accuracy and Cutoff assertions related to the compliance requirements.
- Auditors should review subsequent invoices from same vendor for evidence the invoice was paid. If close to year end, verify the date paid to ensure reported in the correct year.
- If evidence is unavailable to indicate the date paid, and the client has not confirmed payment date with ODOT, auditors should e-mail DOT.LPAQuestions@dot.ohio.gov to verify the date.

CMS / CMRS Portal

Auditors should NOT be using the new ODOT CMRS portal!!!

43

'Confirmation'

Best practice is for clients to 'confirm' with ODOT

- Best practice is for clients to 'confirm' SEFA with ODOT, prior to the SEFA being given to auditors to audit.
- Clients should send ODOT their tracking spreadsheet, 20.205 portion of the SEFA, and any on-behalf-of transactions needing more info. – DOT.LPAQuestions@dot.ohio.gov.
- Please remember timing differences for reimbursement payments exist. The LPA should report these expenditures on their SEFA based upon the date the LPA expended the funds, rather than the date ODOT expended the funds

44

Task Order Consultant

Projects Using a Task Order Consultant

- Occasionally a LPA chooses to utilize an ODOT Task Order Consultant to handle certain phases of a project for them
- Such is indicated in their Scope of Services Agreement
- Expenditures related to the Task Order phases do NOT get reported on clients SEFA's – they will be reported on ODOT's SEFA

45

Summary Table in FACCR

	Project Adminstered by:			
	ODOT (no match)	ODOT (LPA match)	Both	LPA
Report on SEFA	No	No	only LPA admin.	Yes

Unless a Task Order Consultant was used.

46

Communication of Errors

Fiscal Officer

Engineer

Communicate ODOT Errors

47

A Step in the Right Direction

ODOT is starting to <u>require</u> *certain* (not all) LPA's do quarterly reporting and confirmations.

48

Stay Tuned for Guidance

- Capital asset reporting
- Reporting on-behalf activity on financial statements (when not LPA administered)
- State Infrastructure Bank (SIB) loans

49

Client Discussion Items

- Tracking spreadsheet (or similar document) that provides support for 20.205 amount(s) on SEFA
- ODOT's 12/5/16 memo to LPA's titled 'LPA Federal Reporting Requirements'
- LPA's confirmation e-mail from ODOT - including SEFA amount & any on-behalf's needing more support for date paid

50

Miscellaneous Federal Issues

Look Ahead

- 2017 OMB Compliance Supplement – in OMB clearance
- The Elementary and Secondary Education Act (ESEA) has been amended by the Every Student Succeeds Act (ESSA)---this could impact FY 17 schools
- Further UG technical corrections & FAQ's
- 2017 DCF - FAC goal is to launch by 'early August'

52

Federal Update
2017 IPA Conference

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Columbus, Ohio 43215

53

Ohio Auditor of State
Dave Yost

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Columbus, Ohio 43215
Phone: (800) 282-0370 Fax: (614) 466-4490
Email: ContactUs@OhioAuditor.gov

www.**OhioAuditor**.gov

Table includes all

Schedule of Expenditures of Federal Awards (SEFA) Reporting	CDBG, CFDA 14.218		CDBG, CFDA 14.228		HOME, CFDA #14.239 (except CHDO)		HOME, CFDA #14,239 CHDO	
	Expenditures Reported on SEFA & DCF	Expenditures Not Reported on SEFA & DCF	Expenditures Reported on SEFA & DCF	Expenditures Not Reported on SEFA & DCF	Expenditures Reported on SEFA & DCF	Expenditures Not Reported on SEFA & DCF	Expenditures Reported on SEFA & DCF	Expenditures Not Reported on SEFA & DCF
Project based expenditures	X		X		X		X	
Initial loans issued from State grant (not expenditures from reloaned amounts from revolving loan program income – see program income expenditures below)	X		X		X		N/A	
Grants to subrecipients	X		X		X		N/A	
Repayment of unused program income revolving loan grant funds or unused project grant funds		X		X		X		X (Program grant funds)

Use of dormant program income revolving loan grant funds in accordance with waiver granted by OCD	N/A			X		X	N/A	
Program income expenditures (revolving loan grant repayments of principal and interest income)		X		X		X	N/A	

Cybercrime: It's not a question of if, but when. Is your data safe?

Presented by:
Nicole Beckwith
Fraud Investigator/Digital Forensic Examiner

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Threat Overview

- In 2015 Ohio ranked #10 in the nation for cybercrime**
- In 2016 Ohio ranked #9 in the nation for cybercrime***
- The hardest hit age group are those over 60 ***
- In 2016 more than 4.2 billion records were exposed*
- In over 4149 data breaches*
- By 2019 cybercrime is expected to reach $2 TRILLION in loss*

*Verizon 2016 Data Breach Investigations Report
** 2015 FBI cybercrime report
***2016 FBI cybercrime report

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Cybercrime in Ohio

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Victims of Cybercrime

- Montgomery County, Miami Valley Regional Planning Commission – Ransomware
- Clinton County, Vernon Township – Ransomware
- Morrow County, Peru Township – Ransomware
- Columbiana County, Court System – Ransomware
- Licking County – Ransomware
- Madison County – Agricultural Society – Vishing
- Delaware County – Big Walnut Schools – Phishing
- Athens County – Trimble Local Schools – Phishing
- Many, Many More……

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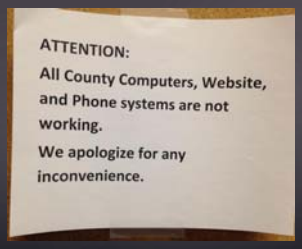
In the News



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Agenda

- Threats Overview
- Ransomware
- Social Engineering
  - Vishing
  - Smishing
  - Phishing
- Important Contact Information

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Top 5 Hackers

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- Who are they?
- Why do they attack the little guys?
- Why governments?

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Malware

A blanket term covering any form of intrusive software such as:

- Trojans
- Worms
- Spyware
- Adware
- Bots
- Viruses
- Keyloggers
- Ransomware

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Ransomware

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Ransomware

- A form of malware that targets your critical data and systems for the purpose of extortion.
- The ransomware encrypts files and requires a key to decrypt them.
- A timeframe is set and specific instructions are given to purchase the key.

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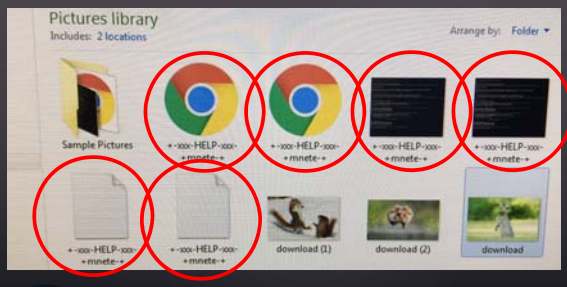
Ransomware



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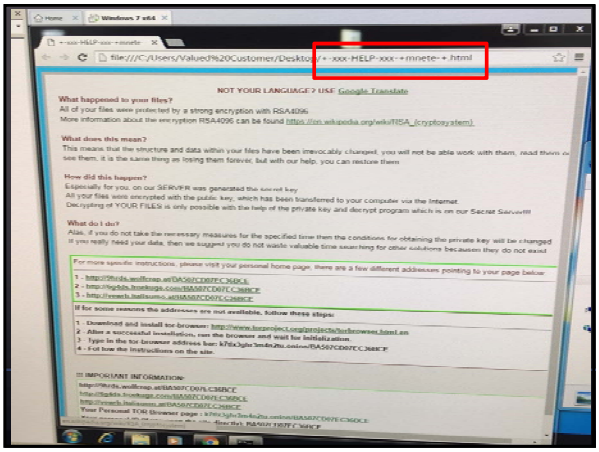

CryptoWall

- Active since April 2014. The group responsible has reportedly collected over $325 million in the last year alone.

CTB-Locker

- Emerged in June 2014. More efficient and harder to detect than others because Tor components are embedded in the malware.

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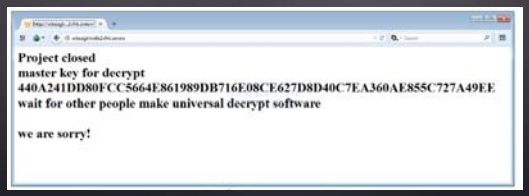
TeslaCrypt

- Emerged in February 2015, targeting the video game community by encrypting gaming files.



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MSIL or Samas (SAMSAM)

- Compromised the networks of healthcare facilities running outdated content management applications.

Locky

- Active since early 2016.
- Infected computers belonging to businesses in the United States, New Zealand, Australia, Germany and the United Kingdom.

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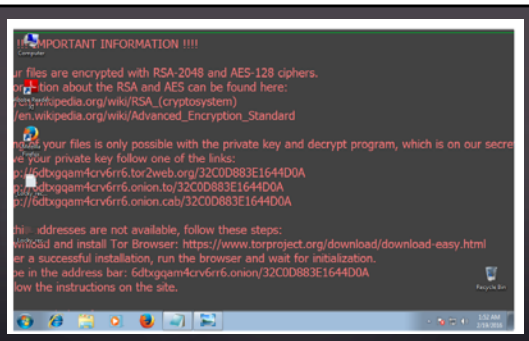

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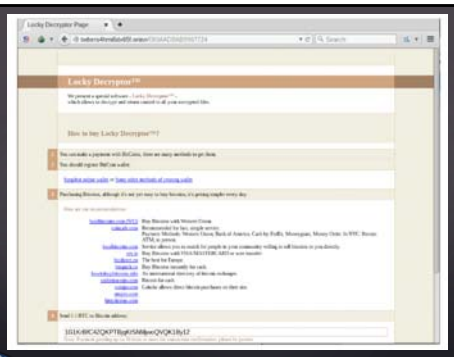

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Social Engineering

The Human Element

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What is it?

- The art of manipulating people by deception to divulge confidential information that is then used for fraudulent purposes.

How do they do it?

- Researching your family, pets, likes, hobbies, cars, work, relatives and co-workers…
- Talking to you personally, searching online, digging through your trash, emails, etc.

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Social Engineering Schemes

- Vishing - Voice
- Smishing – SMS texts
- Phishing - Email
- Spear Phishing - Email

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The Human Element

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Vishing

- Use of Voice/phone calls to obtain information
- IRS phone scam
- Microsoft Help Desk phone scam
- Google business listings
- Free vacations
- Free security system
- Credit Cards

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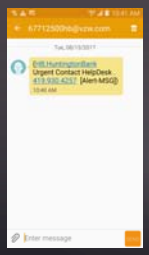
Smishing



- Use of SMS text messaging to gain information
- Typically includes a link directing you to sign into something
- May appear as a common name or company

Dad Story ☺

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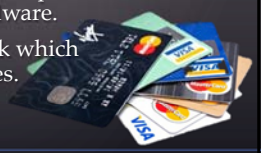
Phishing

- An attempt to obtain sensitive information through email by posing as a trustworthy source.
- Seeking usernames, passwords, credit card details, money, access to computer networks or injecting malware.
- Asks you to click on a link which sends you to fake websites.



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What do I look for?

- To whom is it addressed?
- Grammar and spelling
- Deals too good to be true
- Is it somebody you deal with?
- Were you expecting the email?
- Does it include links? (learn to hover!)
- Asks for personal information
- Check domain names/email addresses
- Includes a reason they can't be reached personally
- Deadlines or urgency

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Spear Phishing Case Study – local school

The treasurer of a local school went on vacation and while she was gone her assistant treasurer received the following emails …

From: Treasurer
Date: Mon, May 16, 2016 at 8:22 AM
Subject: FW:
To: Asst. Treasurer

Asst. Treasurer

According to Angie's email we need to make a transfer payment today for books today. Kindly email me to let me know if you are available to process this transfer.

Thanks,
Treasurer

16.05.2016, 07:58, Treasurer

Attend to this immediately and make sure the payment goes out today.

Superintendent

This e-mail may contain confidential and/or privileged information and is covered by the Electronic Communications Privacy Act, 18 USC SS 2510-2521. If it does not contain privileged information concerning a

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From: Treasurer
Date: Thu, May 5, 2016 at 12:19 PM
Subject: RE:
To: Asst. Treasurer

Hi Asst. Treasurer

Do you have a moment? I am tied up here and there is an urgent matter i need you to take care of. We have a pending invoice from our new vendor and i have asked them to send me a copy of the invoice. Hopefully i should received it later today or tomorrow and i will appreciate if you can process a transfer payment before the cut off time. What details do you need to process this to hit the vendor's account today?

Thanks,
Treasurer

This e-mail may contain confidential and/or privileged information and is covered by the Electronic Communications Privacy Act, 18 USC SS 2510-2521. If it does not contain privileged information concerning a BWLSD employee or student, this e-mail and responses are subject to Ohio public records requests. If you are not the intended recipient (or have this e-mail in error) please notify the sender immediately and destroy this e-mail. Any unauthorized copying, disclosure or distribution of the material in this e-mail is strictly forbidden.

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From: Treasurer
Date: Thu, May 5, 2016 at 12:56 PM
Subject: RE:
To: Asst. Treasurer

Hi Asst. Treasurer

Kindly go ahead and initiate the transfer on my behalf today. Here is the information for the transfer:

Wells Fargo bank
6099 S State St Murray, Utah 84107
Beneficiary: Alberta Rosarita Jones
349 Walnut St. Suite 3075. Cincinnati, OH 45202
Routing: 124002971
Account:

Amount: $38,520

Get back to me with the notification of transfer via email once you get the transfer done.

Thanks,
Treasurer

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From: Treasurer
Date: Mon, May 16, 2016 at 9:18 AM
Subject: Re:
To: Asst. Treasurer

Please process the transfer payment in the amount of $93,710 today and get back to me with the notification of transfer via email once you get the transfer done. Wiring instructions attached.

Thanks,
Treasurer

Attachment for malware delivery.

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Re:
1 message

Treasurer Mon, May 16, 2016 at 9:18 AM
Reply-To: 1 l@yandex.com>
To: Asst. Treasurer
Please process the transfer payment in the amount of $93,710 today and get back to me with the notification of transfer via email once you get the transfer done. Wiring instructions attached.

Thanks,
Treasurer
16.05.2016, 15:26, Asst. Treasurer
I'm here all day. :)

When she hit reply it actually showed the real email address the suspect used.

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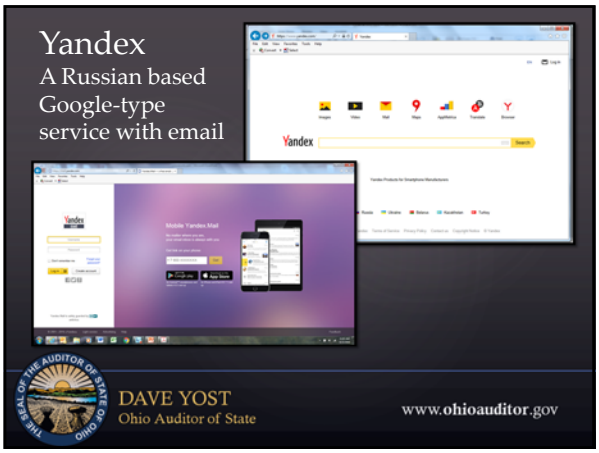
Yandex
A Russian based Google-type service with email
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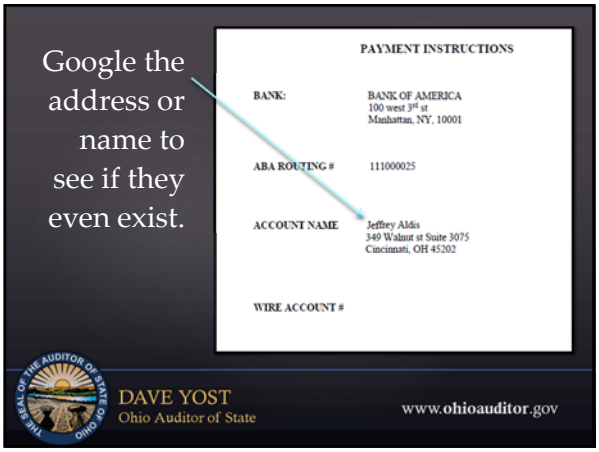
Google the address or name to see if they even exist.
PAYMENT INSTRUCTIONS
BANK:
BANK OF AMERICA
100 west 3rd st
Manhattan, NY, 10001
ABA ROUTING #
111000025
ACCOUNT NAME
Jeffrey Aldis
349 Walnut st Suite 3075
Cincinnati, OH 45202
WIRE ACCOUNT #
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Wi-Fi Safety

What do I look for?

- Don't trust
- Ask an employee for the Wi-Fi network name
- Use a VPN – Virtual Private Network
- If you must use Wi-Fi, do not go to secure sites. Save it until later.
- Use your cell phone as a hotspot

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Two Factor Authentication

- Secondary: text messages, emails, phone calls, PIN numbers
  - https://twofactorauth.org
  - Example: Trimble Schools in Athens

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Top 25 passwords

1. 123456
2. password
3. 12345
4. 12345678
5. qwerty
6. 123456789
7. 1234
8. baseball
9. dragon
10. football
11. 1234567
12. monkey
13. letmein
14. abc123
15. 111111
16. mustang
17. access
18. shadow
19. master
20. michael
21. superman
22. 696969
23. 123123
24. batman
25. trustno1

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Pineapple's and Pumpkins

Rotten piece's of fruit!

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Wi-Fi - Access

How do hackers find you?
(Wigle.net)
What if I don't connect to the rogue access point? (Probing Demo)

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Bring Your Own Device

- USB's
- Cell Phones
- Tablets
- Laptops
- Anything requiring connection to your Wi-Fi

- Do you have a policy?

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You became a victim -What now?

United States Secret Service

Electronic Crimes Task Force:
www.secretservice.gov/investigation/#field

- Cleveland ECTF - (216) 750-2058
- Cincinnati ECTF - (513) 684-3585

Local Field Offices: www.secretservice.gov/contact/

Federal Bureau of Investigation

Cyber Task Forces:
www.fbi.gov/contact-us/field-offices

- Cleveland Office - (216) 522-1400
- Cincinnati Office - (513) 421-4310

Internet Crime Complaint Center
www.ic3.gov

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Mitigation

Department of Homeland Security United States Computer Emergency Readiness Team (US-CERT):
www.us-cert.gov

Make sure you are within federal requirements regarding reporting information breaches:
https://www.us-cert.gov/incident-notification-guidelines

Download the Incident Reporting Form here:
https://www.us-cert.gov/report

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Contact Information

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Follow me on Twitter @NicoleBeckwith
for breaking news, tips and tricks.

Fraud Hotline:
1-866-FRAUD-OH

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2017 Combined IPA Conference

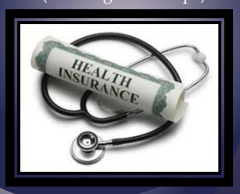
Legal Update

Presented by:
Mark W. Altier
Chief Legal Counsel

1

Township Insurance

- TOWNSHIP INSURANCE FOR OFFICERS/EMPLOYEES
  Ohio Revised Code Section 505.60 (Insuring Townships)
  - Hospitalization
  - Surgical care
  - Major medical care
  - Disability
  - Dental care
  - Hearing aids
  - Prescription
  - Sickness



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Township Insurance, cont.
Ohio Rev. Code Section 505.60

- May purchase long-term care insurance contracts as provided in Rev. Code § 124.841
- Covering employees/officers and immediate dependents
  - Uniform coverage for full-time employees
  - *May* cover part-time employees
    - Any officer or employee may refuse
- May contribute to a bargaining unit health and welfare trust fund or
- Self-insurance or joint self-insurance as provided in Rev. Code § 9.833

3

Group Life Insurance
Rev. Code Section 505.602

- Group Life Insurance for Officers & Employees:
  - All or any part of premiums paid by Township
  - May participate in a joint arrangement with other political subdivisions (OAG 2003-026)
  - Lives of officers and employees
  - Not to exceed $50,000 per individual

4

Premium Reimbursement
Rev. Code Section 505.601

NON-INSURING TOWNSHIP

- Reimburse for out-of-pocket premiums
  - Officers/employees and immediate dependents
- Township must first adopt a resolution stating:
  - It has chosen not to procure coverage (Any type identified in 505.60)
  - It will provide a uniform monthly or yearly payment amount to cover employees and their immediate dependents

5

Cafeteria Plan
26 U.S.C. § 125 & I.R.C. § 125

- Separate written plan maintained by employer for employees provided in Section 125 of IRS Code
- Choice between taxable and non-taxable
- Does not defer compensation
- Excludable from employee's gross income
- No filing requirement unless welfare benefit plan

6

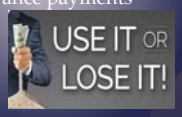
125 Permissible Benefits

- Permissible Benefits
  - Employee's spouse and dependents
    - Accident and health benefits
    - Adoption assistance
    - Dependent care assistance
    - Group-term life insurance
    - Health savings accounts
    - Flexible spending accounts
    - Incentive opt-out programs

7

Flexible Spending Account

- Popular form of cafeteria plan
- Funded by voluntary salary reduction arrangements
- Reimburses employees - No advance payments
  - Dependent care assistance
  - Adoption assistance
  - Medical care reimbursement
- Subject to annual "use or lose"



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Affordable Care Act

- Federal Patient Protection and Affordable Care Act (ACA)
- IRS Notice 2015-17
  - Employer premium reimbursement = Group health plan
    - Not permissible if limits amounts
    - Must be "integrated" with health care plan
    - Subject to fine of $100 per day per employee (maximum $36,500 per year per employee)
    - Grace period until June 30, 2015
      - Subject to fine thereafter

9

Legal Update

10

21st Century Cures Act

- FEDERAL 21ST CENTURY CARES ACT
  - XVIII USC Section 18001-Effective January 1, 2017
    - Qualified small employer health reimbursement arrangement where employer does not offer group health
      - Funded solely by employer
      - Proof of coverage provided by employee
      - Annual payments-Subject to annual COL adjustments
        - $4,950 per individual
        - $10,000 per family
        - No variation except on basis of age
        - Fewer than 50 employees
    - Annual notice to employees required-90 days before

11

AOS Technical Bulletin 2017-002

Premium Reimbursement Overview

- Qualified Small Employer Health Reimbursement Arrangement
- Fewer than 50 full-time or full-time equivalent employees
- Does not offer a group health plan to ANY employee
- Provided uniformly to all eligible employees
- Funded solely by the eligible employer
- No salary reduction contributions are made under the reimbursement plan
- Payments and reimbursements for any year do not exceed $4,950.00 per employee or $10,000 for family

12

2017 OPR 006

- Ohio Constitution, Article II, Section 20
  - Prohibits in-term change of officer's compensation
- OAG Opinion Request
  - Ashtabula Prosecuting Attorney
  - February 14, 2017
- Article II, Section 20
  - Implications for townships which suspend insurance reimbursement because of ACA but have reinitiated
- No answer yet
  - Coming soon

13

2016 OAG 008

- Ohio Constitution, Article II, Section 20
  - Prohibits in-term change of officer's compensation
- Term-period for which person elected or appointed
- Appointed to vacancy
  - Death, resignation, or retirement of another
    - New term
  - Own resignation or retirement
    - Not a new term
- County Sheriff FOJ
  - Computed on amount allowed under § 325.06(A)
    - Regardless of current Sheriff's actual salary

14

Force Account Projects

15

Force Account Project Audits

Rev. Code Section 117.16(A)

- Force Account Project Assessment Form shall include the following:

- Employees' salaries and benefits
- Any other labor costs
- Materials
- Freight
- Fuel
- Hauling

- Overhead expenses
- Workers' Comp premiums
- Allowance for use of tools and equipment
- All other costs and expenses

16

Force Account Complaints

ORC Section 117.16(B)

- Auditor may conduct additional audit if complaint
- First violation - Reduce for one year
  - County-$10,000/mile road, $40,000 bridge
  - Township-$15,000 maintenance or repair of road
  - $,5,000/mile construct or reconstruct
  - Municipality-$10,000 street project
- Second in same or subsequent audit- Reduce for 2 years
- Third and subsequent - 20% of total cost forfeiture
  - Tax commissioner withhold

17

County Engineer Force Account

Rev. Code Section 5543.19

- County Engineer authorized by Commissioners
- AOS estimate form
- $30,000 or less per mile
- $100,000 or less per bridge or culvert project

18

Township Force Account
Rev. Code Section 5575.01

- Contract for road repair or maintenance
  - Excess of $45,000 - competitive bidding
    - Published once - not less than two weeks before opening
  - $45,000 or less - contract or force account
- Construction or reconstruction of road
  - County engineer estimate
  - Over $15,000 per mile - competitive bidding
- AOS force account estimate form not required:
  - Maintenance and repair less than $15,000
  - Construction or reconstruction less than $5,000 per mile

19

Municipal Force Account
Rev. Code Section 723.52

- Construction, reconstruction, widening, resurfacing, or repair of street or public way
- AOS estimate sheet
- $30,000 or less - Force Account
- Over $30,000 - Competitive bids
- Maintain record (R.C. 723.53)

20

JOINT PROJECTS
Rev. Code Section 117.161

- A joint force account project is one with one or more other entities.
- The controlling force account limit shall be the higher limit that applies between the participating entities in Rev. Code Section 117.16.
- Participating entities shall not aggregate their respective force account limits, and the share of each participating entity shall not exceed its respective force account limit.

21

FORCE ACCOUNT UPDATE

- Safe Harbor Provisions
  - Auditor Of State Bulletin 2003-003
  - Still applicable for locally funded projects
    - Overhead Safe Harbor - 38% labor (base wages and fringe benefits)
      - Fringe benefits (30% of total base wages)
    - Overhead Safe Harbor - 15% materials cost
- Federal or ODOT funded force account contributions
  - Check Federal guidelines
  - See Appendix VII of Part 200

22

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23

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A Legislative Briefing from the AOS

Presented by: Shawn Busken
Director of Policy and Legislative Affairs

Auditor of State's Office

- Responsible for auditing 5800 entities
- Rooting out fraud and corruption in public offices
- Conducting Performance Audits for governments at all levels

Policy Initiatives

- HB 103 - O.R.C. 118 Reform
- HB 50 & SB 80 – Promoting SNAP Integrity
- HB 49 – Auditor of State Budget Initiatives
- HB 3 - DataOhio Initiative
- HB 312 - Credit and Debit Card Fraud Prevention
- Medicaid Provider Fraud Prevention

HB 103 - O.R.C. 118 Reform

- Adjusts the Financial Planning and Supervision Commission Make-Up
- Revises the procedures to deal with failure to submit or implement a recovery plan

Financial Planning Commission Make-Up

- 4 ex-officio officers stay the same
- 3-at-large members consist of Governor's appointee, and in the case of a township two Township Trustees designees
- Similar make-up for other local governments

Commission Makeup

- Cities
  - 5 Local; 2 non -> 3 Local; 4 non
- Townships
  - 4 Local; 3 non -> 3 Local; 4 non
- Counties
  - 4 Local; 3 non -> 3 Local; 4 non

Municipalities

	Current Law	Proposal
4 Ex-Officio Members	• Treasurer of State • Director of the Office of Budget and Management • Mayor • President of Council **5 Local; 2 non**	• Treasurer of State • Director of the Office of Budget and Management • Mayor • President of Council **3 Local; 4 non**
3 At-large Members	Five members are nominated by the Mayor and President of Council. Of those five, three are selected and appointed by the Governor	• Governor's Appointee • Mayor's Appointee • County Auditor or County Fiscal Officer in the case of a chartered county

Townships

	Current Law	Proposal
4 Ex-Officio Members	• Treasurer of State • Director of the Office of Budget and Management • Township Trustee • County Auditor **4 Local; 3 non**	• Treasurer of State • Director of the Office of Budget and Management • Township Trustee • County Auditor or County Fiscal Officer in the case of a chartered county **3 Local; 4 non**
3 At-large Members	Five members are nominated by the Board of Trustees. Of those five, three are selected and appointed by the Governor	• Governor's Appointee • Board of Township Trustees appointee • Board of Township Trustees appointee

Counties

	Current Law	Proposal
4 Ex-Officio Members	• Treasurer of State • Director of the Office of Budget and Management • President of the Board of County Commissioners • County Auditor 4 Local; 3 non	• Treasurer of State • Director of the Office of Budget and Management • Member of Board of County Commissioners or County Executive for chartered counties • County Auditor or County Fiscal Officer in the case of a chartered county 3 Local; 4 non
3 At-large Members	Five members are nominated by the Board of Commissioners. Of those five, three are selected and appointed by the Governor	• Governor's Appointee • Board of County Commissioners appointee or County Executive Appointee in the case of a chartered county • Board of County Commissioners appointee or County Council appointee in the case of a chartered county

The Financial Recovery Plan

- Enforcing the 85% of expenditures rule for the following:
  - Failure to submit or implement the plan
  - Failure to provide accurate financial data within 10 days of the beginning of the month
  - Failure to identify and consider the use of all non-restricted funds

HB 50 & SB 80 – Promoting SNAP Integrity

- 2016 Audit report revealed a number of critical areas where fraud may occur
  - Dead recipients, big balances, number of purchases in short time frame
- Congressional testimony on the Farm Bill

HB 50 & SB 80 – Promoting SNAP Integrity

- The bills require a photo to be placed on the SNAP/EBT Cards
- Exceptions to who is required to have a picture
- Usage questions

AOS Budget Initiatives

- Cybersecurity Training
- Affidavit Review Extension
- Fiscal Distress Escalation
- Streamlining Voluntary Village Dissolution

Cybersecurity Training

- The Fiscal Integrity Act enacted baseline training for all Fiscal Officers
- 24 hours are required in the first term and 12 in the subsequent terms of office
- Allow cybersecurity to be added to list of allowable trainings

Affidavit for Removal of a Fiscal Officer

- The Fiscal Integrity Act also put forth a process to remove a fiscal officer
- Certain elected officials or citizens may submit an affidavit to our office
- Current timeline does not allow for a thorough review

Fiscal Distress Escalation

- Allows the Auditor of State to escalate an entity from fiscal watch to fiscal emergency for failing to act on or implement a financial recovery plan

Streamlining Voluntary Village Dissolution

- Revises the procedure for the submission of village dissolution petitions
- Provides the procedures for transfer of assets at onset of dissolution

Dissolution Petitions

- Allows petitions for dissolution to be submitted to the Board of Elections
  - Petitions can already be submitted to the legislative authority
- Decreases the signature threshold to qualify for the ballot from 40% to 30%

Transfer of Assets

- Allows for a timely transfer of tangible assets (equipment, buildings, etc.)
- States that the cash balance can only be transferred after an audit by AOS
- Water and sewer transfers must be done in a timely manner per an agreement by the village and township

DataOhio and HB 3

- HB 3 (Duffey, Hagan) is an initiative to promote transparency in government
- Permissive language establishes a uniform chart of accounts in rule
- Permissive language establishes uniform accounting procedures for all local governments in rule

HB 312 - Credit and Debit Card Fraud Prevention

- Provides for tighter controls on use of credit cards by local governments
  - Custody and Control Model
  - Compliance Officer Model
- Eliminates the use of debit cards
  - Only card that has direct access to cash in account

HB 312 - Credit and Debit Card Fraud Prevention

- Increasing the penalty for fraudulent or improper use of card
- Asking entities that choose to use a card to enact a policy surrounding the use of cards

Fixing theft in office penalties

- Since 2010 the work of the Auditor of State's office has led to the conviction of 135 former public officials for stealing taxpayer money. The most common charge our office brings against a corrupt public official is theft in office.

Fixing theft in office penalties

- Currently, theft in office has a ceiling of a 3rd degree felony.
- Cases over $1 million are still only able to be prosecuted as an F3, in order to prohibit that individual from holding public office in the future.
- Creating a monetary threshold for F-1 and F-2 would create parity.

Theft in Office Penalties

Amount of Loss	Theft Offense Level	Theft Penalty	Theft in Office Offense Level	Theft in Office Penalty
Less than $1,000	M-1	Up to 6 months in jail	F-5	6-12 months in prison
$1,000 -$7,500	F-5	6-12 months in prison	F-4	6- 18 months in prison
$7,500.00 - $150,000.00	F-4	6-18 months in prison	F-3	9,12,18,24,30, or 36 months in prison
$150,000.00 - $750,000.00	F-3	9,12,18,24,30, or 36 months in prison	**F-2**	**2-8 years in prison**
$750,000.00 - $1.5 million	F-2	2-8 years in prison	**F-1**	**3-11 years in prison**
$1.5 million or more	F-1	3-11 years in prison		

Providing Restitution for Forensic Audit Costs

- Under current statute, the costs of an audit used to determine the amount of theft in office are not recoverable by the entity.
- Restitution may only be ordered "as a direct and proximate result" of the loss. Courts have interpreted audit costs as not being a "direct result" of the offense. As a result, entities have to bear this cost.

Providing Restitution for Forensic Audit Costs

- We recommend allowing a court to order the costs of a public audit as part of restitution when the victim is a public entity.
- There would be no change to the restitution statute.
- This language would affect the theft in office statute, Section 2921.41, so that these standards are applied only to the necessary cases.

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GASB 68
Lessons Learned

Presented by: Eric Kline

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Agenda

- Differences in Pension Plans' Presentations
- Change in NPL Reconciliation
- Common Differences Identified in Audits
- Questions
- Audit Procedures beyond recalculations
- Questions

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Presentation Differences

For measurement year 2015, the retirement systems presented the information in the GASB 68 Schedules Differently:

- STRS – Presented the Cumulative Totals of the Collective Amounts after Amortization
- OPERS - Presented the Cumulative Totals of the Collective Amounts after Amortization

6. Deferred Inflows and Deferred Outflows

As noted in the Schedule of Collective Pension Amounts, the deferred inflows and outflows do not include the layer of amortization that is recognized in current year pension expense and represents the balances of cumulative deferred amounts as of December 31, 2015. The table below discloses the original amounts of the deferred inflows and outflows, calculated by OPERS external actuaries, and the current year amortization on those amounts included in pension expense as of and for the year ended December 31, 2015. This information is included to assist employers with tracking the amortization tiers for each year to be recognized in future pension expense.

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Presentation Differences

For measurement year 2015, the retirement systems presented the information in the GASB 68 Schedules Differently:

SERS Notes

- **SERS** – Presented NPL at 6/30/15 and only the changes to the collective Deferred Outflows, Deferred Inflows and Pension Expense during the measurement period

OP&F Note

- **OP&F** – Presented NPL at 12/31/15 and only the changes to the collective Deferred Outflows, Deferred Inflows and Pension Expense during the measurement period

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How do the elements affect NPL

Net Pension Liability (NPL) changes each year due to a number of factors, including the financial results of the pension plan, changes in plan benefits, changes in assumptions, actual experience differing from expected experience, etc.

- General impact of the elements on NPL:
  - Deferred Outflows – Increase NPL
    - Except Contributions Subsequent to the Measurement Date
  - Deferred Inflows – Decrease NPL
  - Pension Expense – Increase NPL

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Change in NPL Reconciliation

- NPL at the beginning of the year
- **Less**: PY DO - Contributions Subsequent to Measurement Date
- **Plus**: Pension Expense
- **Increase (Decrease)**: DO – Experience
- **Increase (Decrease)**: DO – Assumptions
- **Increase (Decrease)**: DO – Investment Earnings
- **Increase (Decrease)**: DO – Change in Proportion & Contributions
- **(Increase) Decrease**: DI – Experience
- **(Increase) Decrease**: DI – Assumptions
- **(Increase) Decrease**: DI – Investment earnings
- **(Increase) Decrease**: DI – Change in Proportion & Contributions
- **Equals**: NPL at the end of the year

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Commonly Identified Differences

- Change in Proportion
- Difference between Employer Contributions and the Proportionate Share of Contributions
- Pension Expense
- Net Deferred Outflow/Inflow: Difference between Projected and Actual Investment Earnings
- Change in Proportion due to internal allocation

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Commonly Identified Differences

Change in Proportion

- Results from a change in the employer's proportionate share percentage from year to year.
  - Net effect of that change in the proportionate shares of the Collective Net Pension Liability, Collective Deferred Outflows of Resources, and Collective Deferred Inflows of Resources related to pensions determined as of the beginning of the measurement period.
  - Reported as a Deferred Outflow / Deferred Inflow

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Commonly Identified Differences

Change in Proportion

- **Noted Issue**
  - Resulting Deferred Outflow / Deferred Inflow for the Change in Proportion is reported correctly;
  - Effect of change on NPL is reported correctly;
  - Employer's financial statements do not reflect the effect of the change in proportion on the collective Deferred Outflows & Deferred Inflows.

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Commonly Identified Differences

Change in Proportion

- **Correct Reporting:**
  - The change in proportion affects NPL ***and*** the remaining unamortized collective Deferred Outflows and Deferred Inflows as of the beginning of the period.
  - The employer's share of collective Deferred Outflows and Deferred Inflows should be adjusted for the change in proportion as of the beginning of the year.
  - The amortization schedules for the employer's financial statements will change from year to year based on the change in proportion

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Change in Proportion

		Proportionate Share %
Proportionate Share % at	6/30/2014	0.0742010%
Proportionate Share % at	6/30/2015	0.0767176%

	Collective Amount 6/30/2014	6/30/2014 Proportionate Share % 0.0742010%	6/30/2015 Proportionate Share % 0.0767176%	Change in Debt Balances	Change in Credit Balances
Deferred Outflows of Resources					
Difference between Expected and Actual Experience	43,074,026	31,961	33,045	1,084	
Change of Assumptions	0	0	0	0	
Net Difference between Projected and Actual Investment Earnings	0	0	0	0	
Deferred Inflows of Resources					
Difference between Expected and Actual Experience	0	0	0		0
Change of Assumptions	0	0	0		0
Net Difference between Projected and Actual Investment Earnings	821,405,307	609,491	630,162		20,671
Net Pension Asset	0	0	0	0	
Net Pension Liability	5,060,943,064	3,755,270	3,882,634		127,364
Total Changes				1,084	148,035
Deferred Outflow: Change in Proportion				146,951	
Deferred Inflow: Change in Proportion					0

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Commonly Identified Differences

Change in Proportion

- Proportionate share of the collective Deferred Outflows and collective Deferred Inflows reported on the employer's financial statements:
  - The cumulative unamortized collective totals from all measurement periods as of the measurement periods
  - Times the employer's proportionate share percentage

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Cumulative Collective Amount

Deferred Outflows: Difference between Expected and Actual Experience

	MY 2014 Amounts		MY 2015 Amounts		Cumulative	
	Amortization	Balance	Amortization	Balance	Amortization	Balance
Exp Svc Life	4.96	years	4.13	years		
Original Total		53,951,305		78,749,615		
MY 2014	10,877,279	43,074,026			10,877,279	43,074,026
MY 2015	10,877,279	32,196,747	19,067,703	59,681,912	29,944,982	91,878,659
MY 2016	10,877,279	21,319,468	19,067,703	40,614,209	29,944,982	61,933,677
MY 2017	10,877,279	10,442,189	19,067,703	21,546,506	29,944,982	31,988,695
MY 2018	10,442,189	0	19,067,703	2,478,803	29,509,892	2,478,803
MY 2019	0	0	2,478,803	0	2,478,803	0

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Commonly Identified Differences

Difference between Actual Employer Contributions and the Proportionate Share of Contributions

- Compare actual employer contributions (GAAP basis) for pensions to the proportionate share of total employer contributions for pensions reported by the Pension System
  - **Deferred Outflow** – If Actual Contributions are greater than the Proportionate share of total contributions.
  - **Deferred Inflow** – If Actual Contributions are less than the Proportionate share of total contributions.

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Commonly Identified Differences

Difference between Actual Employer Contributions and the Proportionate Share of Contributions

- **Noted Issue:**
  - Actual Employer contributions used for the calculation were cash basis.
  - Actual Employer contributions used for the calculation include contributions that were allocated to health care.
  - The proportionate share of contributions used for this calculation is not always correct.
  - Some employers omitted this difference, resulting in the difference being included as part of Pension Expense

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Commonly Identified Differences

Difference between Actual Employer Contributions and the Proportionate Share of Contributions

- **Correct Reporting:**
  - Actual Employer contributions used for the calculation should be GAAP basis (adjusted for payables).
  - Actual Employer contributions used for the calculation should be the total employer contributions less the amount allocated to health care.
  - The proportionate share of contributions used for this calculation should be the total employer contributions for all employers (from the Plan's financial statements) multiplied by the employer's proportionate share percentage.

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Commonly Identified Differences

Pension Expense

- **Noted Issue:**
  - The Pension Expense amount reflected in the Note disclosure is not correct.
    - Noted instances where the Pension Expense amount as disclosed is net of the current year Deferred Outflows for Contributions Subsequent to the Measurement Date.
- **Correct Reporting:**
  - The Note disclosure should reflect the total Pension Expense for the measurement period.

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Commonly Identified Differences

Net Deferred Outflow/Deferred Inflow for the Difference between Projected and Actual Investment Earnings

- **Noted Issue:**
  - Noted instances where the DO / DI for the Difference between Projected and Actual Investment Earnings from different years were reported separately
- **Correct Reporting:**
  - GASB Cod. § P20.132b requires netting Deferred Outflows and Deferred Inflows arising from the difference between projected and actual investment earnings in different periods.
- **Important** – This is different from the requirements for the Other Deferred Outflows / Deferred Inflows, which may not be netted.

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Commonly Identified Differences

Allocation of Pension Amounts to Funds

- GASB 68 does not establish specific requirements.
- NCGA Statement 1, paragraph 42 – requires long-term liabilities that are "directly related to and expected to be paid from" proprietary and fiduciary funds be reported in those funds.

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Commonly Identified Differences

Allocation of Pension Amounts to Funds

- Pension Amounts will generally be allocated to proprietary funds through an "internal" proportionate share.
- No one "right" way to do this. Employers should use a reasonable & rational method
  - Most entities will base the allocation on employer contribution amounts paid from the proprietary funds compared to total employer contributions
- The AICPA: *State and Local Government Guide*, ¶ 13.159 indicates the allocation of pension amounts to proprietary funds, etc. may result in the recognition of **additional deferred outflows or deferred inflows related to the changes in proportion** from year to year.

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Commonly Identified Differences

Change in Internal Proportion

- AOS has generally been referring to these additional Deferred Outflows / Deferred Inflows as the Change in Internal Proportion
- This amount should be netted with the funds allocated proportion of the overall Deferred Inflow/Deferred Outflow for the change in proportion for the financial statements.
  - We do not believe it is appropriate to report this as separate Deferred Outflows / Deferred Inflows
  - GASB 65 – Summary information indicates GASB Concepts Statement 4 provides that Deferred Outflows and Deferred Inflows should be limited to those instances identified by the GASB in authoritative pronouncements

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Commonly Identified Differences

Change in Internal Proportion

- This amount can be calculated in the same manner as the overall change in proportion calculation. A calculation would be performed for each opinion unit to which pension amounts are allocated.
- This change is calculated based on the Total of the Collective Amounts for the Entity as a whole, rather than amounts from the Pension System.
  - You can obtain these amounts from the Prior Report

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Commonly Identified Differences

Change in Internal Proportion - Example

- **Assumptions:**
- Pension Amounts are allocated between Governmental Activities and Enterprise Fund each year as follows:
  - **Governmental Activities:**
    - 6/30/14 Measurement Date: 89%
    - 6/30/15 Measurement Date: 90%
  - **Enterprise Fund** (Enterprise)**:**
    - 6/30/14 Measurement Date: 11%
    - 6/30/15 Measurement Date: 10%

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Commonly Identified Differences

Change in Internal Proportion

- Based on the Assumptions on the prior slide, the pension amounts are allocated 90% to Governmental Activities, and 10% to the Enterprise Fund at Measurement Date 6/30/15
  - These percentages changed from 89% to Governmental Activities and 11% to the Enterprise Fund at Measurement Date 6/30/14
  - These changes result in the need to calculate a Deferred Outflow/Inflow for the Change in Internal Proportion

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Commonly Identified Differences

Change in Internal Proportion

- Governmental Activities records the net amount from:
  - 90% of the Overall Deferred Outflow/Inflow for the Change in Proportion and Difference in Contributions; **plus**
  - The resulting Deferred Outflow / Deferred Inflow from the Change in Internal Proportion
- Food Service Enterprise Fund record the net amount from:
  - 10% of the Overall Deferred Outflow/Inflow for the Change in Proportion and Difference in Contributions; **plus**
  - The resulting Deferred Outflow / Deferred Inflow from the Change in Internal Proportion

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Change in Internal Proportion

GOVERNMENTAL ACTIVITIES

		Proportionate Share %
Proportionate Share % at	6/30/2014	89.00000000%
Proportionate Share % at	6/30/2015	90.00000000%

	Entity Total 6/30/2014	6/30/2014 Proportionate Share % 89.000000000%	6/30/2015 Proportionate Share % 90.00000000%	Change in Debt Balances	Change in Credit Balances
Deferred Outflows of Resources					
Difference between Expected and Actual Experience	31,961	28,445	28,765	320	
Change of Assumptions	0	0	0	0	
Net Difference between Projected and Actual Investment Earnings	0	0	0	0	
Deferred Inflows of Resources					
Difference between Expected and Actual Experience	0	0	0		0
Change of Assumptions	0	0	0		0
Net Difference between Projected and Actual Investment Earnings	609,491	542,447	548,542		6,095
Net Pension Asset	0	0	0	0	
Net Pension Liability	3,755,270	3,342,190	3,379,743		37,553
Total Changes				320	43,648
Deferred Outflow: Change in Internal Proportion				43,328	
Deferred Inflow: Change in Internal Proportion					0

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Change in Internal Proportion
Governmental Activities

				MY 2015 Amounts
Deferred Outflow/(Inflow) Overall Change in Proportion				173,705
Opinion Unit Allocation %				90%
Allocation of DO / (DI) Overall Change in Proportion				156,335
DO / (DI) Change in Internal Proportion				43,328
Deferred Outflow (Inflow)				199,663
Average Expected Remaining Service Lives				4.13
Annual Amortization				48,345
			Amortization	Balance
		Original Balance		199,663
	MY 2014	FY 2015		
	MY 2015	FY 2016	48,345	151,318
	MY 2016	FY 2017	48,345	102,973
	MY 2017	FY 2018	48,345	54,628
	MY 2018	FY 2019	48,345	6,283
	MY 2019	FY 2020	6,283	0

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Change in Internal Proportion

Enterprise

		Proportionate Share %
Proportionate Share % at	12/31/2014	11.00000000%
Proportionate Share % at	12/31/2015	10.00000000%

	Entity Total 12/31/2014	12/31/2014 Proportionate Share % 11.000000000%	12/31/2015 Proportionate Share % 10.00000000%	Change in Debt Balances	Change in Credit Balances
Deferred Outflows of Resources					
Difference between Expected and Actual Experience	31,961	3,516	3,196	(320)	
Change of Assumptions	0	0	0	0	
Net Difference between Projected and Actual Investment Earnings	0	0	0	0	
Deferred Inflows of Resources					
Difference between Expected and Actual Experience	0	0	0		0
Change of Assumptions	0	0	0		0
Net Difference between Projected and Actual Investment Earnings	609,491	67,044	60,949		(6,095)
Net Pension Asset	0	0	0	0	
Net Pension Liability	3,755,270	413,080	375,527		(37,553)
Total Changes				(320)	(43,648)
Deferred Outflow: Change in Internal Proportion				0	
Deferred Inflow: Change in Internal Proportion					43,328

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Change in Internal Proportion

Enterprise Fund

				MY 2015 Amounts
Deferred Outflow/(Inflow) Overall Change in Proportion				173,705
Opinion Unit Allocation %				10%
Allocation of DO / (DI) Overall Change in Proportion				17,371
DO / (DI) Change in Internal Proportion				(43,326)
Deferred Outflow (Inflow)				(25,957)
Average Expected Remaining Service Lives				4.13
Annual Amortization				(6,285)
			Amortization	Balance
		Original Balance		(25,957)
	MY 2014	FY 2015		
	MY 2015	FY 2016	(6,285)	(19,672)
	MY 2016	FY 2017	(6,285)	(13,387)
	MY 2017	FY 2018	(6,285)	(7,102)
	MY 2018	FY 2019	(6,285)	(817)
	MY 2019	FY 2020	(817)	0

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Audit Procedures

Beyond Recalculations

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Audit Procedures

- Evaluate the professional qualifications of the actuary
- Read the Actuarial Certification
- Document the Valuation Date and determine it is appropriate
- Document the Measurement Date and determine it is appropriate

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Audit Procedures

Evaluate whether the methods and assumptions used in determining Total Pension Liability were in accordance with GASB 68 & Actuarial Standards of Practice, and are the same used by the plan

- Projected benefit payments
- Discount Rate
- Entry Age Actuarial Cost Method

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Audit Procedures

Evaluate the professional competence and independence of the plan auditors

Evaluate the plan auditor's report on the GASB 68 Schedules

Agree/Reconcile the NPL reported on the schedule to the NPL disclosed in the notes to the plan's financial statements.

Agree the fiduciary net position component of NPL disclosed in the Notes to the plan financial statements to that reported in the statement of fiduciary net position.

Test the mathematical accuracy of the audited schedules

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38

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EMIS Overview – From an Auditors Perspective

August 18, 2017

Ohio | Department of Education

Overview

- What is EMIS?
- EMIS Manual & Documentation
- EMIS Reports
  - Legacy Reports
  - Level 2 Reports
  - Secure Data Center
- Contacting EMIS at ODE

Ohio | Department of Education

Part I

What is EMIS?

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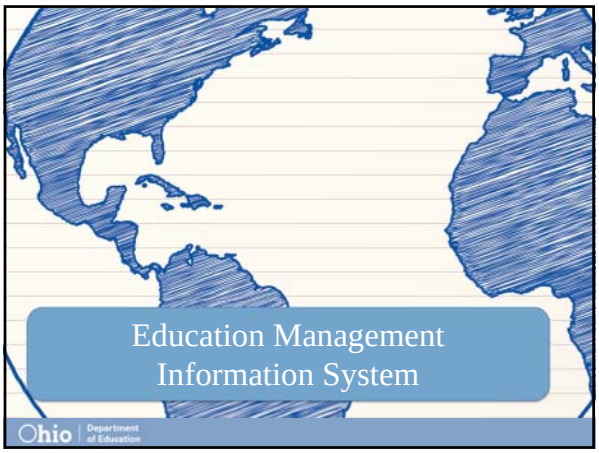
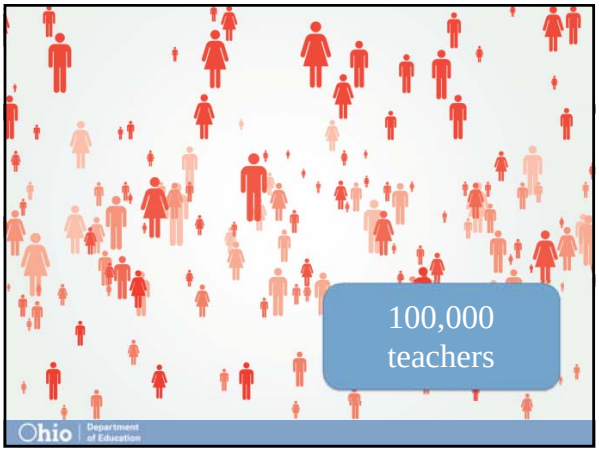
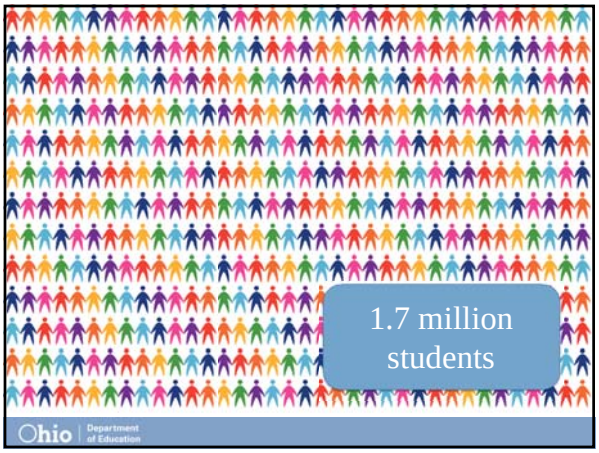
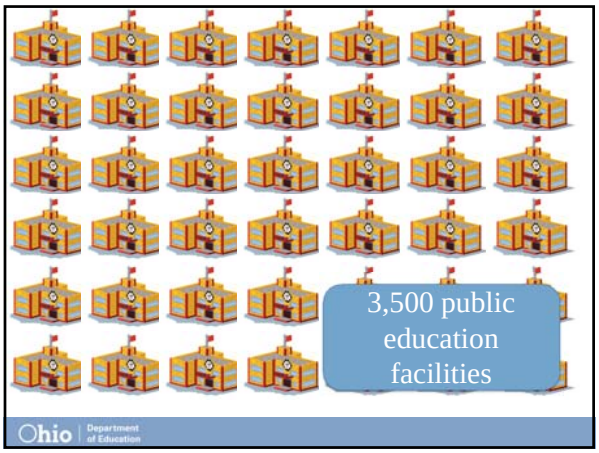
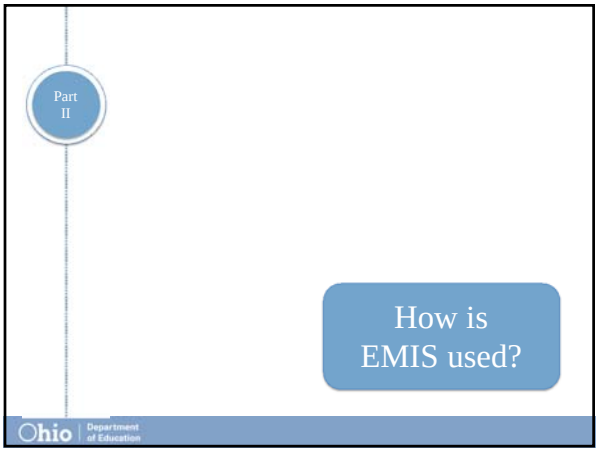

Education Management
Information System
Ohio | Department of Education


100,000
teachers
Ohio | Department of Education


1.7 million
students
Ohio | Department of Education


3,500 public education facilities
Ohio | Department of Education


Part II
How is EMIS used?
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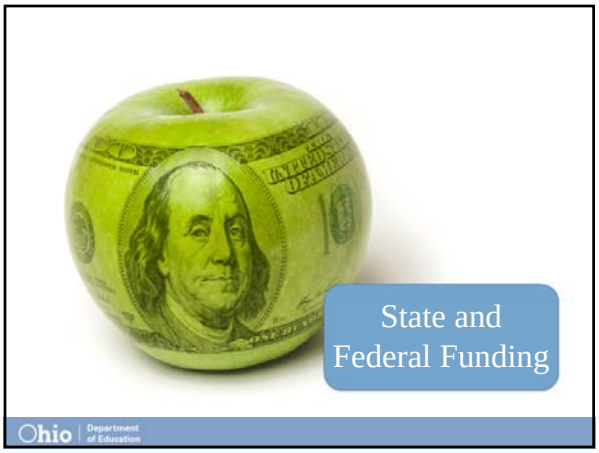
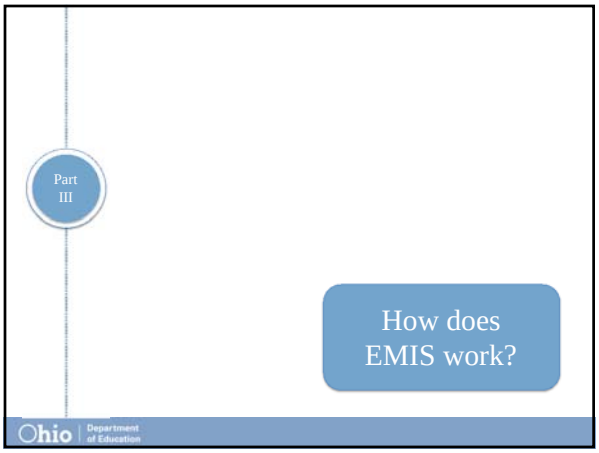

State and Federal Funding
Ohio | Department of Education

Report Cards
Ohio | Department of Education

SCHOOL BUS
Coordinate enrollment between schools
Ohio | Department of Education


Part III
How does EMIS work?
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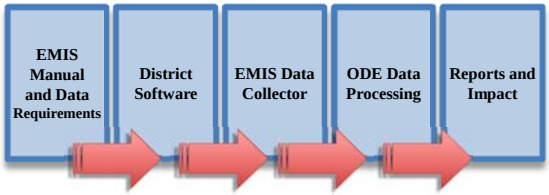
A System, Not An Application



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EMIS Manual and Data Requirements

- Consistency for State
- Valid Data Codes, Definitions and Formats
- Guidance on Determining Correct Codes

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District Software

- Student Information System
- Payroll and HR System
- Financial/Accounting System

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EMIS
Data Collector

Primary User Interface for EMIS Reporting

Collect, Prepare, Preview, Submit, Review

Hosted at Information Technology Centers

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Data Collector User Interface

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ODE Data Processing

Statewide processing and checks

Feedback to districts

Provide data for other ODE systems

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Reports and Impact

Finance

Report Card

Many others…

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EMIS Reports

- The reports you may need/want will need to be retrieved from multiple locations
  - Legacy Reports (text report or csv file)
    - Stored by the district or ITC
  - Secure Data Center (SDC)
    - Web based on demand report
    - Accessed through "SAFE" sign-in
  - Level 2 Reports
    - Access through the Data Collector

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District (or School) Enrollment

- Access through SDC
  - Shared Reports > Reports for Analysis > Enrollment
- Starting in FY2015
  - Based on FTE calculated for funding
    - May not match exactly
  - Only students educate by the district
  - Based on Enrollment – Not Attendance Info

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Expenditure Amounts by Category

- TXT_20xxH_FIN_EXPND_AMT_BY_CAT
  - Legacy report or access through ODE Report Card site
  - Documentation found at:
    - Data > EMIS > Documentation > EMIS Documentation Archives
      - FY16
      - Expenditure Amounts by Category (H)

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District (or School) Graduation Rate

- District (or School) Graduation Rate – Customizable
- Access through SDC
  - Shared Reports > Reports for Analysis > Graduation
  - Documentation found at:
    - Data > Report Card Resources > Graduation Rate Component
      - Technical Documentation

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Graduation Cohort Report

- CSV_2016G_STU_LONG_GR_2016_4Y
  - Filter on Denominator Column = ‘Y”
  - Has a Column for Withdrawal Code
  - Has other good info.

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Federal Child Count Report

- TXT_2015S_STU_FED_CHILD
- CSV_2015S_STU_FED_CHILD
  - As of FY15 based on October 31 (not December 1)
  - Documentation found at:
    - Data > EMIS > Documentation > EMIS Documentation Archives
      - FY15
      - Federal Child Count

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FTE Detail Report(s)

- Level 2 report
  - Accessed through the Data Collector
  - Documentation found at:
    - Data > EMIS > Documentation > EMIS Documentation Archives
      - FY15
      - Level 2 Report Explanation: FTE Detail Report

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FTE Reports

- Most important for funding- level 2 in Data Collector

Report Name	Fatal	Critical	Warning	Info	Total	Process Date	Last Upd Date	Submission
[FTED-001] FTE Detail	43	358	0	3435	3836	08/02/17 17:16	08/08/17 04:33	80 on 07/28/17 09:27
[FTED-003] FTE Adjustments	16	363	7	31	417	08/02/17 17:16	07/30/17 06:09	80 on 07/28/17 09:27
[FTES-001] FTE Total by Fund Pattern	0	0	0	3	3	08/02/17 17:16	08/08/17 04:33	80 on 07/28/17 09:27
[FTES-002] FTE Total by Student and Fund Pattern	0	0	0	2097	2097	08/02/17 17:16	08/08/17 04:33	80 on 07/28/17 09:27
[FTES-003] FTE Total by Student	0	0	0	2088	2088	08/02/17 17:16	08/08/17 04:33	80 on 07/28/17 09:27
[FTES-004] FTE Summary of Students with Adjustments	0	0	0	275	275	08/02/17 17:16	08/08/17 04:33	80 on 07/28/17 09:27

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FTE Detail Report(s)

- Enrollment based (not looking at attendance)
- Based on Enrollment Timeframe along with the Calendar to which the student is assigned
- Student FTE Adjustments Applied and Shown
- Designed to be able to match to the District's Foundation Funding Report

Ohio | Department of Education

Contacting EMIS at ODE

- EMIS@education.ohio.gov
- Districts must go through their ITC

Ohio | Department of Education

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education.ohio.gov
Ohio | Department of Education

2017 Combined IPA Conference Agenda
Friday, August 18, 2017

Was It Fraud? If So, Who Did It?

Dave Cotton, CPA, CFE, CGFM

Cotton & Company LLP

Alexandria, Virginia

dcotton@cottoncpa.com

DAVID L. COTTON, CPA, CFE, CGFM
COTTON & COMPANY LLP CHAIRMAN

Dave Cotton is chairman of Cotton & Company LLP, Certified Public Accountants, headquartered in Alexandria, Virginia. The firm was founded in 1981 and has a practice concentration in assisting Federal and State government agencies, inspectors general, and government grantees and contractors with a variety of government program-related assurance and advisory services. Cotton & Company has performed grant and contract, indirect cost rate, financial statement, financial related, and performance audits for more than two dozen Federal inspectors general as well as numerous other Federal and State agencies and programs.

Cotton & Company's Federal agency audit clients have included the U.S. Government Accountability Office, U.S. Navy, U.S. Marine Corps, U.S. House of Representatives, U.S. Capitol Police, U.S. Small Business Administration, U.S. Bureau of Prisons, Millennium Challenge Corporation, U.S. Marshals Service, and Bureau of Alcohol, Tobacco, Firearms and Explosives. Cotton & Company also assists numerous Federal agencies in preparing financial statements and improving financial management, accounting, and internal control systems.

Dave received a BS in mechanical engineering (1971) and an MBA in management science and labor relations (1972) from Lehigh University in Bethlehem, PA. He also pursued graduate studies in accounting and auditing at the University of Chicago Graduate School of Business (1977 to 1978). He is a Certified Public Accountant (CPA), Certified Fraud Examiner (CFE), and Certified Government Financial Manager (CGFM).

Dave served on the Advisory Council on Government Auditing Standards (the Council advises the United States Comptroller General on promulgation of ***Government Auditing Standards***—GAO's yellow book) from 2006 to 2009. He served on the Institute of Internal Auditors (IIA) Anti-Fraud Programs and Controls Task Force and co-authored ***Managing the Business Risk of Fraud: A Practical Guide***. He served on the American Institute of CPAs Anti-Fraud Task Force and co-authored ***Management Override: The Achilles Heel of Fraud Prevention***. Dave is the past-chair of the AICPA Federal Accounting and Auditing Subcommittee and has served on the AICPA Governmental Accounting and Auditing Committee and the Government Technical Standards Subcommittee of the AICPA Professional Ethics Executive Committee. Dave chaired the Fraud Risk Management Task Force, sponsored by COSO and ACFE and is a principal author of the ***COSO-ACFE Fraud Risk Management Guide***. He is presently serving on the AICPA's Performance Audit Standards Task Force.

Dave served on the board of the Virginia Society of Certified Public Accountants (VSCPA) and on the VSCPA Litigation Services Committee, Professional Ethics Committee, Quality Review Committee, and Governmental Accounting and Auditing Committee. He is a member of the Association of Government Accountants (AGA) and past-advisory board chairman and past-president of the AGA Northern Virginia Chapter. He is also a member of the Institute of Internal Auditors and the Association of Certified Fraud Examiners.

Dave has testified as an expert in governmental accounting, auditing, and fraud issues before the United States Court of Federal Claims and other administrative and judicial bodies.

Dave has spoken frequently on cost accounting, professional ethics, and auditors' fraud detection responsibilities under SAS 99, *Consideration of Fraud in a Financial Statement Audit*. He has been an instructor for the George Washington University masters of accountancy program (***Fraud Examination and Forensic Accounting***), and has instructed for the George Mason University Small Business Development Center (***Fundamentals of Accounting for Government Contracts***).

Dave was the recipient of the AGA's 2006 Barr Award ("to recognize the cumulative achievements of private sector individuals who throughout their careers have served as a role model for others and who have consistently exhibited the highest personal and professional standards") as well as AGA's 2012 Educator Award ("to recognize individuals who have made significant contributions to the education and training of government financial managers").

Let's …

- ✓Look at some fraud brainstorming concepts and techniques
- ✓Look at some fraud inquiry concepts and techniques
- ✓Apply these concepts and techniques to solve a crime …

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Fraud Brainstorming

Fraud Discussions Among Engagement Personnel

- ✓ During audit planning
- ✓ Interactive exchange of ideas … *brainstorming*
- ✓ Insights of more experienced team members
- ✓ How and where the financial statements might be susceptible to fraud within the framework
  - ✓ Motive
  - ✓ Opportunity
  - ✓ Rationalization
- ✓ Emphasize importance of proper state of mind (professional skepticism) during the audit
- ✓ Include the risk of management override of controls

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Fraud Discussions Among Engagement Personnel

- ✓ Thoroughly probe the issues
- ✓ Consider audit responses to fraud susceptibility
- ✓ Summarize known fraud risks and control strengths and weaknesses
- ✓ Brainstorm ways that fraud might be committed by someone within the entity (by management or employees) or on the entity (by an outsider)
- ✓ Evaluate fraud schemes deemed viable or possible
- ✓ React by modifying planned audit tests to ascertain if fraud is occurring

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The purpose of brainstorming …

…is to get as many ideas as possible from a group of people in the shortest possible time. Quantity and not quality is the order of the day. It does not matter if the ideas are thought to be unworkable, or crazy, or outlandish by anybody within the group. Sometimes these ideas are the very ones that are adapted into other forms that solve the problem adequately.

--http://www.mindbloom.net/brain.html

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The rules for effective brainstorming …

1. *There should be no criticism of any idea from any member of the group*
2. *There should be no evaluation of the ideas generated*
3. *The more ideas generated, the better*
4. *Combination or modification of the ideas generated is encouraged*

--http://www.mindbloom.net/brain.html

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The sole practitioner dilemma

- ✓ *How does a sole practitioner meet the SAS 99 brainstorming requirement?*

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The documentation dilemma

- ✓ *How much should we document?*
- ✓ *Follow audit organization policies …*
- ✓ *Follow SAS 103, Audit Documentation …"record of procedures performed, relevant audit evidence obtained, and conclusions the auditor reached."*

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W. I. S. E.
A Case Study in Fraud

NOTE:

- ✓ The names of the organizations and characters in this case study have been changed, and are not the real names of the organizations and persons involved in the case from which this story was derived.
- ✓ Any similarity between the organizations, characters, and events depicted in this case study and organizations, persons, and events with which you may be familiar is entirely deliberate.

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NOTE:

- ✓ We will need 7 volunteers to assist in the presentation of this case study.
- ✓ Your assistance, if you volunteer, will not be difficult; it will not be embarrassing.
- ✓ It will be educational, challenging, and hopefully, fun.
- ✓ Trust me; you can count on me; I am an accountant.
- ✓ ***If you volunteer, you will receive the acclaim of your peers!***

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Worldwide Institute for Situational Ethics, a not-for-profit organization

Susan Purduper, Executive Director

Robin Plundar, Chief Financial Officer

Helen Weels, Programs Director

Otto Krattic, Board Chair

Salvatore Amander, IT Director

Lewis Skannon, New Board Member

Talia Watt, Receptionist

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Worldwide Institute for Situational Ethics, a not-for-profit organization

- ✓ As we learn a little bit about our ~~perpetrators~~ I mean volunteers, see if you can identify any fraud risk factors or vulnerabilities that might indicate a higher risk of fraud.
- ✓ **Fraud Risk Factor**: A characteristic that provides a ***motivation*** or ***opportunity*** for fraud to occur; a ***rationalization*** for fraud; or an ***indicator*** that fraud may have occurred

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Susan Purduper, Executive Director

- ✓ Sue has been WISE's executive director for 4 years.
- ✓ She was selected for the position by WISE's founder, Otto Krattic, who is now chairman of the board. Sue and Otto work well together and confer frequently about policy.
- ✓ During Sue's tenure
  - ✓ membership has risen over 220%
  - ✓ revenue from fundraising and grants is up over 350%
  - ✓ administrative costs have dropped from 20% to 8% of the annual budget
  - ✓ total staffing has increased by 150% while administrative staffing has only increased by 15%

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Susan Purduper, Executive Director

- ✓Sue is responsible for all hiring and firing decisions including all purchasing and contracting; but she delegates most of what she considers "administrative minutia tasks."
- ✓Everyone—particularly the board of directors—agrees that Sue has done an outstanding job of meeting the organization's mission goals and objectives.

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Robin Plundar, Chief Financial Officer

- ✓Robin is a retired senior manager from a CPA firm, Hay, Wood, Jubussoff & Company.
- ✓WISE's executive director, Susan Purduper, hired Robin shortly after she joined WISE 4 years ago.
- ✓When Robin started, the books and the accounting systems were a mess; he quickly brought order to what had been chaos.
- ✓As WISE grew, Robin helped Sue manage the growth, and became a trusted and key advisor to her.
- ✓Robin helped Sue keep administrative staff levels and costs low by expanding his duties as WISE grew. Robin does essentially all of the accounting work; and Sue delegated to him the authority to serve as WISE's purchasing and contracting officer.

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Robin Plundar, Chief Financial Officer

- ✓Robin works long hours during the week and on most weekends, he is always cheerful; a true team player.
- ✓Robin has always been very satisfied with the modest annual pay increases Sue has recommended for him over the years.
- ✓Everyone agrees that Robin does a terrific job; Sue always gives him a great deal of the credit for WISE's success; Robin is very happy working for WISE and has, in fact, turned down offers to work for larger organizations for substantial pay increases

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Helen Weels, Programs Director

- ✓Helen Joined WISE three years ago, after the executive director, Susan Purduper, met her at a national conference put on by her then employer, the National Association of Association Conference Planners and Directors.
- ✓Helen immediately implemented a plan to increase WISE's conference attendance and publications sales.
- ✓Helen did an analysis that revealed that the country's two most popular conference locations are Las Vegas and Atlantic City. After she moved WISE's 4 major conferences to these locations, conference attendance increased by 30%, although on-site registration stayed about the same, even declining slightly.

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Helen Weels, Programs Director

- ✓Publication sales at conferences initially increased along with the increased attendance, but then leveled off and started declining slightly.
- ✓Helen even added two more conferences to WISE's annual schedule.
- ✓Helen's success in expanding WISE's conference programs has been recognized by both the board and the executive director.

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Otto Krattic, Board Chair

- ✓Otto is a former senior Federal executive and gained prominence for his groundbreaking work in advanced situational ethics applications.
- ✓Otto founded WISE eight years ago and initially served as both executive director and board chair.
- ✓Otto hired Susan Purduper as executive director 4 years ago so that he could spend more time speaking at conferences and consulting on political campaigns.

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Otto Krattic, Board Chair

- ✓Otto has semi-annual Board meetings at which the executive director and the programs director give updates on operational and programmatic activities and achievements, and the CFO gives updates on financial matters, primarily focusing on the annual budget and tracking actual-to-budget performance.

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Salvatore Amander, IT Director

- ✓Sal joined WISE three years ago. His previous job was as a senior IT manager for Hay, Wood, Jubussoff & Company, a CPA firm.
- ✓When Sal arrived, the WISE IT structure was a mess. Most of the organization's computers were obsolete, the network was slow and inefficient, and WISE was not even using a broadband internet connection. WISE did not even have any sort of virus protection system; Sal found all of the entity's PCs infected with multiple viruses.
- ✓Within the first six months, Sal upgraded all of WISE's systems to state-of-the-art hardware and software, installed appropriate firewalls and virus protection, and arranged for a high-speed T-1 connection.

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Salvatore Amander, IT Director

- ✓Sal also implemented several linked databases that integrate accounting, fundraising, membership, and conference registration information.
- ✓Sal prepared a report that estimated that the cost savings from the more efficient systems more than offset the additional IT budget costs.
- ✓The executive director, Susan Purduper, has been very pleased with Sal's work, and WISE has given Sal generous performance bonuses the past two years.

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Lewis Skannon, New Board Member

- ✓Lew is considered to be a rising star in the field of situational ethics, having gotten his start working as campaign manager for Bill Clinton, during Bill's unsuccessful bid for governor of Alaska in 2012.
- ✓Lew met Otto Krattic, WISE's founder, at a conference where Lew had delivered a talk entitled "*If It Sounds Good, Say It!*"
- ✓After Otto asked Lew to join the WISE board six months ago, Lew quickly immersed himself in WISE details.

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Lewis Skannon, New Board Member

- ✓Lew has asked many questions about WISE operations:
  - ✓Why are we spending so much on information technology?
  - ✓Why is publications expense rising faster than publications revenue?
  - ✓Why have on-site conference registrations decreased so drastically in the past two years?
  - ✓Why can't the programs director or the IT director or the CFO give me straight answers to any of my questions?
  - ✓Why doesn't the board meet monthly?
  - ✓… and so forth …

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Lewis Skannon, New Board Member

- ✓Otto, who was initially supportive, seemed to become impatient with Lew. At Lew's first board meeting three months ago, Otto said to Lew "Maybe you should take a few months to get to know the organization better." Everyone laughed.
- ✓Susan, however, has been very patient with Lew's questions. At the board meeting, she directed staff to get answers to each of Lew's questions "immediately, if not sooner."

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Talia Watt, Receptionist

- ✓Talia is outgoing, talkative, effervescent, and pleasant at all times.
- ✓Callers and visitors often comment to the executive director, Susan Purduper, about Talia's cheery attitude, pleasant manner, and helpfulness.
- ✓Talia was hired by the WISE founder, Otto Krattic, not long after WISE started.
- ✓In addition to answering the phones and greeting visitors, Talia manages office supplies, and coordinates deliveries.
- ✓Talia also opens and sorts the mail, including invoices from vendors. She also keeps a log of accounts payable and, when she mails out checks, she notes accounts as "paid."

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WISE Selected Financial Information

	2013	2014	2015	2016	2017
Members	55,295	61,899	91,756	109,873	121,985
Dues Revenues	$30,412,250	$34,044,450	$50,465,800	$60,430,150	$67,091,750
Program & Grant Revenue	239,075	256,098	635,987	724,589	843,575
Conferences Revenues					
Pre-registrations	7,208,734	7,307,543	8,102,355	8,765,419	9,359,887
On-site Registrations	764,097	865,322	871,098	880,981	859,031
Publications	2,543,009	2,759,080	2,657,087	2,875,018	2,810,876
Total Revenue	$41,167,165	$45,232,493	$62,732,327	$73,676,157	$80,965,119

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WISE Selected Financial Information

	2013	2014	2015	2016	2017
Fundraising Costs	**$7,603,063**	**$8,511,113**	**$12,616,450**	**$15,107,538**	**$16,772,938**
Program & Grant Expenses	**255,810**	**266,342**	**648,707**	**731,835**	**818,268**
Research Costs	**17,713,312**	**20,104,208**	**31,699,722**	**40,799,324**	**46,588,278**
Publications Costs	**1,986,543**	**2,155,333**	**2,338,464**	**2,537,156**	**2,752,730**
Conferences Costs	**5,320,987**	**6,032,642**	**6,649,415**	**7,153,519**	**7,583,493**
Administrative Costs					
Salaries	**985,609**	**1,024,541**	**1,063,472**	**1,102,404**	**1,141,335**
Expenses	**6,848,948**	**6,246,310**	**6,733,733**	**5,167,589**	**4,137,348**
IT Costs	**398,876**	**870,998**	**985,321**	**1,097,623**	**1,198,526**
Total Expenses	**$41,113,148**	**$45,211,486**	**$62,735,284**	**$73,696,987**	**$80,992,915**
Surplus/(Deficit)	**$54,017**	**$21,007**	**($2,957)**	**($20,830)**	**($27,796)**

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Brainstorming to Find Fraud

- ✓ Gather into brainstorming teams of 4-5 people
- ✓ Select a scribe
- ✓ Using the information you know about this case so far, brainstorming ways that fraud might be happening at WISE
- ✓ Following the rules for effective brainstorming
- ✓ Take 15 minutes
- ✓ Following the brainstorming session, use 5 minutes to decide on questions to ask our panelists. Each team is limited to asking only 5 questions, so select your questions and targets for those questions wisely (no pun intended)

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Fraud Inquiries

Fraud Interviewing Techniques for Auditors

- ✓Why? (What do standards require?)
- ✓Integrate brainstorming and interviews
- ✓Characteristics of a "good" interviewer
- ✓Logistics
- ✓Types of questions
- ✓Question sequence
- ✓Overcoming resistance or hostility
- ✓Recognizing deception
- ✓Interviews versus interrogations

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Why do I have to talk to people?

Let's look at what SAS 99 requires.

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Why do I have to talk to people?

In addition to the inquiries [of management the audit committee and internal audit], the auditor should inquire of others within the entity about the existence or suspicion of fraud. ...use professional judgment to determine those others within the entity to whom inquiries should be directed and the extent of such inquiries.

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Why do I have to talk to people?

In addition to the inquiries [of management the audit committee and internal audit], the auditor should inquire of others within the entity about the existence or suspicion of fraud. …use professional judgment to determine those others within the entity to whom inquiries [illegible] and the extent of such [illegible]

Presumptively Mandatory

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Integrate brainstorming and fraud inquiries

- ✓ Brainstorming yields a list of potentially viable fraud scenarios that *MIGHT* be occurring
- ✓ What is the most efficient way to determine if such scenarios might actually be happening?
- ✓ Often, the most efficient way is through carefully planned fraud inquiries
  - ✓ Who would be in a position to see a particular fraud scheme?
  - ✓ What questions can we ask her/him to determine if that fraud might be happening?

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Fraud Interviewing Techniques for Auditors

- ✓Why? (What do standards require?)
- ✓Integrate brainstorming and interviews
- ✓Characteristics of a "good" interviewer
- ✓Logistics
- ✓Types of questions
- ✓Question sequence
- ✓Overcoming resistance or hostility
- ✓Recognizing deception
- ✓Interviews versus interrogations

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Who Did It? (And What Did He or She Do?)

Susan Purduper, Executive Director
Robin Plundar, Chief Financial Officer
Helen Weels, Programs Director
Otto Krattic, Board Chair
Salvatore Amander, IT Director
Lewis Skannon, New Board Member
Talia Watt, Receptionist

Cotton & Company

Auditor of State Dave Yost
THE OHIO SOCIETY OF CPAS
2017 Combined IPA Conference Agenda
Friday, August 18, 2017

Was It Fraud? If So, Who Did It?

Dave Cotton, CPA, CFE, CGFM

Cotton & Company LLP

Alexandria, Virginia

dcotton@cottoncpa.com

Attachment 1

Worldwide Institute for Situational Ethics

Susan Purduper, Executive Director

- Sue has been WISE's executive director for 4 years.
- She was selected for the position by WISE's founder, Otto Krattic, who is now chairman of the board. Sue and Otto work well together and confer frequently about policy.
- During Sue's tenure
  - membership has risen over 220%
  - revenue from fundraising and grants is up over 350%
  - administrative costs have dropped from 20% to 8% of the annual budget
  - total staffing has increased by 150% while administrative staffing has only increased by 15%
- Sue is responsible for all hiring and firing decisions including all purchasing and contracting; but she delegates most of what she considers "administrative minutia tasks."
- Everyone—particularly the board of directors—agrees that Sue has done an outstanding job of meeting the organization's mission goals and objectives.

Robin Plundar, Chief Financial Officer

- Robin is a retired senior manager from a CPA firm, Hay, Wood, Jubussoff & Company.
- WISE's executive director, Susan Purduper, hired Robin shortly after she joined WISE 4 years ago.
- When Robin started, the books and the accounting systems were a mess; he quickly brought order to what had been chaos.
- As WISE grew, Robin helped Sue manage the growth, and became a trusted and key advisor to her.
- Robin helped Sue keep administrative staff levels and costs low by expanding his duties as WISE grew. Robin does essentially all of the accounting work; and Sue delegated to him the authority to serve as WISE's purchasing and contracting officer.
- Robin works long hours during the week and on most weekends, he is always cheerful; a true team player.
- Robin has always been very satisfied with the modest annual pay increases Sue has recommended for him over the years.
- Everyone agrees that Robin does a terrific job; Sue always gives him a great deal of the credit for WISE's success; Robin is very happy working for WISE and has, in fact, turned down offers to work for larger organizations for substantial pay increases

Helen Weels, Programs Director

- Helen Joined WISE three years ago, after the executive director, Susan Purduper, met her at a national conference put on by her then employer, the National Association of Association Conference Planners and Directors.
- Helen immediately implemented a plan to increase WISE's conference attendance and publications sales.
- Helen did an analysis that revealed that the country's two most popular conference locations are Las Vegas and Atlantic City. After she moved WISE's 4 major conferences to these locations, conference attendance increased by 30%, although on-site registration stayed about the same, even declining slightly.
- Publication sales at conferences initially increased along with the increased attendance, but then leveled off and started declining slightly.
- Helen even added two more conferences to WISE's annual schedule.
- Helen's success in expanding WISE's conference programs has been recognized by both the board and the executive director.

Otto Krattic, Board Chair

- Otto is a former senior Federal executive and gained prominence for his groundbreaking work in advanced situational ethics applications.
- Otto founded WISE eight years ago and initially served as both executive director and board chair.
- Otto hired Susan Purduper as executive director 4 years ago so that you could spend more time speaking at conferences and consulting on political campaigns.

Worldwide Institute for Situational Ethics

- Otto has semi-annual Board meetings at which the executive director and the programs director give updates on operational and programmatic activities and achievements, and the CFO gives updates on financial matters, primarily focusing on the annual budget and tracking actual-to-budget performance.
- Due the WISE's success and growth under Susan's management, the Board has given her great latitude in day-to-day management and decision-making. Susan makes all hiring and firing decisions and is responsible for all purchasing decisions.

Salvatore Amander, IT Director

- Sal joined WISE three years ago. His previous job was as a senior IT manager for Hay, Wood, Jubussoff & Company, a CPA firm.
- When Sal arrived, the WISE IT structure was a mess. Most of the organization's computers were obsolete, the network was slow and inefficient, and WISE was not even using a broadband internet connection. WISE did not even have any sort of virus protection system; Sal found all of the entity's PCs infected with multiple viruses.
- Within the first six months, Sal upgraded all of WISE's systems to state-of-the-art hardware and software, installed appropriate firewalls and virus protection, and arranged for a high-speed T-1 connection.
- Sal also implemented several linked databases that integrate accounting, fundraising, membership, and conference registration information.
- Sal prepared a report that estimated that the cost savings from the more efficient systems more than offset the additional IT budget costs.
- The executive director, Susan Purduper, has been very pleased with Sal's work, and WISE has given Sal generous performance bonuses the past two years.

Lewis Skannon, New Board Member

- Lew is considered to be a rising star in the field of situational ethics, having gotten his start working as campaign manager for Bill Clinton, during Bill's unsuccessful bid for governor of Alaska in 2012.
- Lew met Otto Krattic, WISE's founder, at a conference where Lew had delivered a talk entitled "*If It Sounds Good, Say It!*"
- After Otto asked Lew to join the WISE board six months ago, Lew quickly immersed himself in WISE details.
- Lew has asked many questions about WISE operations:
  - Why are we spending so much on information technology?
  - Why is publications expense rising faster than publications revenue?
  - Why have on-site conference registrations decreased so drastically in the past two years?
  - Why can't the programs director or the IT director or the CFO give me straight answers to any of my questions?
  - Why doesn't the board meet monthly?
  - … and so forth …
- Otto, who was initially supportive, seemed to become impatient with Lew. At Lew's first board meeting three months ago, Otto said to Lew "Maybe you should take a few months to get to know the organization better." Everyone laughed.
- Susan, however, has been very patient with Lew's questions. At the board meeting, she directed staff to get answers to each of Lew's questions "immediately, if not sooner."

Talia Watt, Receptionist

- Talia is outgoing, talkative, effervescent, and pleasant at all times.
- Callers and visitors often comment to the executive director, Susan Purduper, about Talia's cheery attitude, pleasant manner, and helpfulness.
- Talia was hired by the WISE founder, Otto Krattic, not long after WISE started.
- In addition to answering the phones and greeting visitors, Talia manages office supplies, and coordinates deliveries.
- Talia also opens and sorts the mail, including invoices from vendors. She also keeps a log of accounts payable and, when she mails out checks, she notes accounts as "paid."

Worldwide Institute for Situational Ethics **Attachment 2**

Selected Financial Information

2013 to 2017

	2013		2014		2015		2016		2017	
	Amount	% of Rev.	Amount	% of Rev.	Amount	% of Rev.	Amount	% of Rev.	Amount	% of Rev.
Members	55,295		61,899		91,756		109,873		121,985	
Dues Revenues	$30,412,250	73.88%	$34,044,450	75.27%	$50,465,800	80.45%	$60,430,150	82.02%	$67,091,750	82.87%
Program & Grant Revenue	239,075	0.58%	256,098	0.57%	635,987	1.01%	724,589	0.98%	843,575	1.04%
Conferences Revenues										
Pre-registrations	7,208,734	17.51%	7,307,543	16.16%	8,102,355	12.92%	8,765,419	11.90%	9,359,887	11.56%
On-site Registrations	764,097	1.86%	865,322	1.91%	871,098	1.39%	880,981	1.20%	859,031	1.06%
Publications	2,543,009	6.18%	2,759,080	6.10%	2,657,087	4.24%	2,875,018	3.90%	2,810,876	3.47%
Total Revenue	$41,167,165	100.00%	$45,232,493	100.00%	$62,732,327	100.00%	$73,676,157	100.00%	$80,965,119	100.00%
Fundraising Costs	$7,603,063	18.47%	$8,511,113	18.82%	$12,616,450	20.11%	$15,107,538	20.51%	$16,772,938	20.72%
Program & Grant Expenses	255,810	0.62%	266,342	0.59%	648,707	1.03%	731,835	0.99%	818,268	1.01%
Research Costs	17,713,312	43.03%	20,104,208	44.45%	31,699,722	50.53%	40,799,324	55.38%	46,588,278	57.54%
Publications Costs	1,986,543	4.83%	2,155,333	4.77%	2,338,464	3.73%	2,537,156	3.44%	2,752,730	3.40%
Conferences Costs	5,320,987	12.93%	6,032,642	13.34%	6,649,415	10.60%	7,153,519	9.71%	7,583,493	9.37%
Administrative Costs										
Salaries	985,609	2.39%	1,024,541	2.27%	1,063,472	1.70%	1,102,404	1.50%	1,141,335	1.41%
Expenses	6,848,948	16.64%	6,246,310	13.81%	6,733,733	10.73%	5,167,589	7.01%	4,137,348	5.11%
IT Costs	398,876	0.97%	870,998	1.93%	985,321	1.57%	1,097,623	1.49%	1,198,526	1.48%
Total Expenses	$41,113,148	99.87%	$45,211,486	99.95%	$62,735,284	100.00%	$73,696,987	100.03%	$80,992,915	100.03%
Surplus/(Deficit)	$54,017	0.13%	$21,007	0.05%	($2,957)	0.00%	($20,830)	-0.03%	($27,796)	-0.03%