

Maryland Government Finance Officers Association *Potpourri of Items*

June 24, 2016

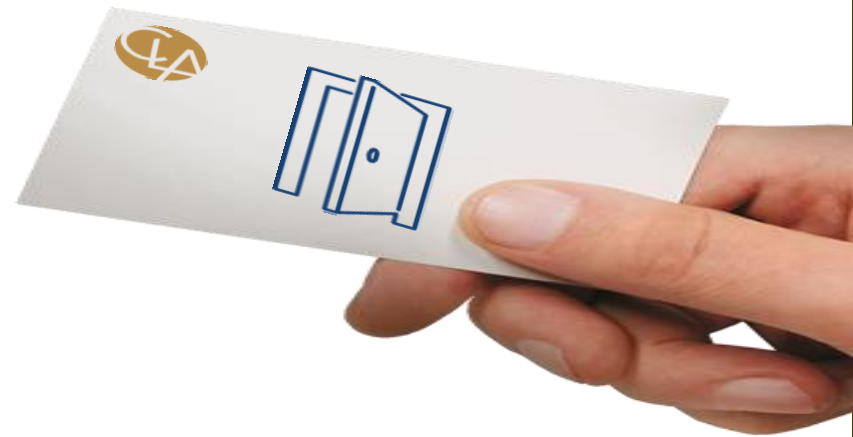


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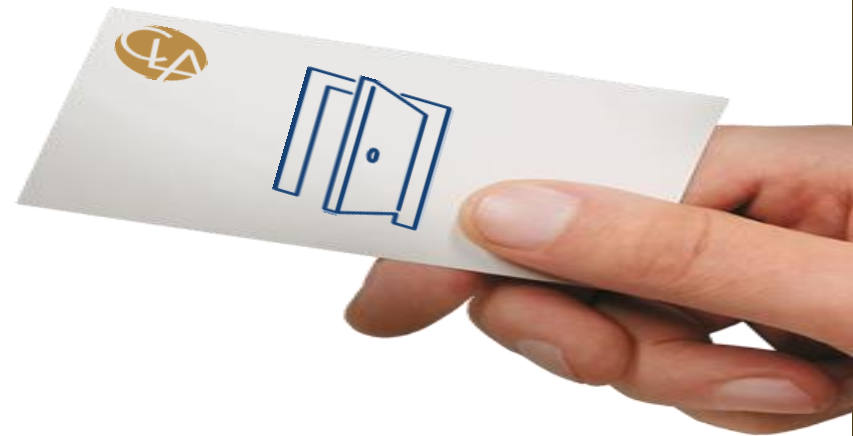
Topics

- Policies and Procedures
- Data Analytics Trends
- Fraud and Environment
- Paperless Environment
- Uniform Grant Guidance
- Lease Standard



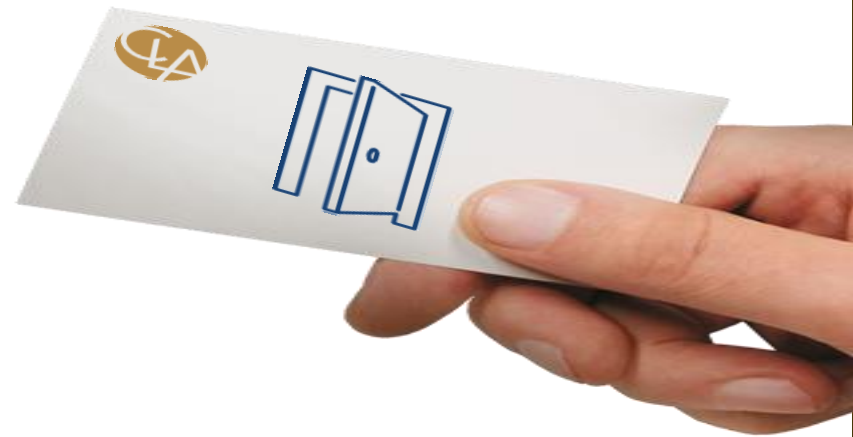
Policies and Procedures

- Have you done the following recently?:
 - Changed Computer Systems
 - Enhanced utility of electronic systems
 - Reassigned personnel/duties
 - Undergone an entity-wide reorganization



Policies and Procedures (continued)

- Time for a review of current policies and procedures
- Questions to ask
 - Do current policies and procedures mirror current activity?
 - Have we created segregation of duties problems?
 - Have we created a new activity not previously identified?



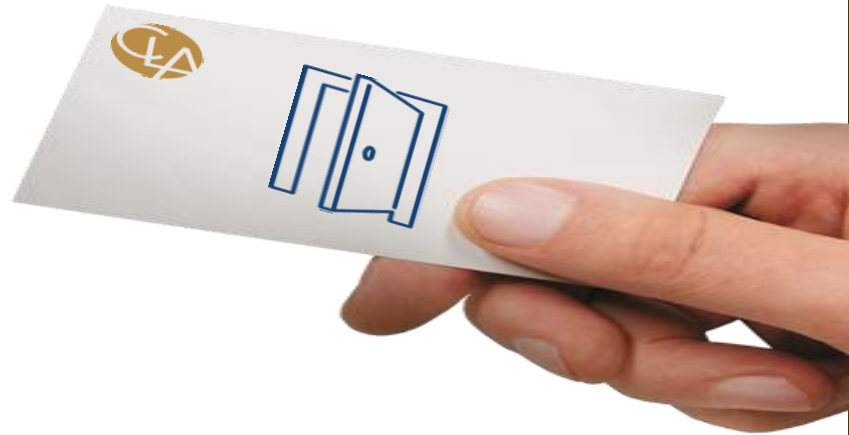
Policies and Procedures (continued)

- If answers to any of the above is **YES**, time for a review and potential revision of policies and procedures
- Steps to take
 - Identify the affected policies/procedures
 - Review for content and clarity
 - Revise as needed
 - Consider total rewrite as opposed to stuffing a round peg in a square hole



Data Analytics Trends

- Data Analytics is the use of entire populations to review for specific attributes
- It is being used more by organizations and auditors to determine trends and anomalies
- It has become part of the process instead of the flavor of the month
- If your auditor isn't currently using these techniques, **they should be!**



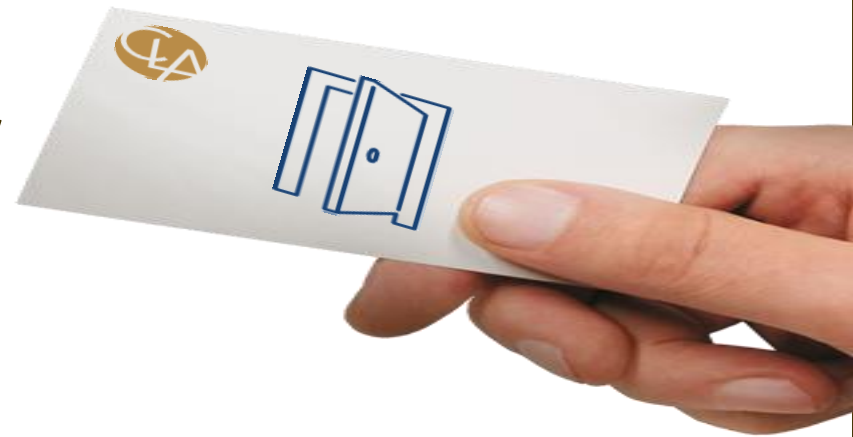
Data Analytics Trends (continued)

- Can be used to help answer questions at a deeper level, for example:
 - What is the overtime trend?
 - ◇ Departments
 - ◇ Time of year (last qtr. heavier)
 - Do we have employees who are also vendors?
 - Unusual timing of transactions – evenings and weekends?
 - Unusual dollar amounts?
 - Relation of employee overtime to retirement?



Data Analytics Trends (continued)

- Needs for implementation/use:
 - Database
 - ◇ How easily is data extracted from system
 - ◇ New ERP systems easily extracted, but not necessarily complete
 - ◇ May require manipulation
 - Software
 - ◇ Two main programs – IDEA and ACL
 - Scripts
 - ◇ Definition of attributes to review
 - ◇ Art not a science



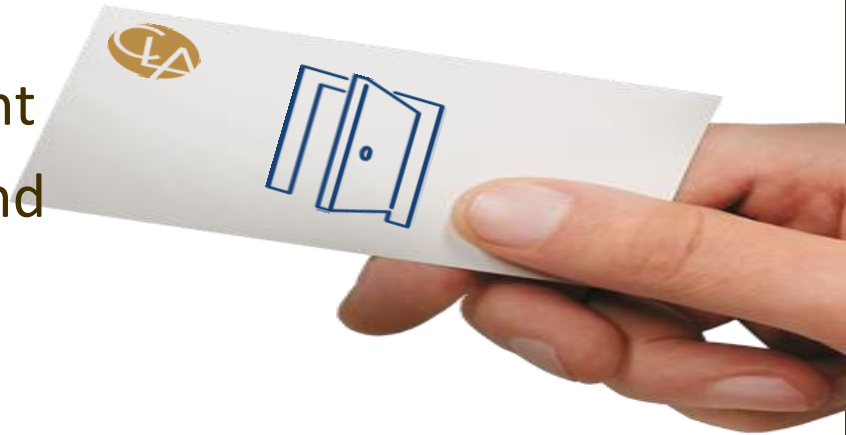
Fraud and Environment

- Environment always exists for fraud
 - Pressure
 - Opportunity
 - Rationalization
- Recent items in the news
 - Test score manipulation to meet standards
 - ◇ Principals and administrators serving time
 - Purchasing kickbacks
 - Improper use of office
 - Outright theft
 - PCARDS – general stores usage, breakdown purchases



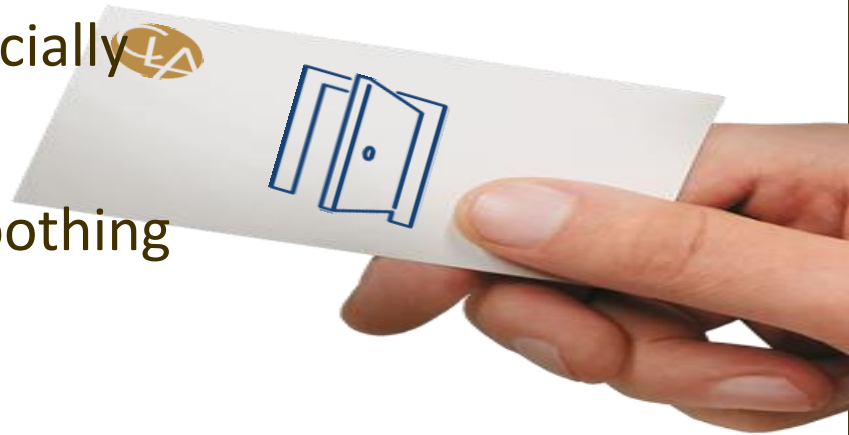
Paperless Environment

- Movement to maintaining everything online
 - Paper storage is more expensive than electronic
 - May require investment in scanning capabilities
 - More efficient in data retrieval
- Getting out of the check writing business
 - Should enhance controls around fraudulent check transactions
 - Easier to track recipient account
 - Resolves bank reconciliation and escheat issues
 - May enhance float



Uniform Grant Guidance

- New guidance will probably reduce number of programs tested – Good thing
- Will also affect timing of programs tested, eliminate the ability to “smooth” – Not so good
- Previously some smoothing was done to maintain uniform number of programs tested (peaks and valleys)
- States petitioned OMB for relief
- We have been made aware unofficially that there appears to be relief on the horizon to allow a degree smoothing



Leases

- The new lease standard is moving through the system
- Anticipated to be in effect for years beginning after December 15, 2018 (June 30, 2020)
- Start to gather necessary info now such as lease terms, interest rates, etc
- May want to consider preparing amortization schedules for new leases which will be in effect at the time of implementation





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