

Update for Financial Professionals in Local Governments

SPRING 2018



Office of the
State Auditor

State Auditor Training Spring 2018

- Role of the Office of State Auditor
- Available Resources
- Updates and Changes
- Fraud in Local Governments



Office of the
State Auditor

Role of the State Auditor

- Financial auditor of state and its agencies
- Performance audits
- Special projects and fraud hotline
- Local government oversight



Local Government Oversight

- Ensures uniform accounting, budgeting, and financial reporting by Utah's local governments.
- Reviews audits of all LG entities for compliance
- Trains LG officials and CPAs conducting governmental audits



Info & Resources via our Website

- Online Training
- Publications
 - Auditor Alerts
 - Uniform Accounting Manual
 - Little Manual for Local and Special Districts
 - Audit Guide, AUP, and Self Evaluation
 - Financial Survey
 - Templates



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UPDATE:

Recent Publications

- Auditor Alerts

- 2017-01 Violations of State Nepotism Laws by Public Entities
- 2017-02 Cash Equivalents Reporting and Controls
- 2017-03 Noncompliance with Reporting Personal Vehicle Use
- 2017-04 Separation of Duties between the Clerk and Treasurer
- 2014-01a (Updated) Enterprise Fund Xfers, Reimbursements, Loans, & Services



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UPDATE:

Common Audit Findings in 2017

- Inadequate Internal Control
- Open and Public Meetings Compliance
- Exceeding Budgeted Expenditures
- Fund Balance
 - Negative balance
 - Excess Fund Balance in the General Fund



UPDATE:

Reporting Requirements

- All Financial Statement must be searchable
- Discrete Component Units – Memo in lieu of FS
- Transparency
 - Rev and Expense - 4th Quarter - 30 days
 - Rev and Expense - Post Audit - 180 days



Fraud in Local Governments

- How can we prevent fraud?
- What actually works?
- Do some controls work better than others?
- Who is responsible to prevent and detect fraud?
- Do those responsible understand their responsibility?



Fraud in Local Governments

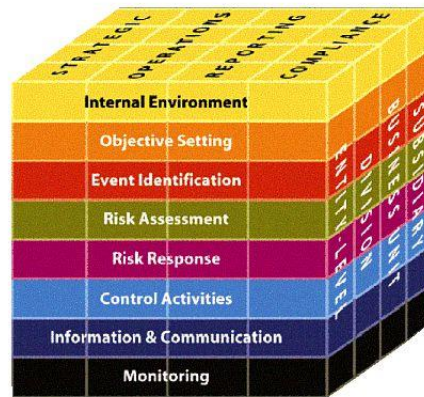
- How to we ensure their understanding?
- How do we communicate in terms they understand?
- How can we make it simple to implement?
- How can we keep it alive?



Internal Controls

- We have tried to simplify COSO

COSO Framework (New)



Source: sox-online.com



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Internal Controls

- We have tried to simplify COSO



Internal Controls

- Your risk of undetected fraud, abuse, and non-compliance is...

Very Low

Low

Moderate

High

Very High

- Meaning, if it were to happen, this is the likelihood of it going undetected.

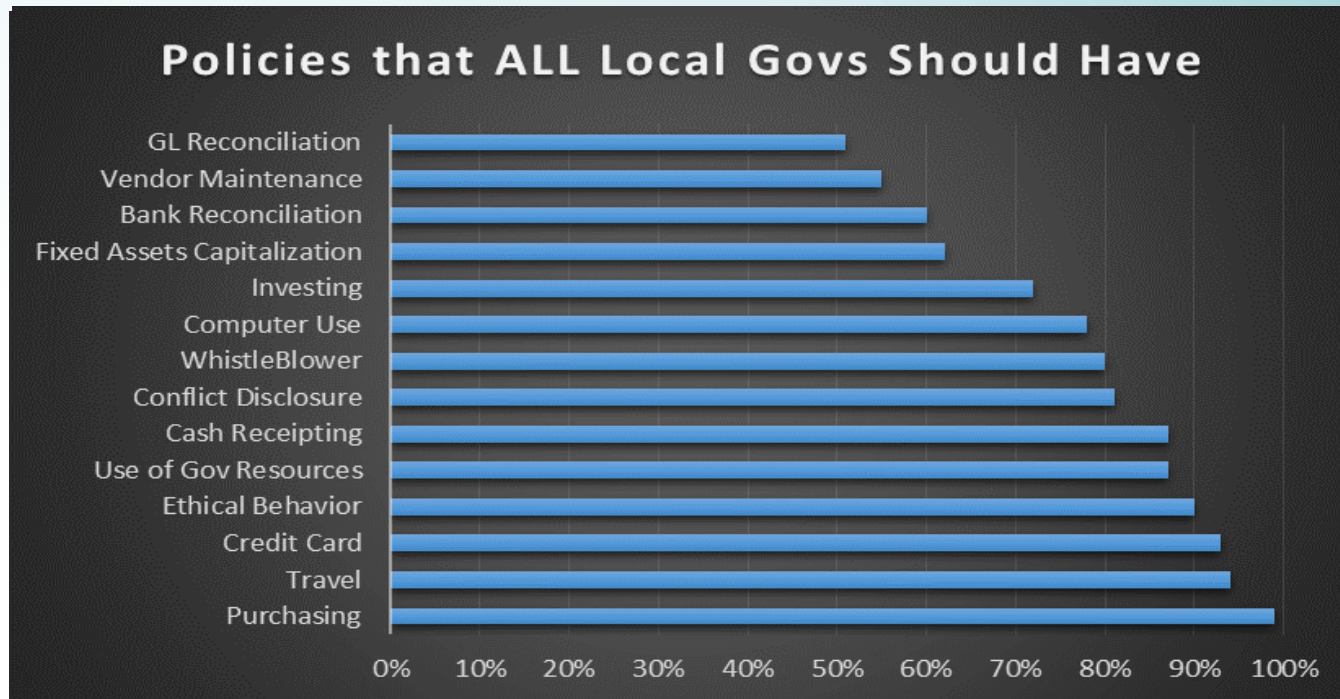


Internal Controls

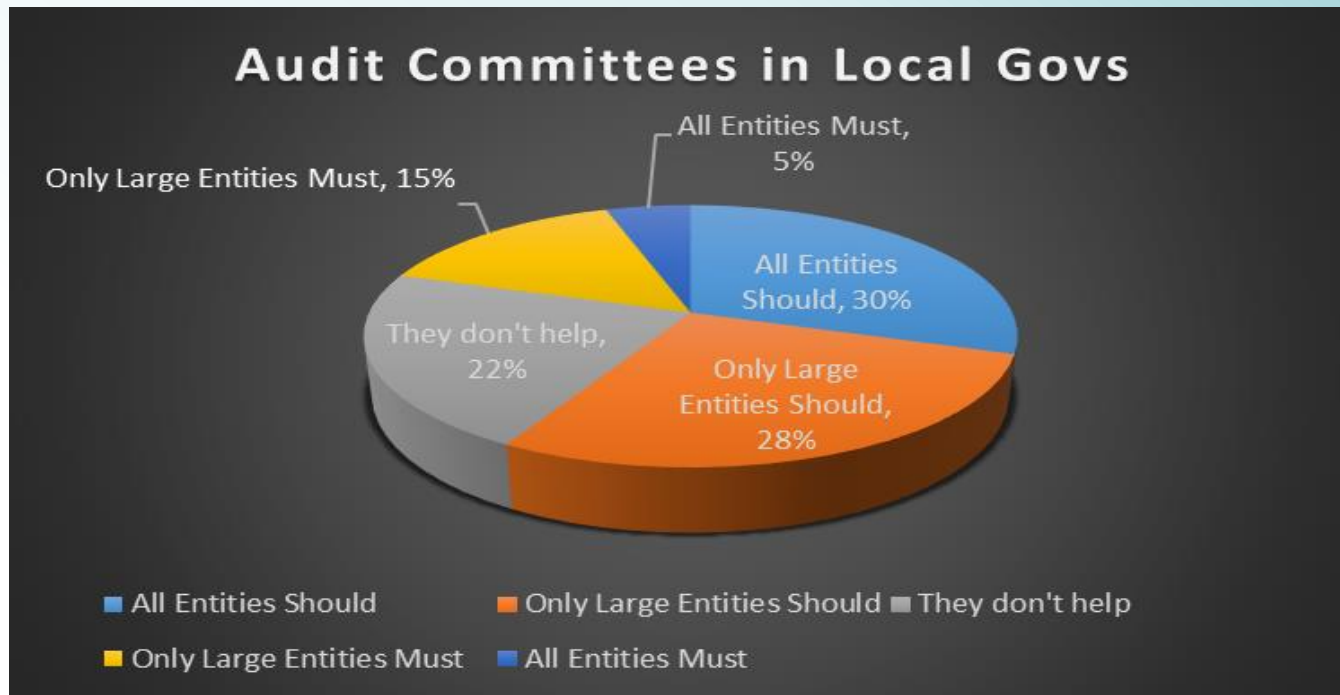
- If you would like to reduce this risk, we recommend the following best practices:
 - Put the rules in writing (policies, procedures)
 - Ensure all play by the rules (monitor)
 - Encourage others to report violations (hotline)
 - Hire qualified people (degrees, certifications)
 - Ongoing Training (staff, boards)



Fraud Risk Reducing Measures

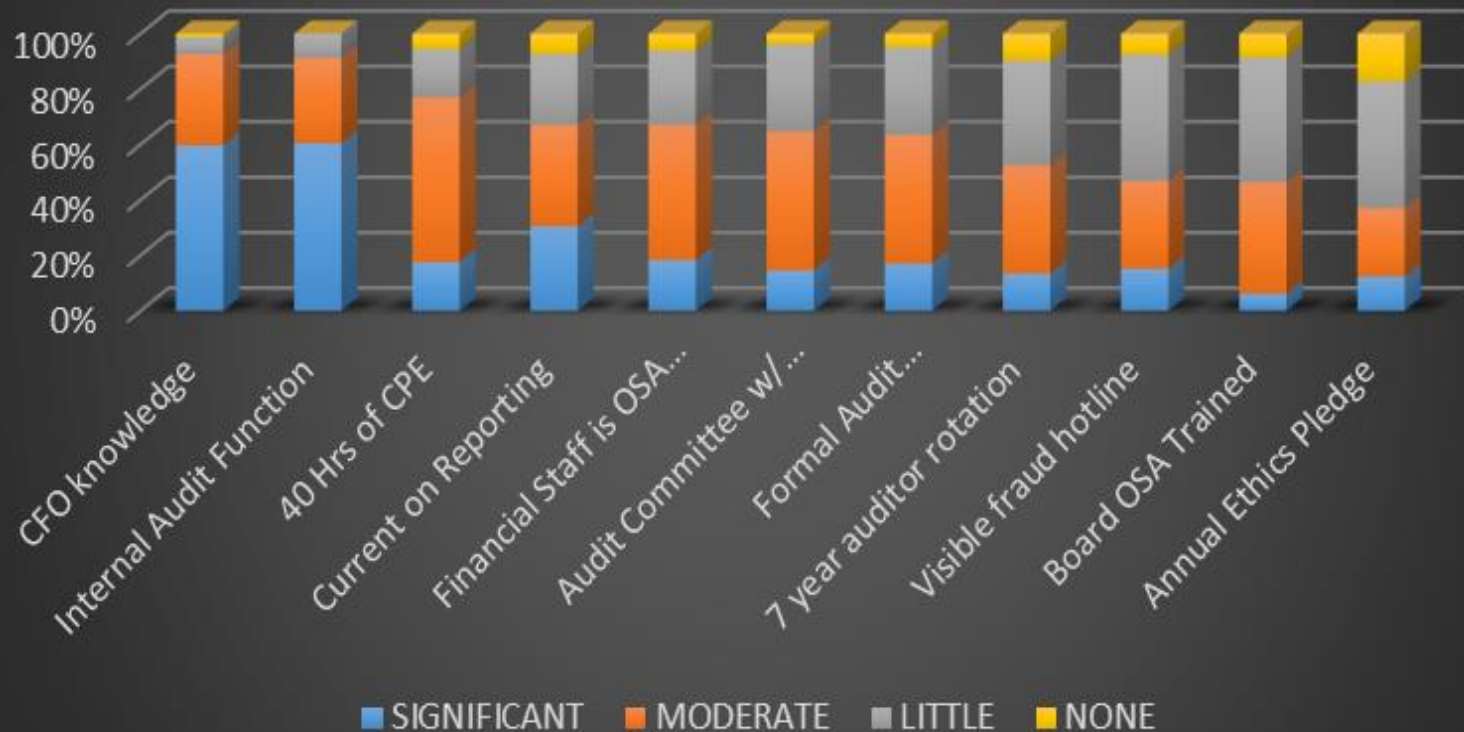


Fraud Risk Reducing Measures



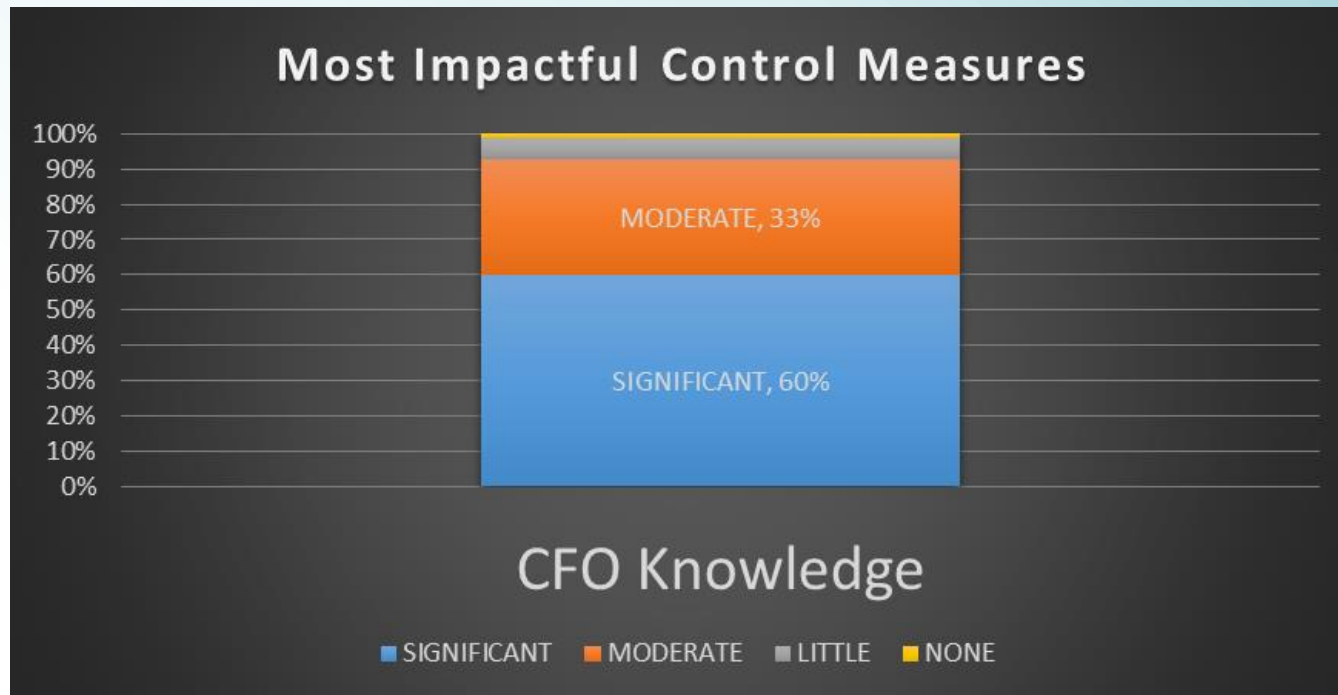
Fraud Risk Reducing Measures

Most Impactful Control Measures



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Fraud Risk Reducing Measures

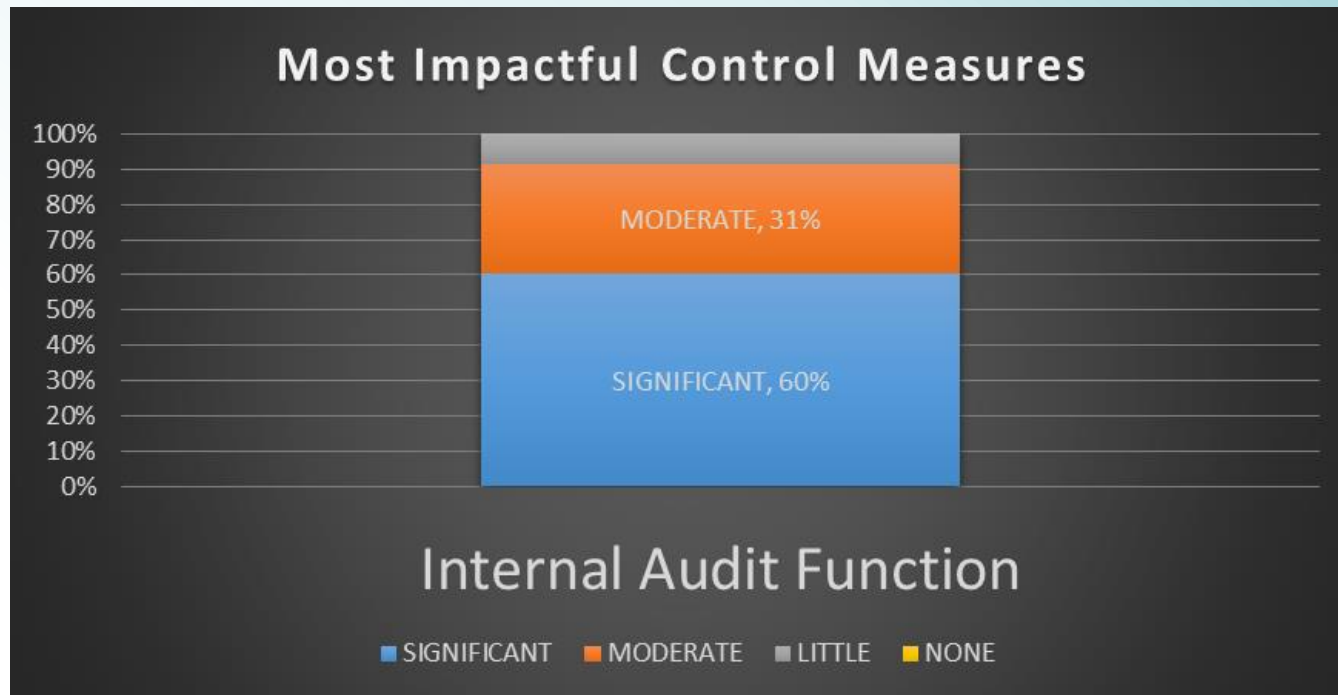


Our Weighted Value
11%



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Fraud Risk Reducing Measures

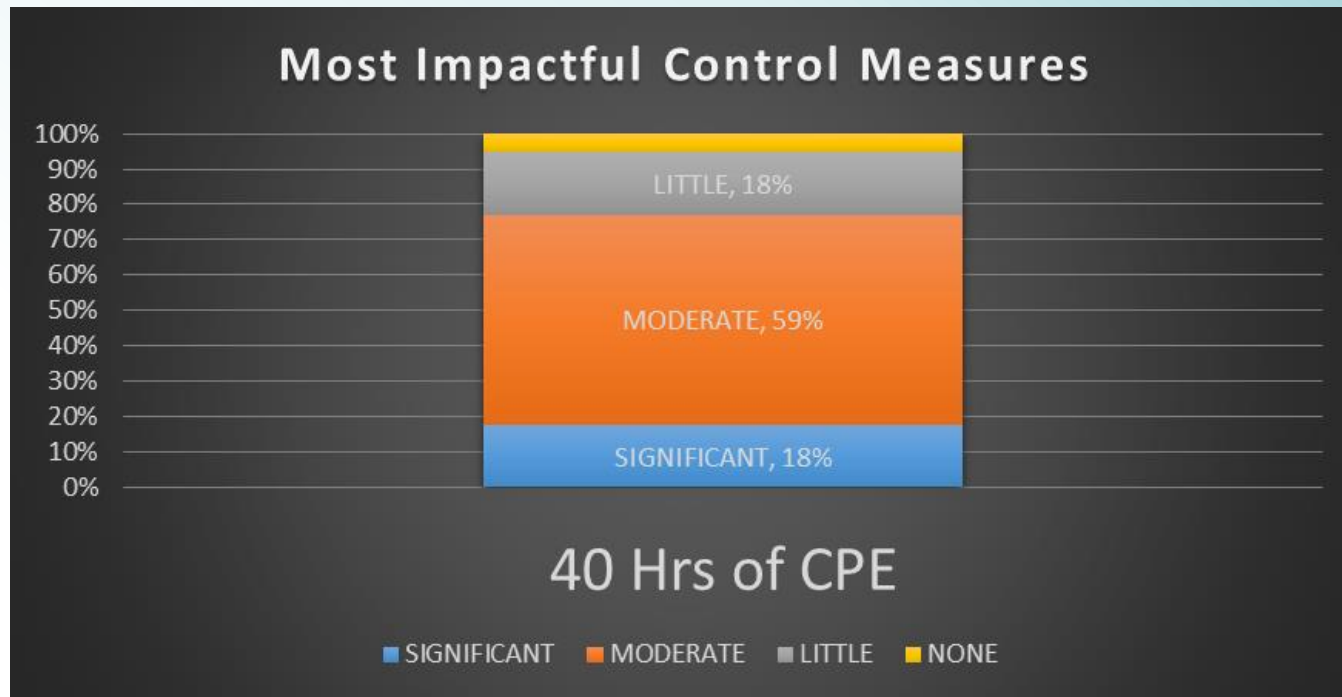


Our Weighted Value
29%



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Fraud Risk Reducing Measures

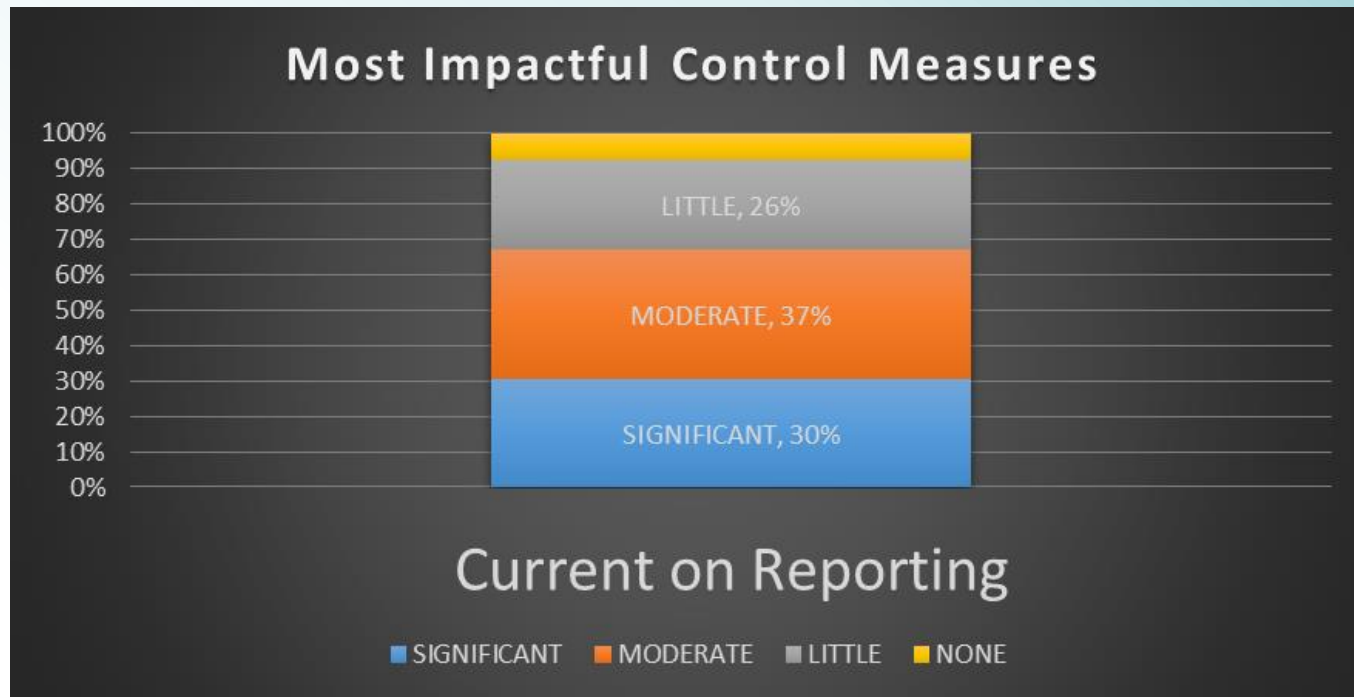


Our Weighted Value
9%



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Fraud Risk Reducing Measures

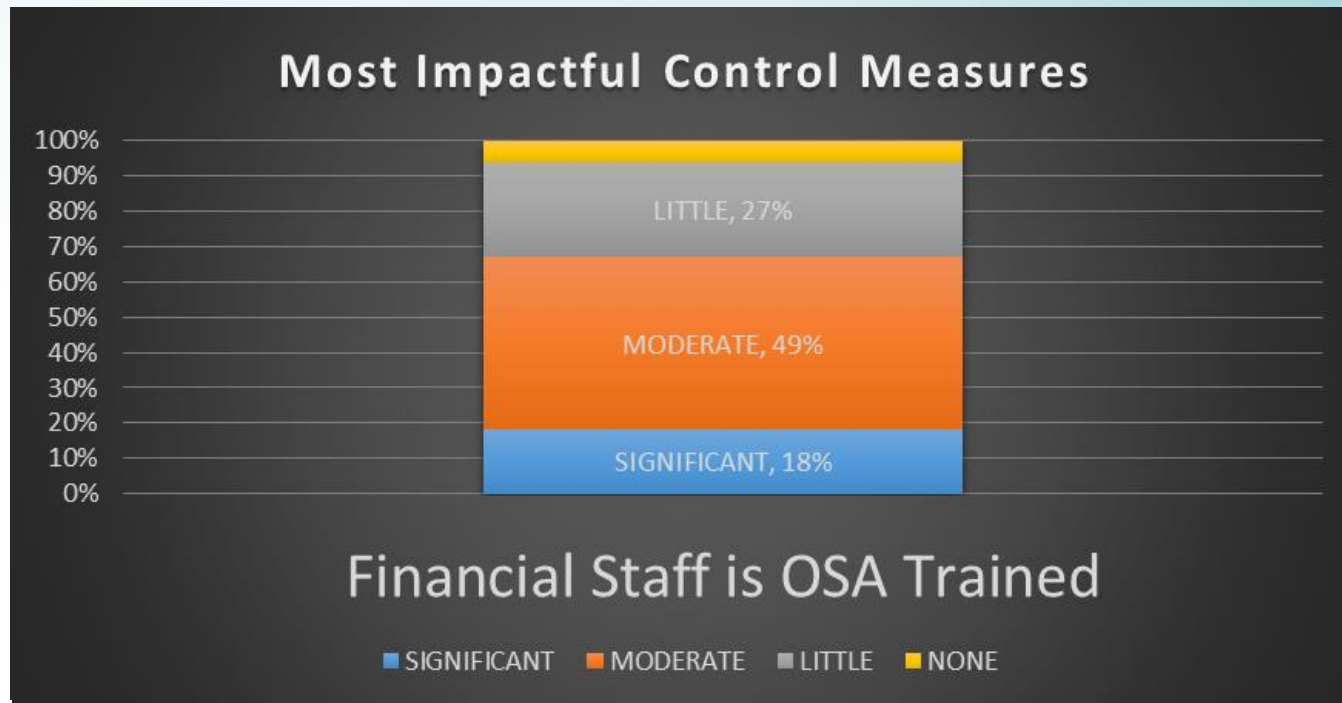


Our Weighted Value
0%



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Fraud Risk Reducing Measures

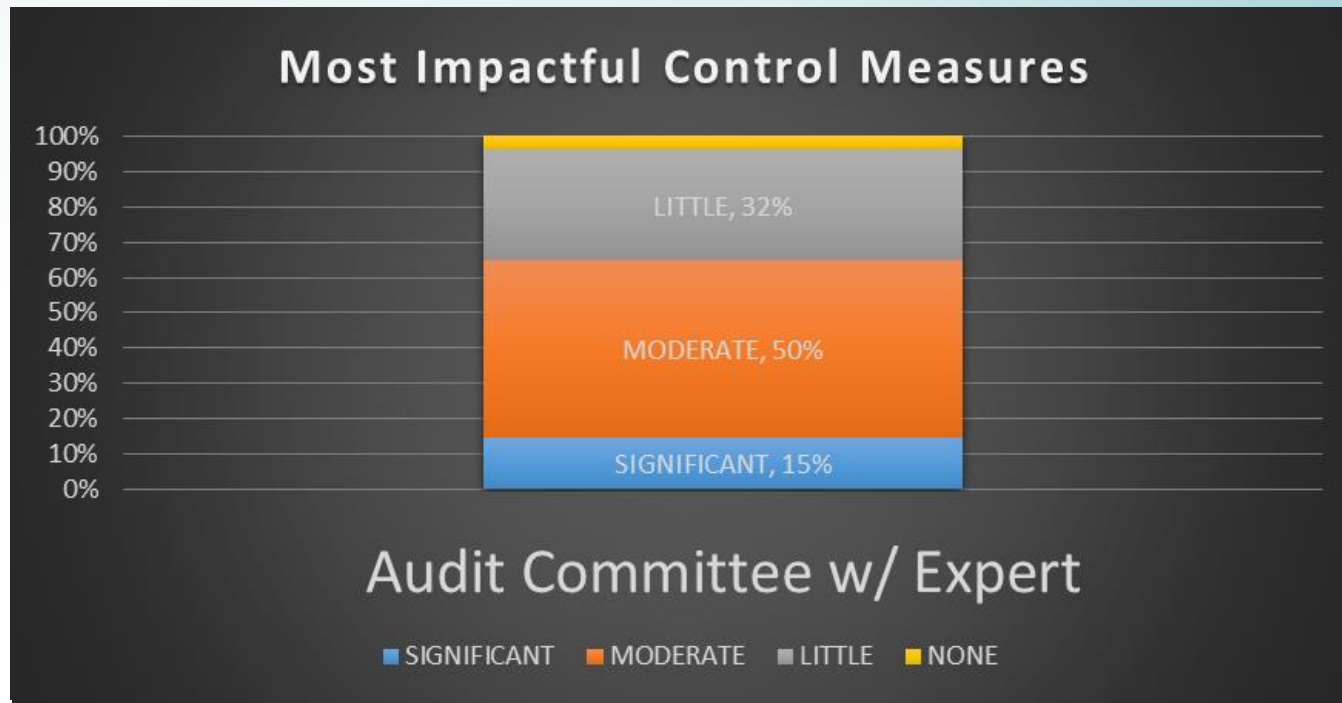


Our Weighted Value
0%



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Fraud Risk Reducing Measures

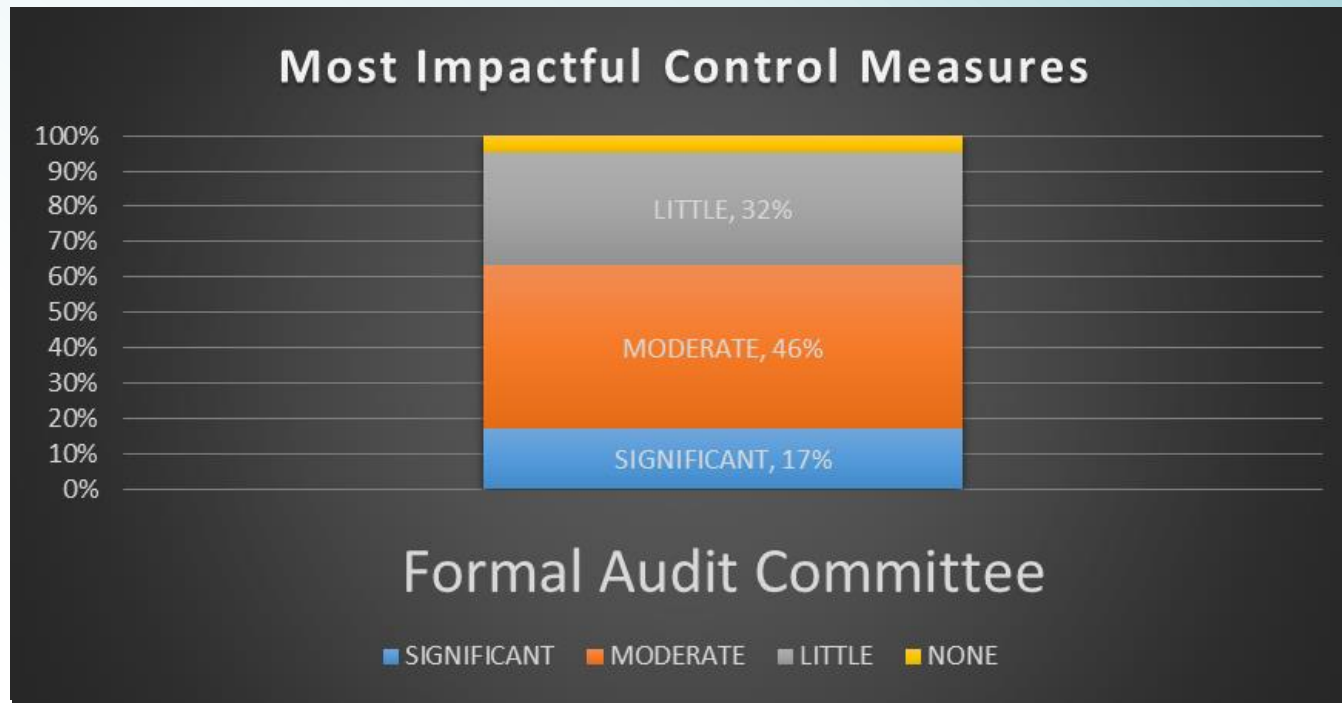


Our Weighted Value
0%



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Fraud Risk Reducing Measures

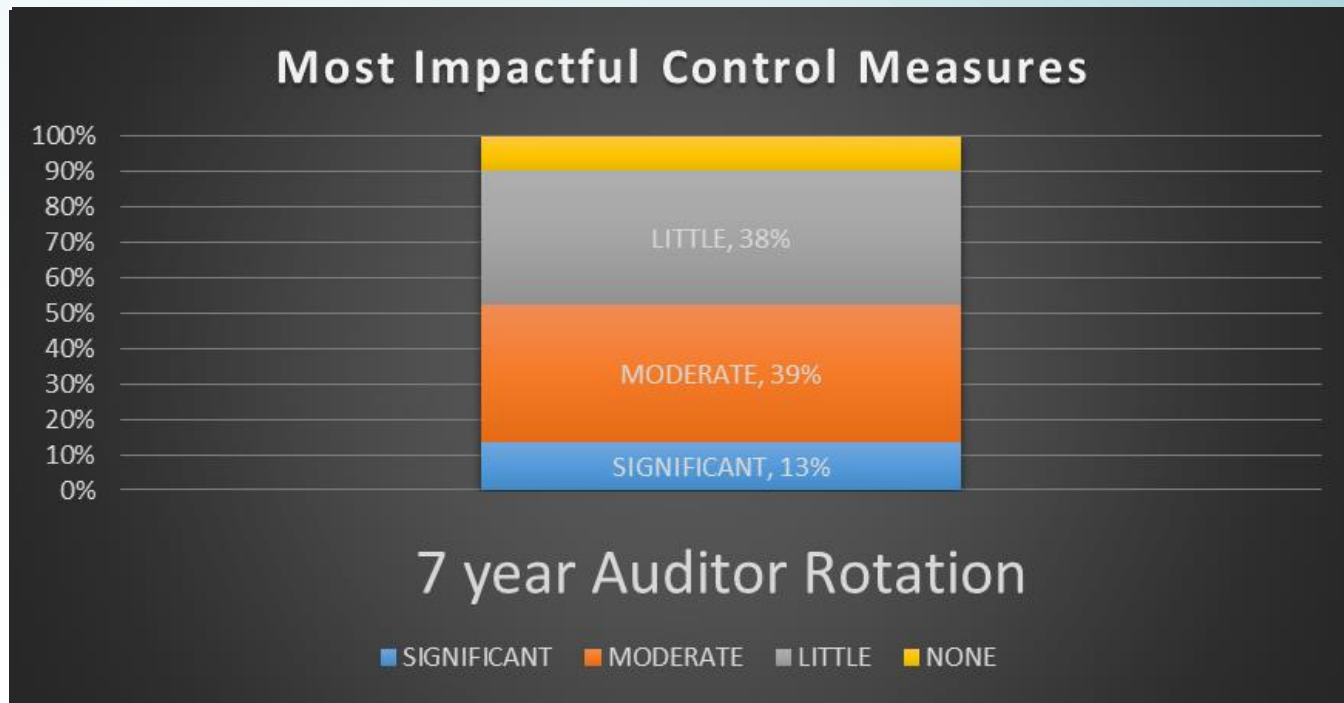


Our Weighted Value
11%



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Fraud Risk Reducing Measures

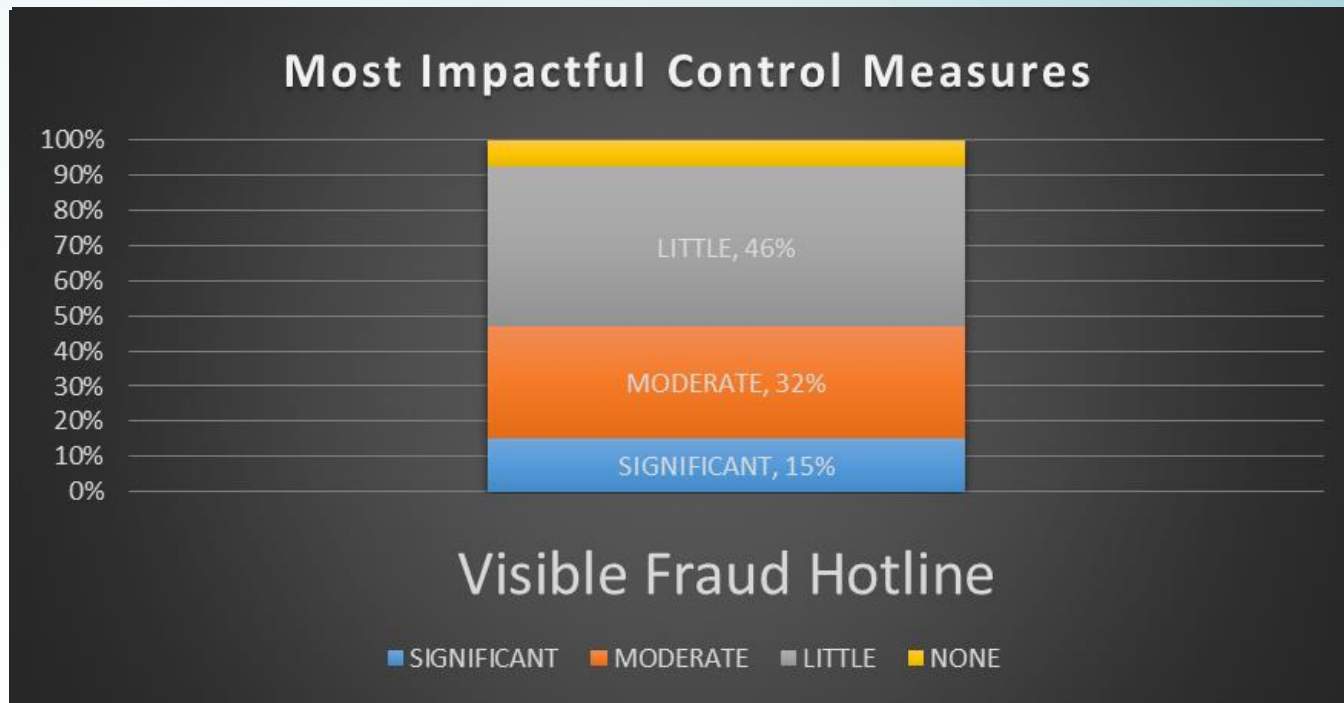


Our Weighted Value
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Fraud Risk Reducing Measures

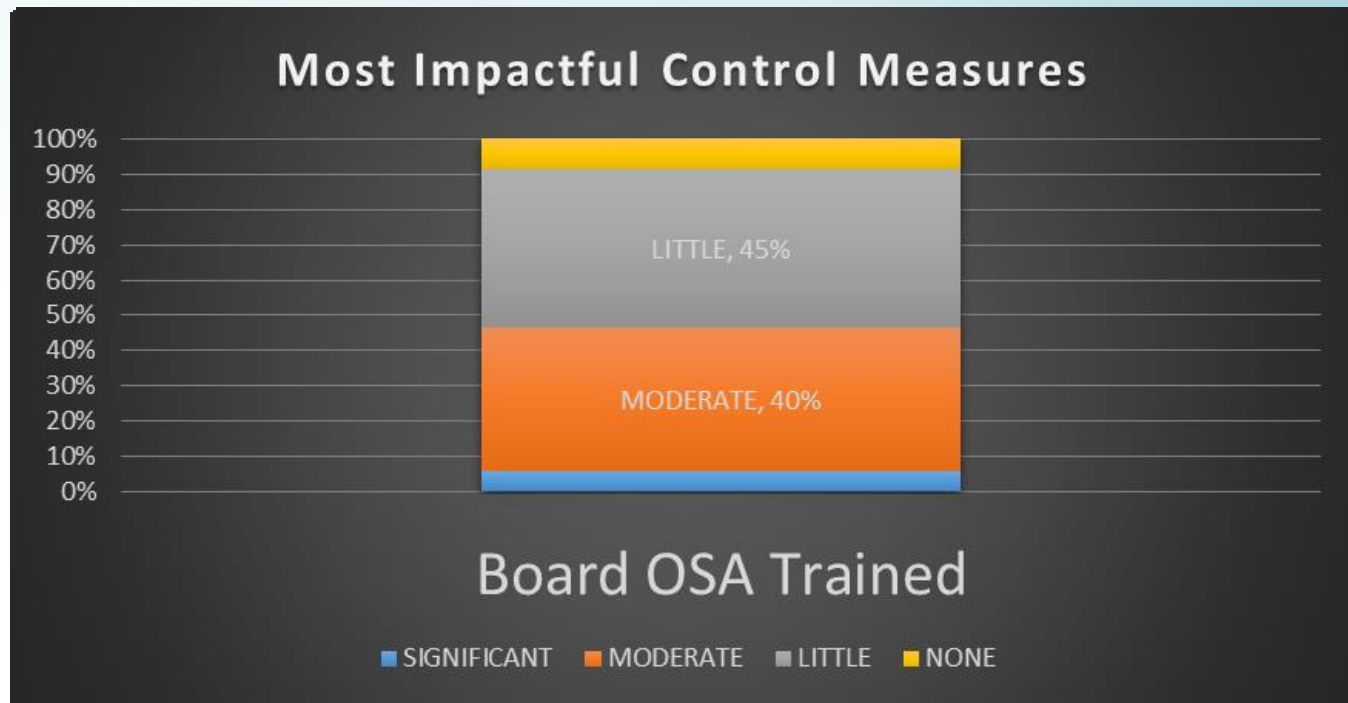


Our Weighted Value
20%



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Fraud Risk Reducing Measures

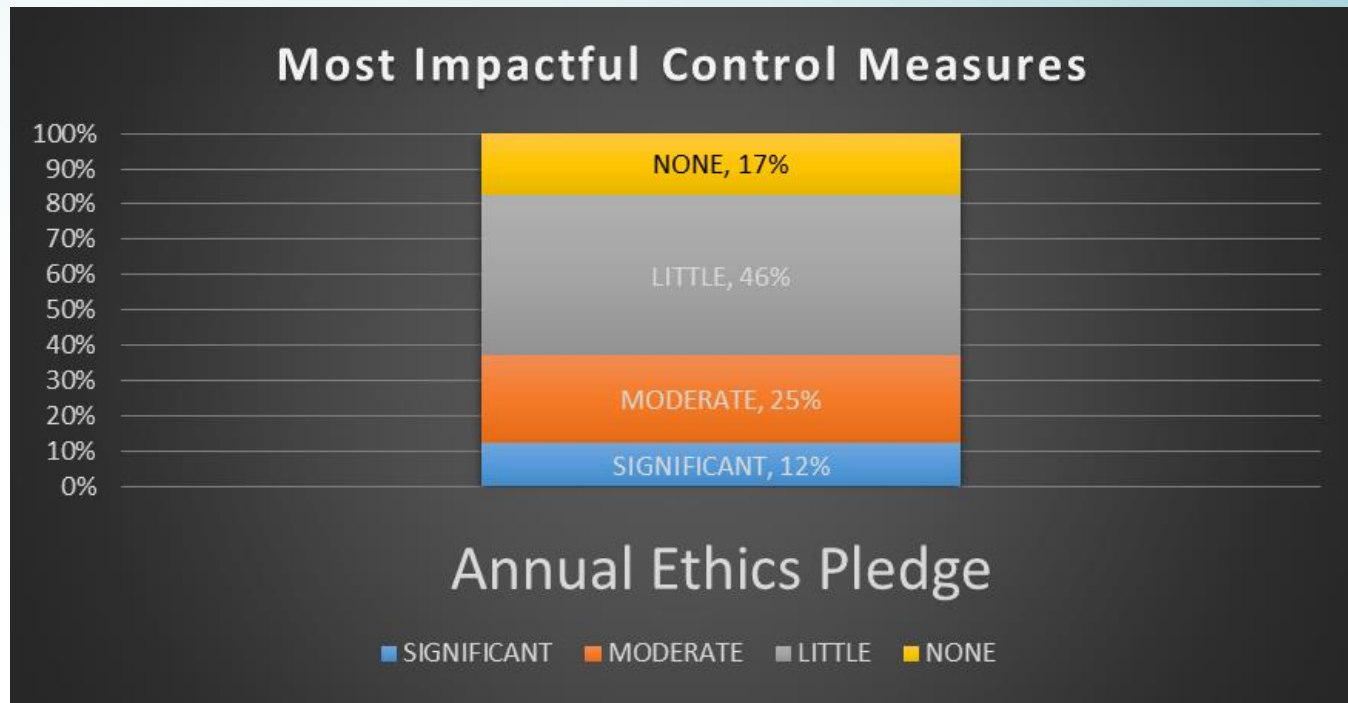


Our Weighted Value
3%



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Fraud Risk Reducing Measures



Our Weighted Value
6%



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Fraud Risk Reducing Measures

- We have tried to simplify it

Fraud Risk Reducing Measures	Points Available			
Internal Audit Function	50			
Fraud Hotline	35			
Audit Committee	20			
Qualified Staff – CPA (20 pts) or Degree in Accounting (10 pts)	20			
Qualified Staff – 40 Hrs of Formal Financial Training Each Year	15			
Annual Ethics Pledge by Employees and Elected Officials	10			
Board Members Completed Office of State Auditor Training	5			
Policies – Reporting Fraud or Abuse	4			
Policies – Conflict of Interest Disclosure	4			
Policies – Ethical Behavior	3			
Policies – Entity-Related Travel	3			
Policies – Credit Cards	2			
Policies – Cash Receipting and Deposit	1			
Policies – Purchasing	1			
Policies – Personal Use of Entity Assets	1			
Policies – IT and Computer Use	1			
	<u>175</u>			
	<u><u>175</u></u>			
Very Low	Low	Moderate	High	Very High
>= 145	>= 110	>= 80	>= 65	< 65



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Fraud Risk Reducing Measures

Fraud Risk Reducing Measures	Points Available	% of total
Internal Audit Function	50	29%
Fraud Hotline	35	20%
Audit Committee	20	11%
Qualified Staff – CPA (20 pts) or Degree in Accounting (10 pts)	20	11%
Qualified Staff – 40 Hrs of Formal Financial Training Each Year	15	9%
Annual Ethics Pledge by Employees and Elected Officials	10	6%
Board Members Completed Office of State Auditor Training	5	3%
Policies – Reporting Fraud or Abuse	4	2%
Policies – Conflict of Interest Disclosure	4	2%
Policies – Ethical Behavior	3	2%
Policies – Entity-Related Travel	3	2%
Policies – Credit Cards	2	1%
Policies – Cash Receipting and Deposit	1	1%
Policies – Purchasing	1	1%
Policies – Personal Use of Entity Assets	1	1%
Policies – IT and Computer Use	1	1%
	175	100%



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Feedback and Questions



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