Maryland Government Finance Officers Association

Potpourri of Items

June 24, 2016
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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