NASACT news

keeping state fiscal officials informed

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October 2009

NASACT FY 2010: A Year of New Challenges and Opportunities

By Glen B. Gainer, III, State Auditor of West Virginia and President of NASACT

As our association begins a new working year, I'd like to reflect briefly on the accomplishments that have lifted us into the present.

I have nothing but praise for the outstanding leadership of our outgoing president, Thomas McTavish, auditor general of Michigan. He has guided NASACT gracefully through some turbulent economic times and hosted a tremendous conference for us in Dearborn.

Thanks also to our committees. They do so much work on behalf of the association. The numerous hours members devote to committee work is paramount to our success.

Of course, we could not progress without the competency and commitment of Kinney Poynter and Cornelia Chebinou, NASACT's executive director and Washington director respectively, and their able staff members. Thank you.

This year, we'll focus on the American Recovery and Reinvestment Act, which will be a big issue for us. Many state accounting systems are not designed to track the funds. But we will continue educating and working with members to ensure that states are properly reporting and efficiently meeting transparency requirements.

A second focus this year will be supporting the repeal of the three percent withholding requirement of the Tax Increase Prevention and Reconciliation Act of 2005. As I testified before the IRS in March, I do not believe it is our costly responsibility to withhold part of our payments to vendors and remit that money to the federal government. Most state and local governments do not have systems in place to do this. It could also destroy many successful purchasing-card programs.

A new initiative for us is protecting states against fraud. As many of you may know, my state, along with others, was a victim of an elaborate vendor identity theft crime. Fraudsters diverted ACH payments from legitimate vendors to fraudulent accounts. This raises the issue of how we authenticate vendors with whom we do business as they request changes in the payment and billing information. My goal is to develop new standards and internal controls to protect our states from future victimization.

Finally, it's not too early to begin planning for the 2010 NASACT conference, with the theme of "A New Perspective." It will be held in wild and wonderful West Virginia August 7 through 11. We plan to offer an exciting technical program coupled with several creative outdoor adventures. Expect a great conference.

Please contact me or my staff if I can help in any way. ■

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Glen B. Gainer, III, became president of NASACT in August 2009 at the NASACT Annual Conference. He was elected as West Virginia's 19th state auditor in November 1992 and re-elected in 1996, 2000 and 2004. He is a past president of the National Association of State Comptrollers and has served as president of the West Virginia Jump Start Coalition.

Are You Interested in Serving on a NASACT Committee?

Committee participation is one of the best ways to get involved in NASACT's activities. NASACT President Gainer, is currently working to finalize the 2009-10 committee list. If you are interested in serving on one of the committees listed below, please contact Glenda Johnson at gjohnson@nasact.org or (859) 276-1147. Descriptions of the committees can be found at www.nasact.org/nasact/committees/index.cfm. ■

- Annual Conference
- International
- Membership Development
- Training and Professional Development
- Committee on Accounting, Reporting and Auditing
- Financial Management and Intergovernmental Affairs
- Governmental Accounting and Market Oversight

Below is a summary of activities related to the American Recovery and Reinvestment Act that have occurred since the last issue of *NASACT News* in September.

Recovery Act FAQs

On September 24, the U.S. Office of Management and Budget posted some additional Recovery Act FAQs at www.whitehouse.gov/omb/recovery_faqs. The new questions and answers are designated with an asterisk.

GAO Issues Third ARRA Report

In late September, the U.S. Government Accountability Office issued its third report to Congress on the implementation by state and local governments of the Recovery Act. The report focuses on nine federal programs that have begun disbursing funds to states or that have known or potential risks. Of note to NASACT members is the report's discussion of internal control and the Single Audit as well as the recovery of administrative costs. A summary of the report as well as a link to the full report is available at www.gao.gov/Products/GAO-09-1016.

October 10 Reporting Deadline

The October 10 FederalReporting.gov deadline came and went with more than 112,000 recipients of grants, contracts and loans submitting data reports on their use of ARRA funds, according to officials of the Recovery Accountability and Transparency Board.

Recipients submitted reports either on their own or through their state governments to the site, which is managed by the Recovery Board. Data on contracts issued by federal agencies was posted publicly on Thursday, October 15, on Recovery.gov, another website managed by the Recovery Board. The information will cover nearly 9,000 recipients. Grants and loan recipient data will be posted on October 30.

ARRA Cost Allocation Guidance

Earlier this year, a NASACT working group provided input to the U.S. Office of Management and Budget on an alternative cost recovery model to help states recover costs associated with the implementation of ARRA.

On August 7, NASACT sent a letter to the OMB requesting a waiver of certain traditional A-87 requirements, notably, (1) certain depreciation and use allowances for capital equipment and (2) the requirement for allocation to be associated with relative benefit received. The letter may be viewed at www.nasact.org/nasact/committees/cara/downloads/recovery/NASACT_Waiver_Request_to_OMB_8_7_09_LH.pdf.

On October 13, the OMB issued a memorandum regarding "Payments to State Grantees for their Administrative Costs for Recovery Act Funding – Alternative Allocation Methodologies." The memo can be downloaded at www.nasact.org/nasact/committees/cara/downloads/recovery/NASACT_Waiver_Request_to_OMB_8_7_09_LH.pdf. The memo provided clarification on three specific questions. The questions and answers listed in the memo are reprinted below:

1. Can an alternative depreciation schedule be used for capital equipment purchased for ARRA oversight?
Answer: *Section 11, Appendix B of OMB Circular A-87,* Depreciation and Use Allowances, *provides that equipment depreciation costs must be allocated to each state fiscal year based upon the useful lives of the equipment. However, because of the short nature of the ARRA programs and the need to quickly increase the states' oversight capabilities, we believe that it is reasonable to allow the depreciation costs of capital equipment purchased solely for the purpose of ARRA oversight, reporting and auditing to be depreciated over the life of ARRA programs, but for a period of no less than three state fiscal years. This exception is available to every state that submits a supplemental ARRA SWCAP proposal to HHS [U.S. Health and Human Services], including those states that normally follow the use of allowance method for equipment costs.*

2. Can ARRA administrative costs be allocated to state agencies based upon the amount of ARRA funds received?
Answer: *Section C.3 of Appendix A,* Basic Guidelines, Allocable Costs, *requires that costs are allocable only if the goods and services involved are chargeable in accordance with the relative benefits received. Consistent with this guideline, some state ARRA administrative costs (such as the Recovery Office or ARRA reporting costs) can be allocated based on amount of funds received. In order to facilitate efficient and timely recovery of ARRA administrative costs, the states may also use the amount of ARRA funds received as the allocation base and/or billing methodology for other ARRA oversight, reporting and auditing costs incurred by state central service agencies.*

3. Can a state include estimated ARRA administrative costs for multiple years in the current ARRA Supplemental SWCAP?
Answer: *Ordinarily, the SWCAP can only include costs for the specific state fiscal year and costs cannot normally be shifted between state fiscal years. However, the states must recover ARRA oversight, reporting and auditing costs as soon as possible in order to timely maximize the states' capacity to effectively perform ARRA oversight, reporting and auditing. To facilitate this goal, it is reasonable to allow the states to include multiple-year costs in the current ARRA Supplemental SWCAP. The total ARRA administrative costs are still limited to 0.5 percent of the ARRA funds received by the state.*

It is important to note that the above special treatments apply only to state ARRA oversight, reporting and auditing costs and do not in any way change the requirements of OMB Circular A-87 for other federal programs or create any binding precedents for any other federal program.

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Visit NASACT's ARRA Resources page at www.nasact.org/nasact/committees/cara/downloads/recovery/recovery.cfm for links, resources and documents related to the implementation of ARRA.

New at www.nasact.org

The following new items have been posted on NASACT's website at www.nasact.org:

- NASACT's FY 2009 *Comprehensive Annual Financial Report* at www.nasact.org/nasact/aboutus/financials.cfm.
- A new link has been posted on NASACT's website to reports issued by the Office of Inspector General for Audit at the Social Security Administration (SSA) at www.nasact.org/washington/links.cfm. The link can be found under "Social Security Administration Office of the Inspector General–Reports." This office conducts audits of the state Disability Determination Services (DDS) which performs a vital role for SSA in reviewing applications for disability benefits. These organizations are fully funded by SSA and thus, the audit group reviews the agencies to ensure the funds were used appropriately. Many times the OIG's auditors will talk to state auditors to determine if they have done any work in the DDS area, but the final reports are not shared with the state auditors. The resulting reports are issued to the head of the state agency to which the DDS reports. The SSA OIG believes these audit reports may be of interest to the state auditors. To receive an email update whenever a new report is posted to SSA OIG's website, subscribe to their notification system at www.ssa.gov/oig/resources/subscription.htm.
- NASACT's response letter to the Governmental Accounting Standards Board's exposure draft entitled Accounting and Financial Reporting for Service Concession Arrangements at www.nasact.org/nasact/positions/GASB.cfm.
- NSAA's response letter to the American Institute of Certified Public Accountants to an exposure draft of a proposed statement on auditing standards entitled *Quality Control for an Audit of Financial Statements* at www.nasact.org/nsaa/positions/aicpa.cfm.
- Technical inquiry regarding "Audits of Local Governments" at www.nasact.org/nsaa/technical/index.cfm (you must be logged in as a member to view the document).
- Technical inquiry regarding "Single Audits - ARRA Major Program Determination at www.nasact.org/nsaa/technical/index.cfm (you must be logged in as a member to view the document).
- NASACT's letter to the U.S. Office of Management and Budget requesting certain A-87 waivers at www.nasact.org/nasact/committees/cara/downloads/recovery/recovery.cfm (under "Correspondence").
- U.S. Office of Management and Budget memo on ARRA-related alternative allocation methodologies at www.nasact.org/nasact/committees/cara/downloads/recovery/recovery.cfm (under "Correspondence").

NSAA Seeks Peer Review Team Members

The National State Auditors Association's Peer Review Program is anticipating a busy year, with 15 reviews scheduled in 2010. NSAA is seeking members and team leaders to serve on peer review teams.

Potential team members should visit www.nasact.org/nsaa/peerreview/index.cfm and complete the "Team Member Qualifications Form" (you must be logged in as a member to get to the form). If you filled out a previous qualification form, you must still fill out a new form to be considered for the upcoming year. Those interested in participating should complete and submit the "Team Member Qualifications Form" by December 1, 2009, to Fay Kurkjy at fkurkjy@nasact.org. Questions may directed to Fay at the same e-mail address or at (859) 276-1147.

Mark Your Calendar: Upcoming Conference/Information Sharing Calls

To get information about joining a NASC group, contact Kim O'Ryan at koryan@nasact.org. To join an NSAA group, contact Glenda Johnson at gjohnson@nasact.org. Summaries of past calls and resources from these groups can found at www.nasact.org (you must log in to the site to view the information).

- NASC Statement 51 Workgroup – October 28
- NASC Multi-State Consortium on Internal Control – October 29
- NSAA Human Resources – October 29
- NASC Transparency – November 3
- NASC State Government Payroll – November 4
- NASC ERP – November 5
- NASC ARRA Information Sharing Call – November 12
- NASC Derivatives Implementation Network – November 17
- NASC Travel and Purchase Card – November 18
- NASC E-Commerce – January 27
- NASACT Committee on Accounting, Reporting and Auditing – February 23

NSAA Seeks Input on AICPA EDs

The American Institute of Certified Public Accountants, through the Auditing Standards Board, has issued several exposure drafts as part of its clarity project. The ASB is seeking comments from all interested parties. The Audit Standards and Reporting Committee of the National State Auditors Association will be issuing an association response to each of the proposals. The documents may be downloaded from the AICPA's website at www.aicpa.org/Professional+Resources/Accounting+and+Auditing/Audit+and+Attest+Standards/Exposure+Drafts+of+Proposed+Statements/.

Comments for inclusion in NSAA's responses should be sent to Sherri Rowland, NSAA association director, at srowland@nasact.org, by the dates indicated in the chart below. Sherri may also be reached at (859) 276-1147. ■

Proposal Name	Description	Deadline to submit comments to AICPA	Deadline to include your comments in NSAA's response letter
Proposed SAS entitled *Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures* (Redrafted)	This proposed SAS would supersede SAS No. 57, *Auditing Accounting Estimates*, and SAS No. 101, *Auditing Fair Value Measurements and Disclosures*. On page 6 is a Guide for Respondents.	November 30	November 2
Proposed SAS entitled *Related Parties* (Redrafted).	This proposed SAS would supersede the "Related Parties" section of SAS No. 45, *Omnibus Statement on Auditing Standards—1983*. On pages 5-6 is a Guide for Respondents.	December 15	November 16
Proposed SAS entitled *Audits of Group Financial Statements (Including the Work of Component Auditors)*.	This proposed SAS would supersede SAS No. 1, section 543, *Part of Audit Performed by Other Independent Auditors*. On page 10-11 are the issues for consideration as well as a Guide for Respondents.	December 15	November 16
Proposed SAS entitled *Reporting on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country*	This proposed SAS supersedes SAS No. 51, *Reporting on Financial Statements Prepared for Use in Other Countries*. On page 5 of the ED is an Issue for Consideration as well as a Guide for Respondents.	December 31	November 30
Proposed SAS entitled *Engagements to Report on Summary Financial Statements*	This proposed SAS would supersede SAS No. 42, *Reporting on Condensed Financial Statements and Selected Financial Data*. On pages 6 and 7 of the ED are three Issues for Consideration as well as a Guide for Respondents.	December 31	November 30
Proposed SASs entitled (1) *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks* and (2) *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*	These proposed SASs would supersede SAS No. 1, section 544, *Lack of Conformity with Generally Accepted Accounting Principles*, as amended, and SAS No. 62, *Special Reports*, as amended, except paragraphs 19-21. On pages 5 and 6 of the ED are two Issues for Consideration as well as a Guide for Respondents.	December 31	November 30
Proposed SAS entitled *Reporting on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements* (Redrafted)	This proposed SAS would supersede paragraphs 19-21 of SAS No. 62, *Special Reports*. There is an Issue for Consideration on page 5 of the ED, as well as a Guide for Respondents on page 6.	December 31	November 30
Proposed SASs entitled (1) *Forming an Opinion and Reporting on Financial Statements; Modifications to the Opinion in the Independent Auditor's Report* and (2) *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*	These proposed SASs would supersede SAS No. 58, SAS No. 87, SAS No. 1 (Section 410), and SAS No. 32. There is an Issue for Consideration on page 13 of the ED, as well as a Guide for Respondents on page 14.	December 31	November 30
Proposed SASs entitled *Terms of Engagement* and *Written Representations*	The proposed SAS *Written Representations* would supersede SAS No. 85, *Written Representations*. No comparable extant SAS to the proposed SAS *Terms of Engagement* in its entirety exists. The proposed SAS *Terms of Engagement* would supersede paragraphs .03–.10 of SAS No. 84, *Communications Between Predecessor and Successor Auditors*. Additionally, some of the content in the proposed SAS *Terms of Engagement* is contained in paragraphs .08–.10 of AU section 311, *Planning and Supervision*. AU section 311 would be superseded in its entirety by the proposed SAS *Planning an Audit*.	January 15	December 28

Single Audit Roundtable Meets, ARRA Prominent on Agenda

The Single Audit Roundtable, a coalition of federal, state and private sector parties with a role in the Single Audit process, met on October 14. Almost half of the day-long agenda focused on states' implementation of the American Recovery and Reinvestment Act.

Kicking off the meeting was Jeannette Franzel of the U.S. Government Accountability Office, who highlighted work the GAO is conducting as required by the Recovery Act. Under the act, GAO is to conduct bi-monthly reviews of Recovery Act spending. GAO is concentrating its work on 16 of the largest recipient states plus the District of Columbia and is also conducting work in a sampling of localities from within the 16 states.

In its most recent report, GAO pointed out a number of issues related the Single Audit, including:

- The need to leverage the Single Audit to provide better accountability over Recovery Act funds.
- Concern regarding accountability when conducting Single Audit for Recovery Act funds due to the lag in reporting. GAO believes that the deadline is too late for the audited entity to make corrective action on noted deficiencies.
- Acknowledgement that a pilot project planned by the U.S. Office of Management and Budget could quell concerns over the timeliness of Single Audit.

Gil Tran of the OMB presented an overview of the recently announced pilot project aimed at satisfying the GAO's concern regarding internal control over Recovery Act programs. The objective of the pilot is to provide early communication on internal control of ARRA programs to management and to condense the deadline for reporting to six months. Identification and communication of significant deficiencies or material weaknesses in internal control will allow management to expedite corrective action and mitigate the risk of improper expenditure of ARRA awards.

The OMB is seeking at least 10 states to volunteer for the program and has selected 11 ARRA programs for which a state may choose a minimum of two programs. The programs are Recovery Act programs that either have new requirements or that have a major amount of new dollars. The pilot will cover selected areas of internal control and is expected to commence this month. There will be an article in the November issue of *NASACT News* with more information about the pilot.

Mr. Tran further spoke about "Addendum II" to the *Compliance Supplement*, noting that the addendum sets forth auditors' responsibility over ARRA Section 1512 reporting. He noted that the auditor does not have responsibility in the area of job counting and that Build America Bonds and COBRA are not subject to Single Audit. Additionally, Mr. Tran stated that there would be no extensions for Single Audit filing and that agencies will be allowed to take action for late filings. He indicated that a late filing would constitute a finding and that the auditee could not be a low-risk auditee for the next two years. "Addendum II" is set for release by mid-November.

John Higgins of the Recovery Accountability and Transparency Board provided an update on the activities of the board, noting that the board currently has a staff of 35 and that it is coordinating with Recovery Act work being undertaken by federal inspectors general. With the passage of the October 10 reporting deadline, the board is now focusing its efforts on the quality of data and how federal agencies are monitoring the quality. A hotline has been established to help monitor fraud, waste and abuse (see related article on page 6).

The group also discussed the requirement in the Recovery Act that Single Audits be made publicly available. There is a great deal of concern about personally identifiable information that has been found in some audit findings, and a federal working group is looking into how Single Audit findings can be made available without compromising privacy.

Representatives from the American Institute of Certified Public Accountants discussed some of the work the institute has been undertaking as a result of a report on Single Audit quality conducted by the President's Council on Integrity and Efficiency. Specifically, the AICPA has established tools to be used by a peer reviewer and suggests more training in the areas of Single Audit. The AICPA has also developed various practice aides including aides for documenting SEFA testing, internal control and compliance, and preparing findings. The practice aides are in various stages of review.

The next Single Audit Roundtable meeting is scheduled to occur sometime in April/May 2010. ■

Sign Up Today for a NASACT Training Seminar!

NASACT members can take advantage of many specialized training seminars. Sessions are scheduled by request and may be tailored to meet specific needs within offices of state auditors, state comptrollers and state treasurers. Experienced consultants conduct one- and two-day sessions and can cover a range of topics. The cost for the training seminars is negotiated based on the cost of the selected trainer. The fee does not include training site arrangement/rental, audio visual equipment rental, or copies of handouts. For more information about NASACT's training seminars program or to see a list of course topics, contact Fay Kurkjy at NASACT, (859) 276-1147 or fkurkjy@nasact.org.

News From Washington

Interchange Fee Legislation Under Discussion

By Neal Hutchko, Policy Analyst

An intense hearing took place in the House Financial Services committee on October 8 on the topic of credit card interchange fees. Two pieces of legislation, H.R. 2382 and H.R. 3639, were the focus of the hearing. Both bills aim to curb what many in the industry believe is a serious problem with the way interchange fees are handled by Visa and MasterCard. In addition, actions by the major credit card companies prior to the implementation of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act) have drawn considerable ire from Congress.

Of note, H.R. 2382 would direct the Board of Governors of the Federal Reserve System to collect and disseminate to the public the following:

- Complete information on the interchange, processing and other fees charged by each electronic payment system network, or any agent, processor, or licensed member of the network, in connection with any aspect of transactions initiated by consumers using payment cards bearing any logo of such network, including fees imposed by the payment card issuer in connection with any such transaction.
- The rules, terms, and conditions to which a merchant or a consumer is subject under an agreement with an electronic payment system network for transactions using payment cards.

H.R. 2382 currently has 13 cosponsors.

H.R. 3639 takes a different approach by proposing that the start date of various consumer protections outlined in the CARD Act be moved up to December 1, 2009. This proposal is in response to changes made by the credit card companies attempting to avoid certain policy requirements of the CARD Act. Currently the bill has 19 cosponsors.

Panelists in the hearing eviscerated the credit card companies for the way they are handling interchange fees. Kathy Miller of the Food Marketing Institute and National Grocers Association told the committee that it appears that the rules of competition do not apply to Visa and MasterCard, and that interchange fees reflect a market that is not working normally. Edmund Mierzwinski of the U.S. Public Interest Research Group echoed Ms. Kelly's sentiments, and added that:

> "…interchange fees were intended to compensate card-issuers for certain costs, such as the costs of issuance, fraud, risk of loss, float and processing. Yet as all these costs have decreased in the past decade, credit card interchange fees have increased… These fees have increased over 20 percent in the past few years even though all the costs of card processing and issuance have fallen."

Mallory Duncan of the Merchants Payments Coalition (MPC) had some of the strongest words for the committee regarding the problems with the interchange fees. The MPC, a group of more than 20 national and 70 state trade associations representing retailers, restaurants, supermarkets, drug stores, convenience stores, gas stations, theater owners, online merchants and other businesses that accept debit and credit cards, has a tremendous business-related stake in the outcome of these pieces of legislation. Mr. Duncan pointed out that "The collective setting of interchange fees by Visa and MasterCard represents an on-going antitrust violation, and it costs merchants and their customers…" He also pointed out that other countries including Australia, Spain, Hungary, and the European Commission have found interchange fees to be antitrust violations.

The video archive of the October 8 hearing and all requisite testimony from the panelists can be found at www.house.gov/apps/list/hearing/financialsvcs_dem/fchrCC_100809.shtml. ■

Recovery Board Launches New Recovery.gov, Fraud Hotline and Social Media Plan

A new and improved Recovery.gov, website designed to help taxpayers track expenditures under the American Recovery and Reinvestment Act of 2009, was launched in late-September by the Recovery Accountability and Transparency Board.

The board also unveiled a major anti-fraud initiative with the goal of significantly improving the ability of federal, state and local government officials to identify instances of fraud, waste, and mismanagement of ARRA funds. The board has initiated a new, toll-free Fraud Hotline (1-877-FWA-DESK) that can be called between 7:00 a.m. and 10:00 p.m. (Eastern) seven days a week from anywhere in the United States. Furthermore, individuals who want to report allegations of misconduct can go to Recovery.gov and link to a form that can be submitted electronically, by regular mail, or by fax at another toll-free number, 1-877-FAX-FWA2.

Board Chairman Earl Devaney has repeatedly called on the American public to help prevent and detect fraud and waste in ARRA spending. On a YouTube video that is featured in the "Chairman's Corner'' section of the new Recovery.gov homepage, Devaney discusses the new Recovery.gov and implores citizens to assist in the Recovery Board's anti-fraud efforts.

As the YouTube video suggests, the Recovery Board is attempting to use the power of social media to get its oversight message out to the broadest audience possible. Links to YouTube and three other social media outlets, Twitter, Facebook, and MySpace, are provided on Recovery.gov. Clicking on icons known as badges in the upper right-hand corner of Recovery.gov will direct visitors to the appropriate Twitter, Facebook and MySpace pages. Those tweeting about Recovery.gov can use hashtag #ARRA. ■

NSAA IT Workshop and Conference Recap

The National State Auditors Association held its annual IT workshop and conference in Harrisburg, Pennsylvania, on September 30 through October 2, 2009. The conference was preceded by a day-long workshop on Tuesday, September 29. The workshop was conducted by Paul Hinkle, chief technology officer of Safelight Security Advisors, and it featured the topic of "Auditing Virtualized Servers–Cloud Computing."

The PowerPoint presentations from each session (listed below) are available on NASACT's Web site at www.nasact.org/conferences_training/nsaa/workshop.cfm

NSAA wishes to thank the speakers, moderators, and members of the NSAA E-Government Committee for their efforts to make this conference such a success. Finally, NSAA wishes to extend special thanks to conference hosts Jack Wagner, Pennsylvania's auditor general, Thomas Marks, deputy auditor general for audits, and Mike Billo, assistant director of IT audits.

The 2010 IT Workshop and Conference will be held in Tallahassee, Florida in late September/early October 2010. ■

WEDNESDAY, SEPTEMBER 30

Using the Purple Files to Scan and Test for System Risk
– BJ Bellamy

Auditing the Payment Card Industry Data Security Standard
– Sean Edgar, Information Systems Auditor, Legislative Audit Division, MT

XBRL Applications in Government
– Joe Kull, Director, Washington Federal Practice, PricewaterhouseCoopers, LLP

Open Forum for IT-Related Issues
– Karen Helderman, Audit Director, Office of the Auditor of Public Accounts, VA
– Michael A. Billo, Assistant Director, Information Technology Audits, Department of the Auditor General, PA

Auditing IT Governance
– Sterling Yee, Assistant Auditor, Office of the State Auditor, HI

Use of Technology Tools to Improve Leadership
– Tom Hood, CEO, Maryland Association of Certified Public Accountants

THURSDAY, OCTOBER 1

Protecting Websites and Security Incident Management
– Michael Watson, Director, Security Incident Management, Virginia Information Technologies Agency

Audit Standards Update with Focus on Risk Suite and Impact on IT Audit
– Mike Billo, Assistant Director, IT Audits, Department of the Auditor General, PA
– Anne Skorija, IT Audit Specialist II, Department of the Auditor General, PA

Integrating Application Control Testing into Financial Statement Audits
– Karen Helderman, Audit Director, Office of the Auditor of Public Accounts, VA
– Blake Bialkowski, ISD Specialist, Office of the Auditor of Public Accounts, VA

Complying with ARRA Reporting Requirements
– Richard Cardamone, Director, Bureau of Commonwealth Accounting, PA
– Rosa Lara, Special Assistant (ARRA Reporting), Office for Information Technology, PA
– Sam Fields, Lead Architect (ARRA Reporting), Office for Information Technology, PA

Using Data Mining and ACL in PA Low Income Home Energy Assistance Program (LIHEAP) and State Civil Service Commission Audits
– Mike Billo, Assistant Director, IT Audits, Department of the Auditor General, PA

FRIDAY, OCTOBER 2

Computer Forensics
– Michael Watson, Director, Security Incident Management, Virginia Information Technologies Agency

Outsourcing IT Operations - Lessons Learned
– Goran Gustavsson, Audit Director, Office of the Auditor of Public Accounts, VA

E-Government Committee

The NSAA IT workshop and conference is planned by the E-Government Committee. Members of the 2009-10 committee are listed below. If you have suggestions for the 2010 conference, please e-mail them to Sherri Rowland at srowland@nasact.org and they will be passed along to the committee.

Karen Helderman, Virginia, Chair
Mike Billo, Pennsylvania, Vice-Chair
Gary Blackmer, Oregon
Lynn Bolton, Georgia
Toby Frazier, Mississippi
April Gunn, Virginia
Jon Ingram, Florida
Roger Norman, Arkansas
Andy Powell, Virginia
Paul Townsend, Nevada
Emmett White, Alabama
Charles Williford, North Carolina
Dan Willis, Tennessee

Fraud News to Use

Provided courtesy of the Oregon State Controller's Office

Assessing Fraud Risk

An effective fraud risk assessment program should be performed on a systematic basis. It is important to regularly consider possible fraud schemes and scenarios, taking into account both internal and external factors. The process should assess risk at all levels of the organization, entity-wide, including significant business units. It is important to evaluate the likelihood and significance of each risk, and think about the key controls in place, who could take advantage of them, and why.

Knowing your data is also a key factor in maintaining fraud awareness. It is important to know what the standard data within your organization looks like in order to identify possible red flags.

Fraud Risks and Controls

Fraud risk assessments will help identify potential schemes that could be perpetrated. Since these exposures may change over time as the organization changes, it is important to update the assessment on a regular basis. There are several things to consider when assessing fraud risk and the controls that are in place to mitigate fraud. Some suggestions include:

- Consider the risks and weigh the costs associated.
- Know the controls in place and assess the weaknesses within those processes.
- Identify who could potentially take advantage of the risks and weaknesses.
- Be proactive in assessing the methods that potential perpetrators of fraud might use to carry out a fraud scheme.
- Determine the signs and signals (potential red flags) for your organization.
- Identify and access resources to aid in detecting fraud.
- Run tests and review results—compare these results to your expected outcome
- Evaluate, follow-up, and revise the process as necessary.

This assessmentprocess should be ongoing and should evolve to adapt to changes within your organization as time goes by.

The list above is not intended to be all inclusive; there are many other steps and processes that can be undertaken to prevent and detect fraud. Although these steps have the potential to alert you to fraud, waste or abuse within your organization, it is important to note that implementing these processes will not guarantee every occurrence of fraud will be caught or stopped. These steps are merely suggestions to minimize the potential for fraud, waste or abuse.

10-80-10 Rule

The 10-80-10 "rule" refers to a general assumption of the breakdown of the population and the likelihood of fraud occurrences within those populations.

Ten percent of the population will NEVER commit fraud.

Eighty percent of the population might commit fraud given the right combination of opportunity, motivation and rationalization. This is increasingly important given the current economic environment, and as new technologies emerge that allow for new opportunities to commit fraud.

Ten percent of the population is actively looking at systems and trying to find a way to commit fraud.

What Can You Do?

A good fraud awareness campaign can help deter many potential instances of fraud. If you assume that the 10-80-10 rule is accurate, then roughly 80 percent of the population could be deterred from committing fraud if they thought they might be caught.

Therefore, creating a climate of fraud awareness and an active prevention and detection campaign could protect them from making a terrible mistake. ■

Fraud Facts Newsletter – Free for Members!

Would you like your staff or agencies in your state to know more about fraud facts and repercussions? The Oregon State Controller's Office publishes a monthly newsletter called "First Friday Fraud Facts" that aims to promote awareness of the potential for fraud in the public sector and the costs and ramifications. The information above is excerpted from this newsletter. Now you can use this newsletter to promote fraud issues within your office. All you need to do is change a few items in the file and it will be print-ready for distribution to your office or division.

The file is formatted in Microsoft Publisher. If you would like to receive a copy of the newsletter for distribution to your staff, please email your request to Glenda Johnson at gjohnson@nasact.org. If you have already expressed interest in receiving the fraud newsletter, you do not need to contact NASACT again; it will automatically be sent to you each month. ■

Calendar of Events
Register for these events at www.nasact.org.

2010

March 24-26 ▪ NASC Annual Conference, Des Moines, IA
March 23 ▪ NASACT Executive Committee Meeting, Des Moines, IA
April 19-21 ▪ NSAA/NASC Middle Management Conference, Oklahoma City, OK
June 15-18 ▪ NSAA Annual Conference, Carefree, AZ
August 7-11 ▪ NASACT Annual Conference, Charleston, WV
August 8 ▪ NASACT Executive Committee Meeting, Charleston, WV

NASACT Offers Affordable Training Options

By Donna Maloy, Conference Manager

NASACT schedules conferences to address specific member interests throughout the year. When we work with our planning committees to develop the conferences, we have two goals: to offer training that addresses the needs of NASACT's members and to keep training costs at a reasonable level.

With the ever increasing budget constraints and restrictions for training and out-of-state travel, NASACT wants you to know that there are alternative and affordable training options that do not require travel. NASACT offers the following training options that may fit the current needs of states experiencing restrictions.

Training Seminars

NASACT's Training Seminars Program can tailor a session to meet the specific training needs of your staff. The sessions can cover topics such as interviewing techniques, GASB updates, governmental accounting, internal controls, fraud, and much more. To find out more information about NASACT's Training Seminars Program, contact Fay Kurkjy at fkurkjy@nasact.org.

Audio Conferences

NASACT's Audio Conferences are another way to get affordable training. NASACT schedules on average four audio conferences per year. For one small registration fee, an office can have as many people participate as they want. CPE is granted to all participants. This is an extremely cost effective way to gain training and CPE without having to travel. If there is a specific topic that you would like NASACT to explore offering as an audio conference, please contact Kinney Poynter at kpoynter@nasact.org.

Pre-Payment Options

If your budget looks slim for next year but your office has money available now for conferences scheduled in 2010, you can pre-pay. Contact Donna Maloy at dmaloy@nasact.org if this option would be beneficial to you. ▪

NASACT News

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The next issue of *NASACT News* will be published in November 2009. To submit articles, photos or ideas, contact Glenda Johnson by November 13 at gjohnson@nasact.org or phone at (859) 276-1147.