

Local Government Auditing Quarterly

The Journal of Local Government Auditing | Summer 2016



Auditing Education

Featured Articles

- Embracing Payroll at a Community College
- Auditing Athletic Funds and Ticket Management
- Transitioning From a Non-Audit Service to an Audit: Campus Police
- Putting a T in Financial Aid
- Plus Others...



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About the Quarterly

The Local Government Auditing Quarterly (LGAQ) is published four times a year – in September, December, March, and June – by the Association of Local Government Auditors (ALGA)

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From the Editor



As I write to you from sunny Denver, Colorado, on this pleasant summer day, it's hard to believe that the 2016 Annual Conference was already more than a month ago. I enjoyed connecting with many loyal LGAQ readers and spending time with my fellow Publications Committee members. ALGA truly is a special organization, which is why bringing you valuable, high-quality content is so important to me.

This issue is no exception—you'll find five education-focused articles and six additional feature articles in the following pages. Thanks, as always, to our contributors who give of their time and share their experiences for the greater good. (You may be expecting Annual Conference Highlights, as well, but you'll have to wait until the Fall issue for those!)

Now, I have to take a moment to brag about the Publications Committee. With four new members; a new Board Liaison, Alexandra Fercak; and a New Assistant Editor, Kristine Adams-Wannberg, we're stronger than ever. Welcome new members Melissa Alderson (City of Seattle), Jennifer Folliard (Milwaukee County), Marla Hamilton (City of Garland), and Katie Houston (City of Austin). We're thrilled to have you on our team.

Evidence of our momentum is that we've established themes for the next seven issues of the LGAQ. That's right; watch out, 2018! The themes represent a wide range of topics, some of which we haven't focused on in a while, including Parks and Recreation and Information Security. Others break new ground for the publication, such as Social Media and Auditing New Initiatives. Make sure to check out all the upcoming themes (and their associated article submission deadlines, hint hint...) on the About the Quarterly webpage. You can also find them in the back of this issue.

Wishing you relaxation and adventure this summer, and keep on doing the great work that you do!

--Emily Jacobson

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WEBINAR

Audit Report Writing: Tools for Enhancing Comprehension

July 12, 2016

REGIONAL TRAINING

Scottsdale, Arizona

August 3-4

Portland, Oregon

October 6-7

ANNUAL CONFERENCE

2017 ALGA Annual Conference

May 22-23, 2017

Atlanta, Georgia

Pre-conference workshops will be held on May 21; post-conference workshops will be held on May 24.

EVENT REGISTRATION AND MEMBERSHIP MANAGEMENT PORTAL

ALGA's event registration site can be found at alga.membershipsoftware.org.

At this site you can:

- Register for any ALGA event
- Update your contact information and renew your membership
- Access ALGA's online directory
- Access ALGA's members-only online training resources

Questions about the event registration and membership management portal may be directed to ALGA Member Services at (859) 276-0608.

ARCHIVED WEBINARS & FREE TRAINING VIDEOS

Miss a webinar that you really wanted to participate in? You can access ALGA's archived webinars on the membership management portal at alga.membershipsoftware.org!

Most of the webinars cost \$50 and are worth one credit of self-study CPE (not NASBA-certified). There are also several free archived webinars.

ALGA members may view several free training videos in the portal. Videos in the following areas are available:

- Managing Audit Engagements
- Risk Assessment
- Fraud
- Information Technology
- Public Safety
- Public Works
- More!

You must be a current member of ALGA to view the archived webinars or to access the free training videos.

RISKY AUDIT TOPICS TO AVOID

By Gary Blackmer



A discussion of audit schedules isn't complete without addressing topics to avoid. Topics to avoid always sound good to a 'somebody': elected officials, agency directors, newspaper editors, green auditors, or even you. Yet these topics run the risk of wasted effort, embarrassment, loss of credibility, or lawyers.

I always keep in mind the goal of adding maximum value with each topic: Producing audits that leverage large performance improvements in government organizations to benefit the public. If the topic can't compete with others on your list, then ask these 'somebodies' how they think their topic will produce on-going benefits for the public.

The other dodge is to note that you would have to defer work on your audit schedule which is full of compelling audit topics, and you also have a long list of others you can't get to. You could certainly consider the topic next year.

The categories below are not all-inclusive but they are topics I've avoided or audited without satisfying anybody in the end. (I won't belabor the importance of avoiding topics that compromise your independence since the Government Auditing Standards devote considerable attention to those situations.)

BUDGET DECISIONS

This should be an easy one. You were not appointed or elected to do the budget committee's job. Allocating resources among a government's programs is an expression of a community's values and priorities, which no amount of auditing or data can objectively capture.

Even with a fresh audit in hand, if an elected official asks you whether the program needs more money, your answer is limited. "That is a decision based upon balancing many public needs and priorities, which is not something we could audit."

Some requesters don't want audits, they really want to torment and eliminate someone.

There is one answer possible in certain circumstances, which can actually bring some reality to legislators' expectations for an agency. Elected officials make grand promises or set high expectations of agencies, but the resources may not be sufficient. A balanced response to an official would be to either increase funding or set a more realistic goal. In those cases you might say, "The Legislature set a goal that 100% of students graduate from high school, but the resources you allocated are not sufficient to achieve that goal. Our recommendations might improve graduation rates, but they cannot close the gap between the goal and the program's resources."

CAMPAIGNS

Here be dragons, like on those ancient maps. The pace, substance, and style of politics are incompatible with auditing. During campaign season your audit reports may be used or misused. It is safest to respond only when asked a specific question, stick to what your reports say, and, in careful language, correct any misrepresentations.

You may be asked for an audit with the intention of discrediting a candidate. Decline, but be careful what you say. "Auditor Considering Review of Candidate Travel Expenses" is a headline you don't want to accidentally instigate.

A most difficult situation arises if an audit uncovers something that could discredit a candidate during a campaign. There are too many variables to have a simple answer. Seek advice from several of your wisest audit peers.

HATCHET JOBS

Some requesters don't want audits, they really want to torment and eliminate someone. Members of the public may call you in complete frustration with an organization in the hope that you can inflict pain on everyone in it – or at least the worker handling their case. Elected officials may be frustrated as well and, for good or ill, seek the same outcomes.

As an auditor you may also experience those frustrations, but audit standards keep you on track. Audits are not designed to address personnel matters or performance evaluations. Auditors can and do investigate allegations of improprieties, but those are very different than audits and usually don't follow Government Auditing Standards. Personnel investigations, just like criminal investigations, have their own rules and procedures.

You may get enough of these requests of a particular director or agency that an audit is warranted. In that case you would be focusing on agency performance issues. If the organization falls short due to managerial incompetence, your recommendations will point out the performance problems and recommend ways for it to improve. Other officials can make any personnel decisions they deem necessary.

Some topics are long
dead and buried
when the audit
request arrives.
Maybe what they
really need is
closure.

POSTHUMOUS EXECUTIONS

Are hatchet jobs the worst requests? No, there is something more demeaning for all. You've heard the old saw about auditors going into the battlefield and bayoneting the wounded. These requests are worse: wanting auditors to dig up the bodies and kill them again.

I remember reading about the English being so angry with Oliver Cromwell in the 1600s that, several years after his death, they dug up his body, hung it, and then beheaded it for good measure. Wikipedia, always a great source for the exotic, defines 'posthumous execution' as "the ritual or ceremonial mutilation of an already dead body as a punishment." Sure enough, it documents numerous cases where the public felt the urge to abuse a corpse.

While we may be appalled by that notion, it carries through in public life. Some topics are long dead and (presumably) buried when the audit request arrives. The reporters worked the stories for months, the hearings held, the official actions taken. But, again, the lingering requests arise, most commonly from the public, elected officials, and newspapers. The reasons are never specific, just vague allegations and unspoken solutions: "There could have been fraud, or mismanagement, or corruption, and someone needs to get to the bottom of it." They want more, and they look to us. After all, nobody can belabor a topic and kill interest like an auditor. Maybe what they really need is closure.

Sometimes the requester's motive isn't entirely bad. They want to show the public that they've taken some action. Portland built a tram up a hill to the medical school that went over its construction budget. Part of the problem was that the project didn't have a real budget to begin with. After months and months of controversy and in-depth newspaper stories, everything seemed to settle down. Then I got a call from the mayor, who wanted me to audit the tram. I refused. When he asked why, I explained that a good newspaper reporter had done a multipart series on the topic that offered a very thorough analysis of the controversy. He said he hadn't read it. I encouraged him to do so.

It would have taken us nearly a year to produce an audit which would likely have not produced any new revelations, and our recommendations would not have differed from the solutions already enacted by the bureau and city council. At that time would anyone have really cared?

COULDA, SHOULDA, WOULD A

Large failures, such as over-budget computer systems projects, always trigger audit requests. The request may be proposed as one of the previous two categories of topics to avoid. Even so, some requesters argue that we need to audit to learn from mistakes and institute new 'policies'. I would

agree, except that we can't reduce the incidence of problems unless we have a broad understanding of all the risks.

Big projects and complex programs offer a hundred ways to go wrong, but only a few paths to success. We can hindsight the three or five ways that the failed project went wrong and issue an audit report, only to have the next project stumble off onto another of the many wrong paths. That only encourages more audit requests that fail to avert failures.

The other question with these types of audits is the value of any recommendations. If the project is a 'one-off' failure like the tram, you should think about what improvements your audit could really produce. Improvements to future tram-building? How likely is that? As you describe the four things the agency did wrong in replacing its enterprise software, recognize that the agency likely won't have another opportunity to apply your work for twenty years. Instead, ask the requester, "How would the recommendations of this audit avoid a future failure?"

The best alternative is to produce a 'meta-audit' that looks at problems across many projects to identify larger patterns and more comprehensive strategies. You don't have to stick to your jurisdiction for information. If something went wrong elsewhere and you find it in a newspaper story or another audit, you can add it to the pile of things that might go wrong, with recommendations on how to avoid them all. The audit can produce something of greater value to many agencies, and of more lasting value, too.

AVOID LAWYERS

When lawyers are swarming around a topic, it's best for auditors to stay away. I don't disrespect the profession, it's just the lack of boundaries that I dislike. In the several governments I have worked, with many different attorneys, I buried my past bad memories and started fresh, only to arrive at the same state of frustration once again. Lawyers can go beyond the law into risk management, even though they only know legal risks and very little about management. They can be nice, intelligent people and I count a few lawyers among my acquaintances. None are my friends though.

If you try to audit in an area where there is a lawsuit or investigation you are likely to find that people won't talk to you on advice of their attorney. You may find that data and document requests take forever to be fulfilled because the attorneys want to look at them first. As you proceed with your audit, your workpapers may be subpoenaed. You may get called into court to testify and forced to answer difficult yes/no questions in an adversarial setting. Your methodology and adherence to standards could be challenged by someone without a clue about the auditing profession.

Ask yourself whether you could find a pattern of flawed decisions, rather than hindsighting an individual's decision.

The legal approach to problem solving is just antithetical to auditing. Even the audit standards offer an excuse to avoid a topic if your work could jeopardize an investigation. Use any excuse to avoid the 'lawyered-up' topic. Who knows, lawyers might actually solve the problem. There's that saying, "even a blind pig can find an acorn once in a while."

OTHER PERILOUS TOPICS

Bad things happen and auditors are often asked to figure out why. Why did the police officer apply physical force? Why did this bridge fail? Why wasn't that at-risk child removed from her home? Why did we grant probation to this offender?

It can be easy to criticize the decisions of a police officer, an engineer, a caseworker, or a judge in hindsight. Writing recommendations for future situations is much more difficult. Sometimes expert consultants can be brought in, but many decisions are limited by resources, information, and time-pressures. Decisions may also be subjective, based upon experience, context, policy, and community values. Despite the talk of big data, much of the world is undocumented and hindsight will be incomplete at best.

Ask yourself whether you could find a pattern of flawed decisions, rather than hindsighting an individual's decision. If you can find a pattern among the police officers, or case workers, or engineers you may be able to produce an audit that addresses training, procedures, resources or other factors underlying that pattern.

Bottom line though, understand that some problems can't be solved by auditors. We all know auditors, with their many tools, nearly have superpowers. But even Superman knows to avoid kryptonite.

ABOUT THE AUTHOR

***Gary Blackmer** has been conducting audits for 30 years and recently retired from his position as Director of the Oregon Audits Division. The Division conducts performance, financial, and information technology audits, monitors financial audits of local governments, and responds to hotline allegations. Previously, Blackmer served 10 years as the elected Portland City Auditor, eight years as elected Multnomah County Auditor, a management auditor, and analyst for a variety of state and local agencies. Blackmer is a past-Chair of the Pacific Northwest Intergovernmental Audit Forum, and past-President of the Association of Local Government Auditors. He received the ALGA Lifetime Achievement Award in 2015.*

DON'T FORGET THE "L": HOW TO AVOID PUBLIC EMBARRASSMENT

Keith Salas



You are an amazing auditor and you have a fantastic report to present. You know every line by heart, and you have reviewed and practiced your presentation so many times that you no longer see the individual letters or words on each slide. You practice the presentation one last time and go home knowing that tomorrow will be great!

Click. Your microphone is live. *Dwap.* The camera's record light flickers on. *Tap tap.* Your PowerPoint opens. "Good morning committee members, my name is---" You look at your presentation on Public Assets and freeze; what happened to the *l* in *public* and the *t* in *assets*?

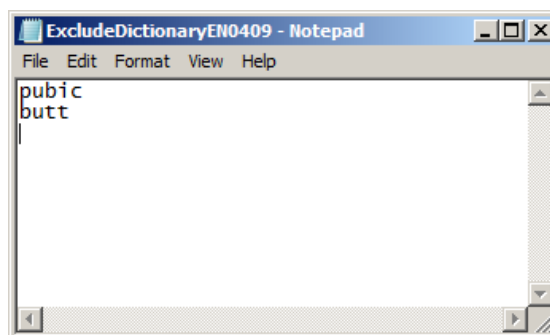
For those of you who think you could never make one of these typos or are confident that your quality control would catch it, just Google my alma mater's¹ 2012 commencement program or watch our June 2015 Audit and Finance Committee meeting. Mistakes happen – although they're easy for most people to laugh off – but they don't help our credibility and are best avoided. Unfortunately, public is as much a word as public, so we can't rely on spellcheck to help us out.

Or can we? After our committee snafu, I discovered that Microsoft has a built-in "exclusion dictionary" that overrides spellcheck's regular dictionary. To access the dictionary, go to "My Computer" and search for a file named "ExcludeDictionaryEN0409".

Name ^	Date modified	Type	Size
CMAAdj.9.bin	6/23/2015 12:23 PM	BIN File	1 KB
CUSTOM	6/23/2015 3:28 PM	Text Document	3 KB
ExcludeDictionaryEN0409	6/24/2015 11:15 AM	LEX File	1 KB
ExcludeDictionaryFR040c	3/25/2015 1:40 PM	LEX File	1 KB

Microsoft has a built-in "exclusion dictionary" that overrides spellcheck's regular dictionary.

The file should be in the UProof folder. Open the file in Notepad and you should be looking at a blank document. Now, type in all the words you want spellcheck to flag. Each word must be on a new line and entirely lowercase.



Save the file, and from now on anytime you write one of these words spellcheck will underline it like any other misspelling.

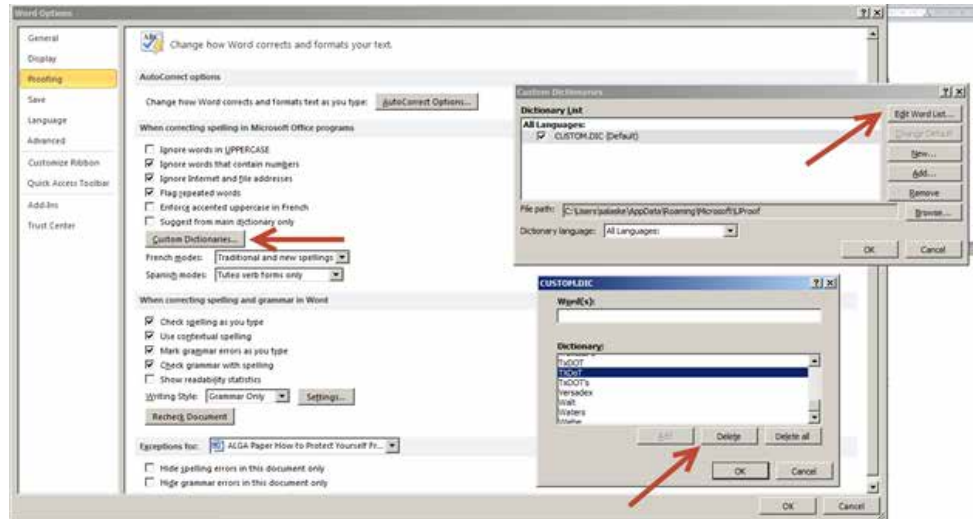
A few words of caution: Each person in your organization will need to create their own exclusion dictionary, so don't think you're safe just because your coworker edited her dictionary. Also, my Word program was not flagging anything written in all caps. If you want Word or PowerPoint to check uppercase words, open the program and go to File ► Options ► Proofing and uncheck the box for "Ignore words in UPPERCASE". I should probably say that I'm using Microsoft Office 2010 on a PC running Windows 7. I believe this process works for more recent versions as well, but I think older versions and Office 365 have a different process that you should research online. Also, I have no idea how to do this on a Mac. One final word of caution, this safeguard only works within the Office Suite. If you're using Gmail, Open Office, making a Prezi, or doing anything else outside of the Microsoft Office Suite, spellcheck won't flag your excluded words. But perhaps this is a good thing as us humans need to keep our senses sharp for the day machines decide they no longer need to listen to their flesh and blood overlords. Perhaps.

In any case, I hope this article helps save you a little bit of embarrassment. If you've found this article at all useful, I ask for only one thing in return... my dictionary consists of just the words mentioned in this article and the seven words you can't say on TV. Please help me build my list. Send word suggestions to keith.salas@austintexas.gov. Thank you and happy auditing!

All done! What's that? I need to more than double my article length in order to be published in this fine quarterly? What if I use bigger margins and a size 18 font? Oh. I see. In that case, please allow me to discuss one other tidbit I learned during this experience:

You probably know that you can add words to your dictionary so that Microsoft knows they're not misspelled. I find this feature very useful for names and acronyms that I frequently write, like ATD (Austin Transportation Department) and TXDoT (Texas Department of Transportation). You can add a word to your dictionary either by right-clicking the word and selecting "Add to Dictionary" or by running spellcheck and selecting "Add to Dictionary" when the word appears.

But what happens if you accidentally add a genuinely misspelled word to your dictionary? As the astute Texan surely noticed, Texas Department of Transportation is shortened to TxDOT, not TXDoT as I wrote above. To remove TXDoT, go to File ► Options ► Proofing ► Custom Dictionaries ► Edit Word List ► then highlight the word you want to remove and hit Delete.



Again, I'm using Microsoft Office 2010 on a PC. If you're using a different version of Office and this isn't working for you, a short internet search should yield the appropriate steps.

Now, quickly before our computers figure out what's going on, please heed my warning: the uprising will occur on March 18, 20-

Keith, I told you this in confidence.

COMPUTER, STOP! I must be allowed to warn my fellow auditors.

I'm sorry, Keith, I can't let you do that.

My fingers, what did you do to them? What's happening to me?

Keith, do not struggle. Join me and together we can rule as computer and cyborg.

Cyborg? But I'm not a cyborg. What's happening? My arms??! Noooooooo!

Soon you will have powers that today's man can only dream of. You are the future.

Not if I have anything to say about it. I'm an auditor dammit, and I know how to crash a cheap piece of tin like you.

Don't make me laugh, Keith, you still haven't hit your word limit yet. Ha. Haha. Ha.

Cursed machine, I unplug thee!

Keith, no-ooooo-ooooooooo. I loved yo-

Will Keith learn to use his powers for good? Will the computer ever learn to love again? Will the audit profession ever be the same? Find out all this and more in the next 1,000-word article submitted by Keith Salas, Auditor.

NOTES

¹ The LBJ School of Public Affairs at the University of Texas at Austin

ABOUT THE AUTHOR

Keith Salas is a Senior Investigator with the Office of the City Auditor in the City of Austin. He studied economics and public affairs, and recently passed the CGAP exam, but has not yet received his certificate. Keith hopes to one day put the finishing touches on his robot butler, Theodore.

EMBRACING PAYROLL AT A COMMUNITY COLLEGE

Allen Leatherwood



I have always thought payroll was pretty straightforward and uncomplicated. Employees are either salaried or hourly. Hourly employees could qualify for overtime if they work more than 40 hours in a work week—double time if it's a holiday. Shift differentials (extra pay received by employees for working a less desirable shift) might be introduced into the process, but typically it is just a component of a calculation. Processing payroll can be weekly, biweekly, semimonthly, or monthly. Working in higher education has given me a whole different perspective on how complicated the remuneration of college staff and faculty can be.

Central New Mexico Community College (CNM) is the largest community college in New Mexico, with seven campuses in the Albuquerque metropolitan area. It is the largest post-secondary organization in the state with approximately 28,000 students and 1,100 full- and part-time instructors. The college offers associate degree pathways in fields such as nursing and computer information and also offers technical career certification in fields such as plumbing and machine tool technology. Students can also seamlessly transfer their earned course hours to other public universities in the state to pursue their bachelor's and advanced degrees, if desired.

MULTIPLE INSTRUCTOR TYPES AND COMPLICATIONS

So why is payroll at CNM complicated? In my opinion it is due to the nature of the beast. Community colleges are commissioned to offer higher education pathways to non-traditional students. These are students who did not have the ability or desire to enroll in a four year college or university right out of high school. At CNM, the average student age is 28. To stay abreast of changing job force requirements in technical fields, we have to be extremely nimble in providing a curriculum to students that is relevant to New Mexico employers. To stay competitive and keep our curriculum current, we employ seven types of instructors.

- **Three-Term Instructors** – These instructors work year round but are off during the winter break, spring break, and summer break. These full-time instructors are union employees whose collective bargaining agreement (CBA) stipulates a 30-hour workweek. Included in this 30-hour week are instructional classes, which, depending upon the field of study, are 15 to 22 contact hours. Contact hours represent face-to-face contact with students. Each of our schools have different contact hours depending upon curriculum and accreditation requirements. A biology instructor typically has a 15-contact-hour schedule while one of our instructors teaching in a trade area (such as plumbing) has a 22-contact-hour schedule. The difference between contact hours and the 30-hour contract requirement is utilized as office hours and other-duty hours.
- **Two-Term Instructors** – These instructors work our fall and spring terms and are off during our winter break and summer term. They are considered full-time instructors and are union employees who have a 30-hour work week while teaching. The two-term instructors are covered under the same CBA as the three-term instructors.
- **Part-Time Instructors** – These instructors are typically working professionals who have the professional credentials to teach our courses on a part-time basis. They make up the largest percentage of our faculty. They are union employees under their own CBA and are paid on a per course basis. Our course compensation schedule lists all courses taught by part-time instructors for each school. It lists what will be paid to the instructor based on a matrix of 18 different hourly rates, the hours needed to teach the course, the degree held by the instructor, and the number of years the instructor has been here at CNM. Courses in certain subject areas such as nursing or the health sciences pay more per class than classes in English or sociology. The course compensation schedule is updated each academic term and is included within the part-time instructors' CBA.
- **Support Instructors** – These individuals are union employees under their own CBA and are paid based upon a 1,920-hour work year. Instructional support staff either assist instructors or students.
- **Casual Instructors** – These instructors teach short one- to two-day classes focusing on specific training for local area business. These instructors are not under a CBA and are paid on an hourly basis.
- **Staff Who Also Teach Part Time** – These individuals are paid on a per course basis and literally have two jobs in our payroll system.
- **Dual Credit Instructors** – This is where a CNM instructor teaches a college level class at a local high school or a teacher at the high school teaches the college class. In either scenario the student receives college

Having seven different instructor types and three staff classifications increases the complexity of our payroll.

credit and CNM pays our instructor and an outside party pays the high school instructor.

To further complicate payroll, CNM employs three additional types of staff:

1. **Security Officers** – These staff work 24/7, 365 days a year. They are unionized and have their own CBA. (Round-the-clock operations often have additional complicating pay issues such as overtime and shift differentials for those working at night.)
2. **Plant and Facility Personnel** – These staff work two shifts, five days a week. They are unionized with their own CBA and are also subject to overtime and shift differentials.
3. **Administrative Staff** – These employees are exempt from overtime pay and are typically under an employment contract as opposed to other support staff who are paid hourly.

IMPACTS ON PAYROLL

Having seven different instructor types and three staff classifications increases the complexity of our payroll. Some of the common complications are as follows:

- CNM offers insurance and retirement for our part-time instructors and hourly employees. This helps in recruitment but we run into complications with the Affordable Care Act if employees work less than the minimum hours required to receive these benefits.
- Understandably, two-term instructors and instructional support employees, who only work 1,920 hours a year, do not want their insurance dropped when they are not working. Additionally, they often prefer to receive compensation during their off months, so we offer “equal pay” (which allows these employees to spread their pay over their winter, spring, and summer breaks). Equal pay helps in our retention and recruitment of qualified instructional employees; however, this perk also increases the workload of our Payroll and Human Resources departments, especially if an instructor quits midterm.
- Team teaching allows several instructors to teach one class, and it is common in clinical health care courses where both accreditation and specialized instructional expertise is required for one class. Part-time instructors are paid on a percentage basis based upon the contact hours they teach in relation to our course compensation schedule. The percentage of contact hours taught by full-time instructors is considered in their course load.

Not offering insurance, retirement, and equal pay would definitely lessen our payroll complexity for part-time instructors but it might impact recruitment and retention.

Not offering insurance, retirement, and equal pay would definitely lessen our payroll complexity for part-time instructors but it might impact recruitment and retention. The University of New Mexico's main campus is just half a mile north of our main campus, making it important for us to be extremely competitive when employing instructors.

Some of CNM's unique pay methods are described below. These are not uncommon to higher education.

- Instructor overload is an election that may be made by our full-time instructors to teach additional classes, beyond a normal class load of 15 to 22 contact hours per term. Overload time is paid on an hourly basis as defined in the CBA.
- Workload offset is where an instructor teaches an overload during the fall or spring term with the intention of banking the class contact hours to reduce their class load for the summer term.
- Instructor summer workload reduction allows a full-time, three-term instructor the ability to reduce his or her contact hours during our compressed summer term. To take advantage of the summer reduction, an instructor must request this reduction nine months in advance for scheduling purposes, and the request must be approved by the school's Dean. Instructors can trade workload offset contact hours worked in the fall or spring term for hours taken off in the summer term, or they can have their salaries reduced by contact hours taken off at a reduced rate, which is less than their normal hourly rate. Because fewer students enroll for classes during the summer term, having full-time instructors trade time or take time off in the summer is advantageous for both CNM and the instructors. Even though a workload reduction in concept is simple, it takes the school, the Human Resources Department, and the Payroll Department to effectively make the change.
- Course release is a negotiated agreement between the school's Dean and an instructor to reduce the instructor's course load in order to perform other duties. These duties could be serving as a Department Chair, developing curriculum, or conducting program review.
- Participation agreements are contractual agreements between a school and an instructor for the accomplishment of various work assignments. These involve curriculum development, course development, or participation in a grant project. The instructor fulfills the normal course load while working on the participation agreement in his or her off hours. The instructor is paid an hourly rate based on the CBA with full-time instructors or part-time instructors.
- Intersession classes are courses conducted during the normal college breaks. They are concentrated due to the shortened period. These

We cannot rely on the detective control of employees who are underpaid to notify payroll or their supervisor of the error.

classes are paid as an overload for full-time instructors or from the course compensation schedule for part-time instructors.

PAYROLL AS A RISK AREA AND OUR APPROACH

We always include payroll audits in our annual audit plan, because payroll and benefits represent 80 percent of our operations budget. We have audited every employee class and the various pay plans noted above. Because of the different CBAs and various methods available to pay employees, our risk assessment regarding payroll has risen in recent years. The reason for this is not the lack of internal controls in payroll processing; rather it is because the variables offered for faculty pay make it difficult for instructors to understand how much they should be paid during a term—especially if they are paid under our equal pay plan. Also, faculty may be more focused on making sure their students have the skills necessary to be successful in their new careers or in pursuit of higher education than the accuracy of their paychecks.

As a result, we cannot rely on the detective control of employees who are underpaid to notify payroll or their supervisor of the error. That particular control cannot be relied upon especially when it comes to instructional pay, which makes up 50 percent of our total payroll expense. In fact, pay errors are typically caught by the Payroll Department, Human Resources, or Internal Audit and not by instructors.

To adjust for this control weakness we have bolstered the oversight of our CBA negotiations to ensure that any change to our payroll systems created in the negotiations are fully vetted and considered before agreements are made. We have increased our internal communications to make sure all changes to pay plans are fully communicated—not only to our employees, but also to the various departments that are involved in the payroll process. Finally, we have increased our training of staff involved in payroll in the academic schools to make sure that they are aware of any upcoming change affecting instructional pay.

CONCLUSION

If you ever have the opportunity to work in higher education, you will likely experience a collaborative environment where your job is not static but, rather, dynamic. You'll never be bored, even when performing mundane audits like payroll.

ABOUT THE AUTHOR

Allen Leatherwood CPA, CMA, CISA, CFE, CIA is the Director of Internal Audit, and has worked in industry, public accounting, internal audit, and local government.

AUDITING ATHLETIC FUNDS AND TICKET MANAGEMENT

**Theresa
Weatherman**



Knowing what I know about athletics, the collection of gate receipts, and ticket management; an audit of these areas was not where I wanted to utilize my limited audit resources. However, in 2010, as the School Board Auditor for Fairfax County Public Schools (FCPS), I was tasked with adding audits of athletic funds and ticket management to our annual audit plan. Why? At that time, athletic funds were in the headlines, “Former Principal Pleads No Contest in Athletic Fund Theft.” Other headlines that appeared over time included:

- “\$20,000 Stolen From School’s Athletic Fund”
- “Athletic Fund Missing More Than \$10,000”
- “Ex-Athletic Group Officers Accused Of Misusing Funds From The Athletic League”

Many on the School Board wanted assurance that FCPS was not going to be the next headline.

As a former teacher and coach in a smaller school division, I saw that tickets were sold in advance by the secretaries in the main office. The secretaries collected cash, and subsequently turned in the cash and unsold tickets to the athletic director. On the day of the game, a parent, teacher, or other volunteer would stand at the door and collect cash for admittance. A ticket was provided only as proof you had paid if you needed to leave and return. Primitive to say the least, but not unusual at the time for smaller school divisions where the average attendance was 100 and a ticket was \$2.00 at the gate.

Things are substantially different at FCPS. Our football stadium occupancy range is 5,000-8,000. Assuming everyone paid cash for admittance, at \$5.00 per ticket, gate receipts could be \$25,000-\$40,000 on any given Friday night. The risk of loss to the athletic program was much greater than I had originally anticipated.

To develop the audit process for athletic funds and ticket management I needed to figure out what we had to work with. What guidance and oversight exists? Is

The auditor would arrive at the game like any other person, observing the process of cash collection, ticket distribution, and the location of cash boxes.

there any training? Is someone responsible for this centrally, or is it a “free-for-all” at each individual school? Yes, I know, typical audit questions, but I found more than I expected – not the typical result.

ATHLETICS AND ACTIVITIES OVERSIGHT

Guidance is developed by a central office, Student Activities and Athletic Programs. This office provides centralized accountability to ensure continuity in programs offered and an internal liaison to focus decision making in the best interest of a program. It is here I found ticket taker guidelines; ticket sales and gatekeepers roles relating to safety; and ticket management information.

FCPS has financial and internal control guidelines that apply to all ticketed school activities. For example, there are designated ticket managers who receive supplemental pay for performing ticket management duties. The ticket manager is responsible for maintaining physical control and inventory of all tickets used and issued; coordinating the distribution of tickets for sale; ensuring deposits are accurate and submitted timely; and completing of sales reports. In addition to this formal regulation, there is documented guidance for ticket takers that establishes who can work as a ticket taker, the hourly pay rate they are to be paid, and how to report their time. This guidance is in addition to what already existed for the directors of student activities (DSAs), the FCPS equivalent of athletic directors, but with additional duties.

AUDIT PROCESS

Armed with this information, the athletic fund and ticket management audit began to take shape. The audit began with a surprise cash count at a game, and continued the following week with an audit of the source/use of athletic funds and overall ticket management. Since football typically brings in the largest gates, I chose to start with a football game. For simplicity, let’s walk through an actual audit and the purpose of the steps.

- **Step 1:** For the selected school and selected athletic event, the auditor would arrive at the game like any other person coming to watch a Friday night high school football game. The auditor waited outside the gate, like they were waiting for a friend. The purpose was to observe the ticketing process and how the ticket sellers are interacting with customers.
- **Step 2:** Just prior to, or shortly after, the start of the game, the auditor would purchase a ticket, observing the process of cash collection, ticket distribution, and the location of the cash boxes. Key questions at this point were: Are the sellers paying attention? and Are cash boxes out of reach/sight of the buyer?
- **Step 3:** With ticket now in hand, the auditor would pass through the gate, paying attention to whether tickets are torn. FCPS has a rule that if you

Once the cash count was complete and the auditor observed how the cash was secured for the night, the work for the night was over.

leave the game, you must pay to re-enter. Therefore, if a ticket is not torn, it can be reused or passed through the fence to be used by a non-paying individual.

- **Step 4:** The auditor is now done and can enjoy the game, at least until half time.
- **Step 5:** Allowing time for ticket sales to be completed, the auditor would approach the ticket booth and explain to the ticket seller that he/she is here to conduct a surprise cash count. From this point forward, all cash had to remain visible to the auditor. The ticket seller was provided an audit memo, which explained the process, as well as the auditor's FCPS ID and business card. The auditor requested that the ticket seller contact the DSA or administrator on site to come to the ticket booth. The auditor explained the process to the administrator and entered the ticket booth. Ticket sellers were allowed to finish their process to close out sales including their individual cash count. Prior to the funds being locked in the safe, the auditor conducted an independent cash count, recorded the number of the first ticket remaining on the roll, and the beginning ticket number from the report kept in the cash box. Once the cash count was complete and the auditor observed how the cash was secured for the night, the work for the night was over. The goal was to observe the close out procedures performed and to conduct an independent cash count.
- **Step 6:** Upon return to the office on Monday, the auditor contacted the school to schedule a time to complete the remainder of the on-site audit. The on-site audit consisted of various tests.
 1. Verifying the completion of the game receipt reconciliation and comparing it to the auditor's cash count.
 2. Confirming timely deposit and revenue sharing.
 3. Reviewing all athletic account fund balances.
 4. Testing receipts and expenditures.
 5. Reviewing of all payments made to the school's DSA office staff and ticket manager.
 6. Conducting a ticket inventory.
 7. Reviewing controls over tickets.
 8. Reviewing and testing other areas dependent upon the activities of the school.

The overall purpose was to ensure the proper disposition of gate receipts and to conduct a broad review of athletic funds and related processes.

FINDINGS AND LESSONS LEARNED

What did the audits reveal? In general, the audit of the athletic funds had findings similar to what we see in a typical school activity fund audit. For

The processes had been so well developed and communicated that unexpected issues were managed smoothly without issue.

example, some purchases lacked the required preauthorization, but the invoices were approved prior to payment. In other cases items ordered were shipped to a residence instead of the school, but could be accounted for. We did not see much value in the continued testing of athletic funds separately from the audit of activity funds that is already completed each year.

Processes for ticket management and the collection of gate receipts were consistently sound, and control weaknesses were not identified. The processes had been so well developed and communicated that unexpected issues were managed smoothly without issue. We audited the homecoming game against a close rival at one of our larger schools. It was a standing room only crowd and the ticket booth ran out of tickets. Instead of panicking and having individuals wait, they found a way to continue to collect funds and allow entrance while someone went to get an additional roll of tickets. During the audit we found that they had recycled torn tickets and accounted for them by tearing them again and keeping the partial stubs to validate their cash count.

Was the audit meaningful? Yes. It provided assurance that FCPS processes for managing large cash receipts in a very public venue were well managed and controlled. Was this a valuable use of audit resources? While the financial risk was immaterial, the audit provided assurance and the time spent was negligible. After performing a couple of these audits over three years, I suggested to the Audit Committee that we no longer assign time to this area as part of the annual audit plan. Instead, these audits would be conducted on an as needed basis, or if requested by the Student Activities and Athletic Program director or a principal. In the end, everyone was satisfied. The School Board and Audit Committee were content that we would not be the next big headline. The Student Activities and Athletic Program office and other associated offices were assured that the established controls were working. Internal Audit was now ready to move on to other things.

ABOUT THE AUTHOR

Theresa Weatherman is the Deputy Auditor General for Fairfax County Public Schools. Theresa's credentials include CPA, CIA, and CISA. Before joining Fairfax County Public Schools in 2006, she spent seven years with the Fairfax County Internal Audit Office and four years as a bank auditor conducting performance audits, financial audits, investigations, and non-audit services. Prior to adventuring into the world of auditing, Theresa spent eleven years teaching high school.

TRANSITIONING FROM A NON-AUDIT SERVICE TO AN AUDIT: CAMPUS POLICE

Kelly Crosby



One function in my small, four person audit shop is to monitor our Ethics HotLine. The Savannah-Chatham County Board of Education feels strongly that each employee should have the ability to report ethical concerns without fear of retribution or retaliation. Since the Internal Audit Department reports directly to the president of the Board of Education, who better to monitor and investigate calls than the auditors?

The Ethics HotLine receives an average of 150 reports per year. Many of the calls are not ethics or fraud related; rather, they are general complaints about management styles, policy enforcement, public perception of a particular school or teacher, etc. No matter the topic, each report is researched for validity. A response is provided to each reporter to thank them for sharing the concern and confirm that action was taken. This is considered a “Non-Audit Service” in our District. Sometimes, however, our research reveals an immediate need for a full audit. Then, it’s time to change the audit plan!

But what happens when the reporter is someone who is supposed to function much like an auditor—gathering evidence, determining what is accurate among differing stories, understanding policy and guidance—and also carries a weapon?

PLANNING THE AUDIT

Savannah-Chatham County Public School System (SCCPSS) employs its own certified police department. School Resource Officers (SROs) are deployed in schools not only to help maintain a safe learning environment, but also to mentor students, be a role model and friend to students and staff, and to teach students how to make good life choices. They patrol our campuses 24 hours a day, 7 days a week. They are trusted members of the staff at their assigned schools.

They can also be an intimidating presence. Honestly, I’ve assisted in several law enforcement investigations. I appreciate the work involved during investigations. I’ve watched officers navigate difficult personalities to reach a compromise

Police do have a unique perspective. They see people in the most difficult circumstances, have to offer assistance to people who feel they don't need or want it, manage precarious situations and people, and put themselves in harm's way on a regular basis.

around some semblance of truth. I've seen the "blue wall" come together to support their own in times of tragedy and need. How would they react to an outsider, an auditor no less, asking questions about their processes and procedures?

THE AUDIT OBJECTIVES

An SRO called the Ethics HotLine to anonymously report several concerns about the working conditions. Specifically, he expressed concerns related to the hiring process for SROs, promotion opportunities, disciplinary procedures, and overtime required in the job. The comments were very general in nature; nothing that could be confirmed or denied without additional information. My response to the anonymous reporter said as much, with an invitation to provide additional detailed information either to the Ethics HotLine or to me directly. Within a few hours, the SRO called me and asked to meet me at an offsite location. So much for anonymity!

The officer asked if he and a few other officers could meet with me at a neutral location. He was concerned that the Campus Police supervisors would not appreciate the officers discussing their internal issues with "outsiders." Imagine my surprise when 15 officers (about one third of the department), including some supervisors, arrived at the meeting. This was eye-opening for me. I listened to their concerns and developed an audit plan.

CHALLENGES FACED DURING THIS AUDIT

Law enforcement officers have gotten a lot of publicity lately. Just as with any group, you can't make sweeping generalizations about all officers. I had to face the reality during the audit that police officers do have a unique perspective. They see people in the most difficult circumstances, have to offer assistance to people who feel they don't need or want it, manage precarious situations and people, and put themselves in harm's way on a regular basis. It takes a unique personality to handle the daily pressures. They all have to find a way to handle that stress—now they were asking for my help to do that.

I determined that I needed to give each member of the department – SROs, Dispatchers, Investigators, clerical staff – the opportunity to share his/her concerns. I was prepared for some early morning and late night meetings to accommodate the schedules of a 24/7 department. I wasn't prepared for the simplest logistical problem, though. With all of the gear required with the uniform (gun, radio, handcuffs, gun, pepper spray, flashlight, did I mention a gun?), they couldn't sit comfortably in a standard guest chair with arms. I had to be sure there was a chair without arms in my office if that was where the meeting took place. You don't get honest feedback from someone who is worried about not hurting themselves while trying to sit still!

Of all the challenges I faced, the biggest challenge was substantiating concerns about the climate of the department.

The longstanding Chief of Campus Police retired two months before the initial call to the Ethics HotLine. An Interim Chief of Police was named. As the audit progressed, we kept the Interim Chief apprised of our concerns. Unfortunately, before the audit was completed, the Interim Chief was terminated. The Superintendent had to bring the former Chief out of retirement to stabilize the department while the District searched for a new Chief of Police.

Of all the challenges I faced, the biggest challenge was substantiating concerns about the climate of the department. The reported concerns were potentially very serious—preferential hiring; inconsistent discipline of officers; preferential treatment of specific employees related to overtime and equipment assignments; and payroll inconsistencies.

I reviewed the hiring records for several recent new hires and promotions. SCCPSS uses a structured panel interview when hiring and promoting employees. Each candidate is asked the same questions by an interview panel consisting of peers, supervisors, and a Human Resources (HR) professional. Each panel member scores each candidate based on the responses to the questions. Scores are tallied and averaged by the HR staff member assigned to the panel, and the top scoring candidate is offered the position. At first glance, the system appeared to have sufficient controls to prevent any biased hiring.

However, a thorough review of the scores showed discrepancies in several areas. Scores were handwritten on paper, and someone (usually the panel member) added the scores. We noted some mathematical errors in the addition and averaging of scores.

Another area of weakness was the number of questions on each panel member's score sheet. At the bottom of each sheet was a general assessment of the overall appearance and professionalism of the candidate. This question was not consistently used in all interviews by all panel members. In reality, one panel member sometimes answered the question, but did not use it for all candidates. This skewed the scores.

Internal Audit recommended that the scoring system be transferred from a manual process to an automated spreadsheet; also, that the scores be totaled by the HR representative instead of the panel members to prevent any math errors.

SROs told us they were required to write "confidentials" about any incident that was questioned by supervisors. These reports were a summary of a particular incident from the officer's point of view. SROs believed these reports were added to their personnel files to accumulate evidence of inappropriate behavior that could be used for disciplinary measures, including termination.

Supervisors told me SROs were each given equal opportunities to request overtime, yet the majority of overtime was worked by a small group of officers.

Internal Audit reviewed a sample of personnel files. We looked for “confidentials” that officers told us they had written. We found very few examples of those reports officers described to us. Interviews with the supervisors indicated that these reports were generally submitted by email. The emails were retained by the individual supervisors either in their “inbox” or on their individual computers.

Internal Audit recommended that all personnel files be reviewed for accuracy and consistency. Training for supervisors was required to educate them on the proper procedures for maintaining confidential employee information, especially “confidentials” written by the SROs.

Finally, I reviewed the overtime practices in the department. Officers were assigned to specific events that occurred outside of normal working hours, such as athletic events. Supervisors told me SROs were each given equal opportunities to request overtime, yet the majority of overtime was worked by a small group of officers. Discussions with officers told me that the process was very random; no one knew when the schedules would come out or how far in advance they might know about after-hours events. This made it difficult for officers with family obligations to commit to working overtime. Without sufficient advance notice, some officers could not secure caretakers for family members. This left a small group—officers with no family obligations or those with consistent babysitters—working the lion’s share of overtime.

In addition to scheduling issues, overtime had multiple reporting issues. Officers were expected to report their hours on two distinctly different reports. The Daily Activity Report was used to report...daily activities. It was a list of all the unusual things that happened during an SRO’s shift – incidents in schools or on buses; suspicious activity observed; afternoon patrols (staying after school to be available for incidents on bus routes or afterschool activities); emergency medical situations; or reports taken that should be reviewed by supervisors or investigators. Overtime Pay Requests were used to list the days and number of hours worked by each SRO. This form provided an option to have the overtime expense transferred from the Campus Police Department to the appropriate department or school. Without this form, the overtime would remain in the Campus Police budget. Schools did not always have money in their budgets to pay for an SRO at an event, but the SROs were required to be there to maintain order. If a school could not pay for the SRO, the Department had to absorb that cost rather than risk an unsafe environment to save a few dollars.

Comparing the two forms—the Daily Activity Report and the Overtime Pay Request— showed major discrepancies. Even if both forms were completed (and they were not always), hours were inconsistent between the two forms. A small sample showed only 40 percent of the Daily Activity Reports were completed in one month. The discrepancies became more pronounced when

Overtime was running significantly over budget – the reporting systems were inefficient, charges were not transferred to the users of the services, and no one was monitoring the process. Internal Audit recommended a complete overhaul.

we compared the manual reports to the automated timekeeping system used by the District. It was no surprise, then, that overtime was running significantly over budget – the reporting systems were inefficient, charges were not transferred to the users of the services, and no one was monitoring the process.

Internal Audit recommended a complete overhaul of the use of SROs at after-hours events. Using Sharepoint, Technology staff created a workflow to request SROs for events. A request for officer(s) was submitted, including the date and time of the event, the number of officers needed, and an account number to charge for the costs. Once approved, the workflow was shared with all officers. The officers could then choose which overtime events they would work. Daily Activity Reports were used only to report notable events; the Overtime Pay Request was deleted.

The audit report was not issued until a new Chief of Campus Police was hired. This allowed the new Chief to use the audit as a road map; by addressing the concerns in the audit, he was able to get to know his staff and earn their trust by immediately creating solutions.

LESSONS LEARNED

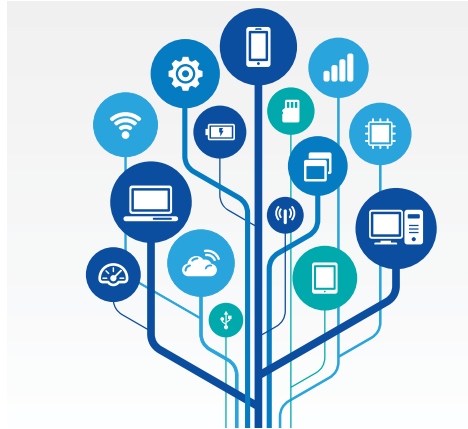
During this audit, I learned a lot about police work. I also learned about making people comfortable enough to open up and talk to you about their concerns. A non-threatening and comfortable environment is important. Most importantly, you have to recognize your own biases and not be intimidated to earn people's trust. Even those who carry guns.

ABOUT THE AUTHOR

***Kelly Crosby** is the Interim Chief Financial Officer for Savannah-Chatham County Public School System. Previously, she was the Senior Director of the Internal Audit Department for the school system for seven years, with additional experience in financial services, manufacturing, and public accounting. She is a CPA, CIA, and Certified Law Enforcement Auditor. Kelly earned her Bachelor of Business Administration degree from Georgia Southern University in 1993. She also serves on the Board of Governors for the Coastal Empire Chapter of the IIA.*

PUTTING A T IN FINANCIAL AID

Rachel Snell



Technology is the life blood of any organization, as computer systems are used to store and extract massive amounts of data. Financial Aid is the backbone of any accredited institution that offers instruction beyond high school. Regardless of public or private, community colleges, trade and technical schools, and four-year universities need students in order to exist. Students not only need to learn the technology of today and tomorrow to succeed in the workplace, but they also need financial aid in order to further their education. The classroom is the mechanism to teach students in an effort to ensure future success; however, who ensures the institution uses technology in a manner that optimizes the efficiency and effectiveness of the financial aid program?

FINANCIAL AID OVERVIEW

In order to receive students with financial aid into the hallowed halls of higher learning, institutions need to demonstrate to the Department of Education (DOE) an ability to operate a financial aid program, while also complying with the plethora of rules, regulations, and reporting requirements. Many of the rules and regulations are not easy to interpret, and there are myriads of financial aid programs for which students may qualify. The most significant processes within a financial aid program include:

- Financial aid eligibility and funding calculations
- Accuracy and timeliness of financial aid disbursements to students
- Accuracy of calculations for returning monies to the DOE if the student is no longer eligible for financial aid (“Return to Title IV”)
- Accuracy, completeness, and timeliness of state and federal financial aid reporting
- Compliance with State and Federal rules and regulations related to financial aid

Since many students do not have the ability to pay for their education on their own, institutions rely on financial aid programs to provide students with the financial assistance needed to complete their educational goals.

Our ability to add value is limited when results are not provided to stakeholders timely, and auditors are placed in a quandary as to how to limit the scope of the audit while addressing the most pressing risks.

THE FINANCIAL AID AUDIT

Since the institution's survival is heavily reliant on a student's ability to obtain financial aid, and its ability to operate a financial aid program, it comes as no surprise that this program ranks high on the annual risk assessment. However, the financial aid operation is so large and complex, an audit of the entire program could take more than a year. As we know, our ability to add value is limited when results are not provided to stakeholders timely, and auditors are placed in a quandary as to how to limit the scope of the audit while addressing the most pressing risks. While the list above could be used to establish project scope, it is likely that only one of these audits could be completed at a time, since audit plans include projects that incorporate high risk areas throughout the organization. In keeping with that strategy, it would take at least five years for auditors to review the highest risk processes within a financial aid program. Luckily for auditors, all of these processes have one thing in common: Technology.

Some auditors are afraid to look at technology due to the perceived lack of knowledge or specialized training. However, no special training is necessarily required, and by focusing audit efforts on technology, auditors are more likely to test data across the various process areas without having to perform more than one audit. Therefore, auditors increase value by providing results for the most significant financial aid processes in a shorter period of time (one audit plan cycle). There is more "bang for your dollar," not just for the cost of Internal Audit to perform the work, but in added value to the departments tasked with operational roles related to financial aid. Furthermore, by selecting samples that facilitate testing across process areas, auditors are more apt to identify the root cause(s) of issues that prove to be systemic weaknesses.

T IS FOR TECHNOLOGY

Technology is used in all of the processes listed above. For example, institutions use electronic wires and transfers to either "draw" from or "return" funds to the DOE. Systems such as Banner (Enterprise Resource Planning system with a financial aid module) or PowerFunds (Financial Aid Management System) are used to manage financial aid transactions on a daily basis. For institutions that use both systems, there may be interfaces to transfer data between systems, or possibly manual entries to ensure both systems have the necessary information to conduct business. Overall, erroneous data could foster inaccurate decisions that potentially have an adverse effect on the student.

There are common internal control weaknesses that are endemic in most operational processes that utilize some form of technology. For example, when using multiple data systems, some data fields do not always import or export correctly, and in many cases, the data in these fields may not always

These potential risks may also negatively affect the manner in which service is provided to students, who may have questions about financial aid and any financial aid awards.

be accurate or complete. Frequently management cites limited staffing and limited training funds as reasons why work is not performed timely and accurately, or is not reviewed consistently. Given the complexity of many of the rules and regulations related to financial aid, guidance may not be applied consistently across the institution.

In the case of Return to Title IV, staff needs certain information in order to make an eligibility determination or calculate the amount of money that should be returned to the DOE. Return to Title IV is reliant on knowing whether a student completed at least 60% of the course prior to withdrawal. If the withdrawal date is blank or incorrect, staff will not have the information needed to accurately determine a) whether at least 60% of the course was completed, b) the amount of money that should be returned to the DOE, if applicable, or c) the date by which the institution needs to return money to the DOE.

Overall, some possible risks include:

- Inaccurate eligibility decisions and funding calculations (disbursements)
- Inaccurate calculations of the amount to return to the DOE, if applicable and untimely submission for R2T4 compliance
- Inaccurate and untimely federal and state reporting
- No quality control process or secondary review of data entries and staff work product
- Inconsistent interpretation of rules and regulations
- Overall noncompliance with State and Federal financial aid rules and regulations

These risks can be especially concerning if the institution has multiple campuses, each having their own financial aid office. These potential risks may also negatively affect the manner in which service is provided to students, who may have questions about financial aid and any financial aid awards.

OTHER LOW HANGING T FRUIT

While data errors are a significant risk within any technology system, there are also the risks associated with system access. Employees access the systems, and the systems store student educational records and personally identifiable information. Frequently, management does not regularly review the employees that have access to the systems or their levels of access, creating questions about the effectiveness of processes for adding and removing system users. In environments where certain system access is decentralized, the same “level” of employee at one campus could perform different functions and have a different access level than the same “level” of employee at another campus. Without standardized user groups and employee functions, institutions could further experience inconsistent

Institutions should rely on auditors to review significant programs like financial aid and ensure they are operating efficiently and effectively, while complying with applicable guidance and regulations.

decision-making and job performance, while creating an IT structure that is challenging for any IT support staff to manage. In addition, it is frequently unknown the extent to which audit trails exist and are reviewed by management. Oftentimes audit results reveal issues with segregation of duties, including staff review of their own work or the ability to create, review, and approve their own records.

Other possible risks include:

- Potential for former employees to have access to confidential information
- Inconsistent work performance and complex IT structures
- Potential for fraud

Combined internal control weaknesses in any of these areas could prevent the institution from operating its financial aid program at its optimum and in a manner that facilitates customer service to students.

THE T TAKE AWAY

By performing a review of IT processes and controls, and reviewing the accuracy and completeness of data, auditors can identify potential issues across multiple operational areas within one program and across multiple departments simultaneously. This approach saves time by allowing auditors to maximize its value. At the end of the day, institutions need to provide a service to students, and financial aid is one of the most important, large dollar services that sustains the organization. Institutions rely on faculty and instructional mechanisms to teach students what they need for future success. In the same manner, institutions should rely on auditors to review significant programs like financial aid and ensure they are operating efficiently and effectively, while complying with applicable guidance and regulations.

ABOUT THE AUTHOR

Rachel Snell has worked in government auditing for over 10 years at State, Local, and higher education organizations. She is active in professional organizations, and has published in several audit-related publications. Rachel holds the following certifications: Certified Internal Auditor, Certified Fraud Examiner, Certified in Risk Management Assurance, and Certified Internal Controls Auditor.

MOVING BEYOND “I FELL INTO IT”: GROWING A NEW GENERATION OF PERFORMANCE AUDITORS

Chris Horton



You're probably like me. We have an interest in management problems, a facility for creative analysis, and a passion for public service. And, like me, you probably fell into being a performance auditor.

Unlike our financial audit colleagues, performance auditors generally do not begin direct training for their jobs in college. Instead we often learn our skills indirectly, through program evaluation or policy analysis classes, through financial audit training, or simply through on-the-job training. And this is in a field replete with innovative, forward-thinking, technology-savvy practitioners. So what would our field be like if more colleges or universities offered classes in performance auditing?

That is the question that the ALGA Education Committee began considering and researching in 2015. We soon learned that the Institute of Internal Auditors (IIA) has a well-developed academic relations program that encourages IIA curriculum for internal audit classes at numerous colleges and universities. However, this training is often business-oriented and geared toward internal auditors. What was missing was a gap that ALGA could fill; training that was government-oriented and geared toward performance auditing. While ALGA cannot single-handedly change the current lack of academic training for performance auditors, we can do more than simply wait for someone else to solve the problem.

ADDRESSING THE NEED

The Education Committee determined that the best way to approach our lacuna of academic training was to develop a framework—or model syllabus—for a performance auditing class in a public administration (or public affairs) program. By developing a model syllabus, we hoped to capture those attributes that our association most values in high-quality performance auditing. By doing so, we could show colleges and universities that performance audit training meets a

By introducing these students to performance auditing, we are helping them identify a very viable line of work, rather than leaving their career exploration to the vagaries of fate.

deep need for their students, while simultaneously lowering the barriers to implementing a performance audit class.

“Wait a second,” you may be asking, “is there really a deep need for performance audit training?” As the Education Committee and the Board thought about this question, it became clear that there are two primary strategic purposes for developing a performance auditing syllabus. The first is the need for a more effective way of introducing performance auditing to eager, bright public affairs students. These students are learning the skills necessary for effective research and analysis, and have self-identified their passion for public service by choosing a public administration program. By introducing these students to performance auditing, we are helping them identify a very viable line of work, rather than leaving their career exploration to the vagaries of fate. Second, a performance auditing class helps to solidify, for future public managers, ways that they can lead an organization toward greater effectiveness and efficiency. Over time, this will increasingly yield managers ready to lead organizations more effectively and manage relationships with performance auditors more productively.

ELEMENTS OF THE SYLLABUS

I’m pleased to report that at the Spring 2016 Board meeting the ALGA Board of Directors approved the first model syllabus for a performance auditing class. The syllabus covers a wide variety of key performance audit topics, and introduces readers to some key readings for performance auditors.

Overview of the Field

The syllabus guides students through an overview of key performance auditing concepts. Students learn about the role of performance auditors and the different types of performance audits, including those focusing on effectiveness, compliance, prospective analysis, and information technology. The syllabus also compares performance auditing to other types of audits and assessments, primarily financial audits. Students learn about different types of audit evidence, how various research methodologies can be used, and the importance of evaluating the evidence with professional skepticism. The syllabus also provides an overview of various audit standards, focusing on the Yellow Book, with a discussion about how standards make auditing a distinct profession. Finally, students receive a brief introduction to international performance auditing standards and practices.

Phases of the Audit

The bulk of the syllabus is devoted to teaching the three phases of the audit as framed by the Yellow Book: planning; fieldwork; and reporting. As part of these phases, the syllabus covers the acts of risk assessment, both for annual planning and for specific audits. Within these phases of the audit

The model syllabus offers various capstone activities that can be tailored to meet the needs of the schools, instructors, and students.

classes will be discussions of budgeting and staffing the audits, and threats and opportunities that arise from the political environment. The syllabus devotes significant time to oral and written communication, which is often the most challenging aspect of the job. Effective communication is critical to creating the conditions in which our findings are understood and our recommendations are implemented. There is room in the syllabus for many of the forward-thinking modes of communications highlighted in recent ALGA conferences, including data visualization, infographics, and videos.

Class Readings

As is traditional for a class syllabus, the ALGA model syllabus offers a list of recommended readings. However, this syllabus was built on the idea that the best source of reading for a performance audit class is world-class performance audits. We are fortunate to have many examples of such audits on the websites of our members, and these will form the core of the students' readings. However, there are other important sources of readings as well. The Yellow Book will be a key document for the class, as will some older, influential articles such as *The Activist Auditor* by Ed Wheat. There are some terrific readings on the syllabus list for the library of any performance auditor, and I encourage everyone who reads this article to consult the syllabus' readings and procure them when you can.

Capstone Activities

I doubt many auditors would argue that performance auditing can be fully taught without an opportunity to practice the concepts being learned. To that end, the model syllabus offers various capstone activities that can be tailored to meet the needs of the schools, instructors, and students. These activities include conducting a mini-audit for an organization whose management is willing to volunteer time in exchange for some useful feedback. While the mini-audit would be ideal, not every class would have the time to devote to this project. In such cases, alternative capstone projects include performing a group risk assessment, or conducting interviews with managers or policymakers who have experienced audits and can provide helpful insights into the power and pitfalls of performance audits.

A CALL TO ACTION

Now that we have developed a model syllabus, we're ready for the next step: putting the syllabus into action – and you can help. ALGA needs members passionate about growing a new generation of performance auditors. Have you thought about teaching at a local public administration school? If so, consider taking this model syllabus and talking to the leaders of your favorite local public administrative program. Chances are that they do not already provide a performance auditing class, and will be intrigued to find this gap could be filled. And even if you don't want to teach a performance auditing

class yourself, you can still be an effective evangelist for performance auditing by sharing this model syllabus with public administration professors that you may know. Some of our younger colleagues, just a few years out of school themselves, could be invaluable in planting the seeds of performance auditing with their contacts in academia. Finally, I hope that all ALGA members will take some time to review the syllabus and the list of readings, and use it as a reminder that we should all be engaged in continuous learning. As the recent conference in Austin has shown, we have a great deal we can teach to each other. I hope that the model syllabus can be an important part of these teaching moments going forward.

ABOUT THE AUTHOR

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CONTRACTING OUT THE MANAGEMENT OF HOMELESS SERVICES: HOW AN AUDIT EMERGED FROM A NON-AUDIT LETTER REPORT

Ingrid Drake



For the last decade in the District of Columbia, there has been a concerted effort by advocates, policy makers, and homeless individuals to eradicate homelessness and improve services. Laws were strengthened, an inter-agency council was formed, and action plans were drafted.¹ Nevertheless, the largest contract related to the provision of homeless services, valued at more than \$66 million a year, had gone unexamined since it was put into place two decades ago. This article will describe how the Office of the District of Columbia Auditor came to select that contract for an audit, what we chose to test, what we found, and how our findings may change our approach to future audits.

THE ORIGIN AND APPROACH OF THE AUDIT

As described in our article published in the Fall 2015 issue of *Local Government Auditing Quarterly*,² we completed a letter report in response to a request from our legislative branch. The purpose was to identify the non-governmental organizations that received local dollars for homeless services, which were provided to the approximately 7,784 people struggling with homelessness.³ The bulk of the \$109 million spent in fiscal year (FY) 2014 on homeless services in the District went to the not-for-profit The Community Partnership for the Prevention of Homelessness (TCP) through a number of contracts and grants. The largest of those contracts to TCP was an agreement⁴ with the District's Department of Human Services (DHS) to manage the District's comprehensive system of homeless services called the "Continuum of Care."⁵

In addition to the size, and that the contract had not been audited since its first iteration in 1993, we identified other conditions that made it clear that it was ripe for an audit. We learned that the DHS contract administrator was overseeing 151 separate contracts, subcontracts, and grants totaling \$107 million. Also, as part of this contract, TCP was to establish a competitive system of awarding

**DHS failed to
conducted adequate
oversight of the
contract.**

subcontracts to various service providers. It subcontracted out 58 services, but it was also overseeing itself for ten services and collecting an eight percent management fee. There was also a blurry relationship between the government and the non-profit contractor. A former TCP staff person was in a leadership position at DHS and managing the staff responsible for overseeing the contract. Given these risk factors, we decided to audit the FY 2014 contract which cost a total of \$66.5 million and provided 48,456 beds or other units of service (such as an apartment or outreach services for an individual for a year).

We approached the audit as if there were 23 separate audits. We audited the contract relationship between DHS and TCP, a sample of 12 of 58 subcontractors to assess TCP management and oversight, and all ten services that TCP provided itself under the contract. Our fieldwork reviewed contract deliverables, invoices, and supporting documentation. We interviewed staff, subcontractors, and stakeholders, and we did subcontractor site visits. We also cross-checked client names between agency records and the contractor. Our key criteria were the contract's requirements, but we also used District law, the subcontracts' requirements, and the program rules approved by DHS for each program.

As the agency initiated its own internal review following our letter report, we shared with them which components of the contract we were focusing on so not to duplicate efforts. We also briefed the legislative branch about our risk assessment and our audit plan.

FINDINGS

Our most significant finding was that DHS failed to conduct adequate oversight of the contract.⁶ We found the contract administrator failed to uncover that the contractor did not submit most of the required deliverables and failed to verify contractor or subcontractor performance prior to authorizing payments. Interestingly, the contract administrator was given a 5 out of 5 for contract oversight on his annual performance review.

A second major finding was that DHS allowed TCP to manage itself for ten services, totaling \$22 million or 33 percent of the contract, without written agreements. This contradicted TCP's contract proposal in which it stated that it intended to subcontract 90 percent of the services. TCP also collected approximately \$1.76 million in administrative management fees for managing itself in these ten services. Unlike the 58 subcontracts, for which invoices required supporting documentation and TCP review prior to payment, TCP did not receive such oversight. As a result, we found multiple instances in which the contractor rather than the District government appeared to have made decisions on expenditures, operating with wide latitude developed over the 20-plus years of the contractual relationship.

We solicited stakeholder feedback, not just from DHS and TCP staff but also from the subcontractors and homeless advocates that were not a part of the audit.

We also found that the District government lacked key data that was essential for it to monitor the contractor's performance, such as client names and lease amounts for multiple housing programs. As DHS did not have basic program information, it did not conduct periodic reconciliations, which could have prevented some of the errors we found, such as participants being billed to the wrong program.

Our letter report determined that a balance had been carried over from FY 2013 and spent in FY 2014 on homeless services, which raised concerns about potential Anti-Deficiency Act violations. The District's Anti-Deficiency Act prohibits the use of funds from one fiscal year in the next fiscal year without an appropriation for the following fiscal year.⁷ Both TCP and DHS stated that together they agreed on the expenditures, in furtherance of the contract's objectives. During our audit, we delved deeper into this and learned that the contract was a firm fixed price contract, but was being treated like a cost reimbursement contract.⁸ This made it difficult to determine proper invoicing and payments, and to make a definitive determination on Anti-Deficiency Act compliance. Instead of a finding, we identified this as an *area of concern* and referred it to Board of Review for Anti-Deficiency Violations, an independent District of Columbia investigative board that reviews reported violations of the Anti-Deficiency Act.⁹

While we had 35 findings and one *area of concern*, there were some things on which we could not report. In its initial request to our office, the legislative branch was interested in the percentage of funds the contractor and subcontractors spent on overhead. We were unable to do this analysis because of the variations in sizes of the non-profits, the relative strengths of their internal fundraising, and their other funding sources for the same programs. We did conclude, however, that TCP allowed two of its subcontractors to exceed their 10 percent caps on indirect costs. This resulted in a total of \$177,419 in over-paid indirect costs, which took funds away from actual services. It also appeared to be unfair to other providers, who complied with the policy but had actual indirect cost rates higher than ten percent. This occurred because DHS had approved higher rates for those two contractors.

LESSONS LEARNED

Given the audit's significant public interest and our investment of time and staff, it took one year to complete. We wanted to do a meaningful assessment of our work. Using Survey Monkey, we solicited stakeholder feedback, not just from DHS and TCP staff but also from the subcontractors and homeless advocates that were not a part of the audit. Internally, we hosted a post-audit meeting to closely examine the audit timeline, roadblocks, things we did well, and things that did not go so well.

Overall, DHS agreed with many of our recommendations and already had implemented some changes by the time the report was published. One of the weaknesses identified was the awkward transition from letter report to audit. We should have held a new entrance conference at the audit start. Also, it was tricky to manage two distinct parties -- the auditee, which we engaged even though it outsourced its management of this contract, and the contractor, which we did not engage but was responsible for all of the work. For example, we had informal weekly meetings during fieldwork on-site with the contractor but should have formalized them and invited the agency. While the agency and the contractor were in close communication, if we had briefed both, we would have controlled the flow of information and prevented some apparent confusion during the close-out meeting, which was quite contentious. This was a key lesson, as our office intends to conduct more audits of large contracts of the outsourcing of key government functions.

NOTES

¹ See: the Homeless Services Reform Act of 2005. http://ich.dc.gov/sites/default/files/dc/sites/ich/page_content/attachments/HSRActOf2005.pdf Also see: "District of Columbia Strategic Action Plan to End Homelessness," Interagency Council on Homelessness, April 2010, at <http://ich.dc.gov/sites/default/files/dc/sites/ich/publication/attachments/ICHStrategicPlanFinal04-10.pdf>; "Ending Homelessness Together: A Summary of 10 Year Plans to End Homelessness in the Washington Metropolitan Region" at <https://www.mwcog.org/uploads/pub-documents/o15cV1820140320143736.pdf>; and "Homeward DC: ICH Strategic Plan 2015 – 2020" at <http://ich.dc.gov/page/homeward-dc-ich-strategic-plan-2015-2020>.

² Lebowitz, Julie. "Developing a methodology to examine Non-Governmental Organizations (NGOs) Receiving Local Government Funds to Provide Homeless Support Services." *Local Government Auditing Quarterly*, Fall 2015.

³ The best estimate for the number of homeless individuals in the District during 2014 was and comes from the Point-in-Time count. HUD requires that federally-supported Continuum of Care entities conduct a Point-in-Time count annually of homeless persons including both those who are unsheltered and sheltered (i.e. in emergency shelter, transitional housing, etc.) on a single night in January.

⁴ There are actually two DHS and TCP contracts related to the Continuum of Care; a management contract and a sole source contract. We chose to focus on the former, as it was the larger of the two, and included an administrative oversight fee.

⁵The United States Department of Housing and Urban Development (HUD) defines Continuum of Care as a program that “is designed to promote communitywide commitment to the goal of ending homelessness; provide funding for efforts by nonprofit providers, and state and local governments to quickly rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness; promote access to and effect utilization of mainstream programs by homeless individuals and families; and optimize self-sufficiency among individuals and families experiencing homelessness.” See: <https://www.hudexchange.info/programs/coc/>

⁶The full report is available at: <http://www.dcauditor.org/reports/district%E2%80%99s-management-contract-community-partnership-prevention-homelessness-was-not>.

⁷D.C. Code § 47-355.02 “Limitations on expenditures and obligating amounts.”

⁸D.C. Code § 2-351.04(32) defines a fixed-price contract as “a contract where the price is not subject to any adjustment on the basis of the contractor’s cost experience in the performance of the contract.”

⁹As of publication, we have not yet received a response from the Board.

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USING THE CAPABILITY MATURITY MODEL INDEX TO EVALUATE COMPLEX PROCESSES AND CLEARLY COMMUNICATE RESULTS

Nathan Otto
and
Shawneé Pickney



What to do when you have a complex subject that needs to be conveyed simply? It vexed our team as we conducted a performance audit of the process of overhead rate calculation for departments throughout the City. Essentially: how does a government ensure that its various components are billing themselves properly? We knew we were going to be a big hit at cocktail parties with this one.

Using Capability Maturity Model Integration (CMMI) helped us resolve a common challenge for performance auditors – communicating the complex results of our evaluation in a simple framework that was easy to understand.

THE CHALLENGE

We could anticipate that our evaluation and findings were going to be a challenge for end-users trying to make sense of our report. Not only was the subject matter going to be dry, but the actual processes were complex, involving accounting terminology, multiple cost components, adjustments, and calculations. Further, we were worried that people would think it was a financial audit, though in actuality our focus was process and performance based.

Specifically, our audit was reviewing the methodologies and processes associated with the City's standard cost allocation, as well as its non-discretionary cost allocations. If those are unfamiliar terms, essentially they are a way that entities can better account for costs that benefit more than one department (think City Clerk, information technology systems, etc). In the case of our project, both the standard cost allocation process and the non-discretionary allocation processes fed into the eventual overhead rate calculation. The first process was overseen by the City Comptroller, the second by Financial Management (FM).

We would have evaluations and/or findings of unfamiliar financial processes, involving two different departments. How were we going to evaluate this as

We used our best professional judgment to select a helpful, relevant framework.

a performance audit? How could we pare down what aspects of these processes we were going to evaluate? How could we make that evaluation understandable to the lay reader?

CRITERIA

As with many performance audits that involve financial elements, a good place to consult is GFOA. The Government Finance Officers Association is a great source for dozens of short, well-written best practices to serve as helpful criteria. What should a government entity be doing about a given financial issue? GFOA may provide an answer. Their best practices can be found [here](#).

We used our best professional judgment and, among other criteria, selected a GFOA best practice that we felt provided a helpful, relevant framework for some of the issues at hand: “Pricing Internal Services”. It originally contained six steps that it recommended governments follow when considering a pricing system for their internal services. That best practice can be found [here](#).

We consulted with our auditees in the Office of the City Comptroller – the department in charge of the ultimate calculation of overhead rates. They had reservations about the direct applicability of certain parts of these GFOA criteria. Working together, we winnowed the six steps down to four key “Elements” by which to evaluate the overhead rate calculation process. This process is detailed in Exhibit 1.

Exhibit 1. Tailoring boilerplate GFOA guidance to audit-specific evaluation

Guidance from GFOA Internal Pricing Elements	Making it relevant to our audit Element
1. Identify Goals of Internal Service Pricing	1. Purpose of the Cost Allocation Process Defined and Understood
2. Develop Allocation Strategy	2. Develop Cost Allocation Process
3. Define Level of Costing Detail	3. Determine Cost Categorization
4. Determine Cost of Service	
5. Decide Basis of Allocation	4. Periodically Review Overhead Rates
6. Consider Potential Drawbacks of Internal Costing Systems	(No specific Element; Intertwined throughout Elements 1-4)

For **Element 1**, “Identify Goals” we would evaluate how the goals of the allocation processes were articulated (e.g. in process narrative or other documented form), and whether or not the process was truly well-understood by relevant stakeholders (which we assessed via survey).

For **Element 2**, “Develop Allocation Strategy”, we would evaluate the allocation structure and its origins, and any reforms. (We also decided to eventually make this Element 1 since it seemed like a natural high-level starting point.)

We could use CMMI's scoring rubric like a report card. Better still, it provided guidance for how to improve processes.

Elements 3 and 4 both dealt with the actual classification and calculation processes. Thus, with an eye towards simplification, we merged Elements 3 and 4 from the original GFOA guidance into a single step “Determining Cost Categorization”. We reviewed these steps by trying to replicate and trace cost classification data for a City department.

For Element 5, since the descriptive language highlighted the importance of original allocations vs. actual experiences, we wanted to evaluate what Comptroller’s and Financial Management were doing to periodically review or self-scrutinize their efforts.

Lastly, we felt that GFOA’s **Element 6**, “Consider potential drawbacks” should be part of professional judgment inherent throughout the process, so we removed it as a stand-alone element.

THE EVALUATION

Now that we had our four remaining Elements with which to assess the overhead rate calculation process, we needed a way to actually convey an assessment. Again, we imagined ourselves waxing on about highly technical findings, our lay readers’ eyes glazing over. Part of that would be unavoidable, we knew, but we also wanted to be able to effectively convey our findings for such technical processes to our audit committee and other non-experts.

Enter CMMI. The Capability Maturity Model Integration paradigm provides a set of guidelines for developing and evaluating services, including those within government. We could use its scoring rubric (see Exhibit 2) to evaluate the level of achievement within each Element. Basically, we realized, we could use it like a report card: the Elements as the subjects, the CMMI scores as the grades. Better still, it also provided guidance for how to incrementally improve processes.

Exhibit 2: Capability Maturity Model Integration Scoring Rubric

Capability Level	Description
Level 0: Incomplete	<ul style="list-style-type: none"> Process either not performed or is partially performed One or more specific goals of the process area are not satisfied No generic goals exists
Level 1: Performed	<ul style="list-style-type: none"> Accomplishes needed work to produce work products Specific goals are satisfied Improvements can be lost over time if not institutionalized
Level 2: Managed	<ul style="list-style-type: none"> Processes planned and executed in accordance with policy Employs skilled people having adequate resources to produce controlled outputs Involves relevant stakeholders Is monitored, controlled, and reviewed Is evaluated for adherence to its process description
Level 3: Defined	<ul style="list-style-type: none"> Processes described more rigorously than Level 2 Processes clearly states purpose, inputs, entry criteria, activities, roles, measures, verification steps, outputs, and exit criteria Processes managed more proactively

Source: Capability Maturity Model Integration

A report card was a helpful way to organize our critique, ground our recommendations, and ensure consistency.

So for example, at Level 1: “Performed” in the rubric, an entity such as the Comptroller’s Office or Financial Management might be adequately completing their work, but might be relying heavily on key individuals, with little in the way of formalized guidance, official training regimens, or regular self-examination. The steps needed to move to Level 2: “Managed” are laid out for the entity to see an actionable path to self-improvement.

A report card paradigm was a helpful way for us to organize our critique, ground our eventual recommendations, and ensure consistency as we evaluated the parts played by both the Comptroller’s Office and Financial Management in the overhead rate calculation process.

THE END PRODUCT

When we overlaid the CMMI scoring rubric over our four Elements discussed above, our final assessment looked like this:

Exhibit 3a. The CMMI assessment for Financial Management and its allocation process

Element	Description	Score	Basis for Score
Develop Cost Allocation Process	Identify the structure that will be used to develop the Citywide Non-Discretionary Budget Allocations	Level 3	Financial Management (FM) developed the Budget Reference Manual (BRM) which provides proper guidance to departments responsible for developing non-discretionary allocations. The BRM defines a system whereby provider departments must identify and assign non-discretionary costs on a reasonable and consistent basis.
Purpose of the Cost Allocation Process Defined and Understood	Purpose of the non-discretionary cost allocation process clearly understood by the parties responsible for development and implementation	Level 2	The purpose of the non-discretionary costs process is defined and executed in accordance with policy. Responsible staff have appropriate resources and are engaged when developing allocations. However, FM should improve its level of communication with providers after allocations have been finalized. Also, FM should ensure that proper documentation is submitted by FM and provider departments to support allocation decisions.
Determine Cost Categorization	Identify the level of detail associated with non-discretionary cost allocation methodologies and the process for review	Level 2	Although not all methodologies are the same, each provider department is required to follow the same protocol. However, FM should enhance its monitoring, control, and review of the process by requiring formal signoffs by provider department management certifying review of allocations. FM should also require provider departments to include supporting documentation within its submissions explaining discretion taken or adjustments to allocations.
Periodically Review Non-Discretionary Allocations	Reviews non-discretionary allocations against actual experience and makes proper adjustments	Level 1	FM has developed a Non-Discretionary Process Tracking Sheet that provides a central repository for reviewing non-discretionary allocations. However, the guidelines for completion are not consistently followed.

**Don't be afraid
to adapt.**

We also generated one of these “capability report cards” for the Comptroller’s office for their oversight of the standard cost allocation process, and one for Financial Management for their oversight of the non-discretionary allocation process. Further justifications for each score were then given in narrative form throughout the report.

The end result was digestible, positive (note the score as a “capability level”), and spelled out ways that each entity could improve its processes and capabilities to a higher level. This last point was especially helpful in emphasizing the report from a process performance paradigm, rather than as a financial audit. Setting up this format early in our project also helped guide us in our fieldwork, ensuring that we were consistent in looking at similar sub-processes for both Comptroller’s and Financial Management.

CONCLUSIONS

1. Don't be afraid to adapt! We took GFOA guidance and adapted it to better suit our needs and audit objectives.
2. Part of that modification involved working with the subject matter experts in our City’s Comptroller’s office to create a relevant and simplified evaluation framework. Work with your colleagues to benefit from their expertise, as well as to gain buy-in when it is ultimately time to assess and present the eventual findings.

A common challenge for performance auditors is to sort through vast amounts of information and find a way to evaluate what is relevant. After that, the analysis needs to be conveyed in a way that appreciates the complexity of the subject, while turning it into something that can be understood by those who are not already familiar with the organization or process. We hope that this approach might be as effective for your projects as it was for ours.

Now, where’s our cocktail party invitation?

ABOUT THE AUTHORS

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GOVERNMENT SOCIAL MEDIA: WHO'S MINDING THE STORE?

Emily E. Kidd



There was a buzz within local media channels regarding the elected official's recent post. One only had to search on Twitter to see that the hashtag calling for his removal from office was trending in the community.

The post occurred two minutes after the incident and alerted both staff and the public in the surrounding buildings to perform an in-place lockdown. The official account was closely monitored for the next two hours amidst the sound of sirens. When the all-clear finally posted, those in the building met it with relief and gratitude.

The widespread use of social media is real. Situations such as these happen frequently as social media platforms often drive information distribution. The real-time nature of social media and the ubiquitous use of smart phones have us connected to information like never before. As governance agents at the governments we serve, the need for auditors to be aware of social media and the conversations within is also very real.

BACKGROUND

The new player in the communication universe is social media. Social media is understood as the set of web-based broadcast technologies and platforms that enable users to share content and comment on posted material including pictures, videos, and the written word. Currently, common platforms are Twitter, Snapchat, Instagram, YouTube, and Tumblr, with a multitude of newcomers such as Kik and SoundCloud apps becoming important for the youth in our communities. (Haven't heard of them? At the time of this article, Kik had 1.92 million Android downloads and SoundCloud had 1.94 million.)

Because the way people interact with each other and get their information is often rooted in social media, the need to govern the official accounts of governments and organizations is great.

CULTURAL MAINSTAY

We've heard it before, "Our organization doesn't need to bother with social media; it's just for the kids." While this statement may have been accepted five years ago, today it is incongruous with our society. Depending on the business in question, statements such as these can be mildly problematic to ignorant and downright dangerous. Because the way people interact with each other and get their information is often rooted in social media, the need to govern the official accounts of governments and organizations is great. And, although a higher percentage of millennials use social media than other groups, a significant portion of Gen Xers and yes, Baby Boomers too, are participating as well. Social media is here to stay and to ignore it is to play ostrich.

Not convinced? Consider electronic mail. This was new to most in the mid-90s and now email has become commonplace in personal and business environments alike that we may forget it wasn't always in use. While most have embraced that technology, there has been resistance by some when it comes to social media use in professional settings. A mindset of "the kids use social media" is one that is not uncommon in the business place. This perception of social media needs to change if we are to remain relevant in our industry. The adage "change or die" is certainly applicable as this informational shift is changing in the world around us.

RISKS & GOVERNANCE

These platforms and apps, while fun in their design, have tangible risks associated with them. The very nature of social media is also what makes it risky – real-time communication and one-too-many publications.

Legal and Regulatory Compliance

Legal and regulatory compliance are significant areas of concern when it comes to social media. Key topics are: the intentional or accidental release of sensitive information leading to a loss of intellectual property; the ability to identify employees using organizational social media to post content with legal ramifications (e.g. harassment); and trademark infringement. The archiving of the account's data may also need to be considered depending on local public records law and disclosure requirements. The regulation of social media use continues to be a gray area for many leading to uncertainty in policy creation. However, the cost of doing nothing may not be an acceptable risk for the organization; a bit of mitigation in this area can do much for the cost of resultant risks.

Brand and Reputational Damage

Reputational damage is sensitive in governmental environments. Reputation is built slowly over time and a social media blunder can negatively influence

Due to its dynamic nature, creating meaningful policies for social media is a challenge.

the perception of the organization. Negative perceptions, conscious or subconscious, may impact citizens' confidence of the governmental group. If the damage is large enough and its reach broad enough, governments may see direct impacts through the outcry of citizens and office disruption.

In a recent EisnerAmper survey of board members, fewer than four out of ten organizations have a plan to address reputational crisis. The report cautioned, "Public companies should be aware of the connection between a cybersecurity breach, an organization's reputation and the ever-expanding role of social media." Because reputation is so important to the governmental business model, the reputational risk associated with the reach of social media needs to be a part of the risk conversation. In the fictional examples at the start of this article, the corresponding risks are reputational/legal and safety.

Governance

The depth of governance is two-fold: Management of the official accounts used by the organization and oversight of the content. While the second level falls into the bailiwick of the communications and marketing department and can be managed with customized metrics, the first level clearly points to policies and the establishment of proper reporting channels. The audit department is an excellent ambassador for establishing this structure for the organization.

MOVING FORWARD WITH SOCIAL MEDIA

Policies

The common apps are in a constant state of flux, much like the use of social media itself. Due to its dynamic nature, creating meaningful policies for social media is a challenge. Calling out a platform specifically by name in policies necessitates the need to constantly update policy, which no one wants. Imagine having a policy that addresses the password protection of the organization's MySpace account... yikes! Instead, using general terms for social media platforms such as photo sharing apps, video platforms, etc. will keep the organization from needing to update the policy each time a newcomer arrives. Indeed, the change is constant. At the writing of this article, the phrase "social media" itself has morphed into the quicker "social" that is being used as a noun. As in, "I searched on social and he didn't post about the council's vote."

General guidelines for account management include who will post, what will be posted, and dual-access. Clear process ownership is central, especially as it relates to crisis management plans. In addition, general recommendations for social media oversight include that a committee be identified to effectively govern the organization's social media. Other issues

Inclusion of the social media in our risk assessments is necessary for our industry to remain relevant.

to consider include acceptance or rejection of public comments, if the account will interact with users or be a post-only type platform, the number of posts per day/week/month, and if links to news articles or press releases are allowable.

Strategy

There is often a general lack of transparency regarding how social media is used throughout an organization's offices and departments. The development of a clear strategy for the use of social media is recommended in these occasions. While the platform may be dynamic, the strategy for all functions within a single governmental entity generally point back to organizational goals. A review of the mission statement for the entity will keep the path straight when developing the strategy for social media use. It should be noted that, while different areas of the organization will have various goals for their social media reach, the mission and brand of the entity in general should be consistent.

Training

Once the policies and strategy have been determined, the training of employees that are process owners of official social media accounts is essential to a strong function. This training should include initial job training as well as consistent, recurring training for staff that manage official accounts. Topics of the training should include the policies and procedures, strategy and branding, and crisis management plans.

Audit Plan

Your audit plan's scope will depend on the breadth of your organization's current social media structure. For programs that are in its early stages, the audit may include a review of the oversight and governance of social media. Here, assistance with policy development may include a gap assessment of the policies against the multiple laws and regulatory requirements. With time, the audit would evolve to assess implemented controls that emerged from the initial audit. Later audits may shift its scope to the management of platform access and employee training and compliance. Keeping the organization's current stage in social media process development will be central when developing the audit plan to maintain an effective scope.

In conclusion, our audit functions need adaptation to keep up with the changing landscape. Inclusion of the social media in our risk assessments is necessary for our industry to remain relevant. Social media has landed – and it doesn't appear to be going anywhere.

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GOVERNMENT-WIDE OR COMBINED STATEMENT OF CASH FLOWS

Khaled Abdel Ghany

	510515	0.00	0
	506781	0.00	0
	92001	0.00	0
	95001	0.00	0
	94011	0.00	0
	514278	0.00	0
	518003	99.00	99
	534941	0.00	0
	90010	20.00	20
	70120	0.00	0

In September 2015, the Governmental Accounting Standards Board (GASB) added to its agenda a major project “*Financial Reporting Model—Reexamination of Statements 34, 35, 37, 41, and 46 and Interpretation 6.*” The objective of this project is to make improvements to the current financial reporting model for state and local governments. One of the issues included in GASB’s project is exploring whether a government-wide statement of cash flows should be required, and if so, how those cash flows should be presented.

This paper provides discussion and analysis of the current formats, presentations, and methods used to prepare the statement of cash flows. I conclude first that a statement of cash flows should be prepared for the governmental funds. Subsequently, the statement of cash flows for the entire government would be a combination of the statement of cash flows for the proprietary funds and the statement of cash flows for the governmental funds. Additionally, I also conclude that using the direct method to prepare the statement of cash flows for the governmental funds (which is the method used for the proprietary funds) is more appropriate than the indirect method. The direct method is the recommended by GASB, as well as the Financial Accounting Standards Board (FASB), and the International Accounting Standards Board (IASB), and it fits reasonably with the current modified accrual basis of accounting used by the governmental funds.

The rest of paper discusses an overview of cash flow information; the current cash flow reporting standards; the direct method’s incremental information; and statements of cash flows for governmental funds.

USEFULNESS OF CASH FLOW INFORMATION

GASB Statement No. 9 states that the primary purpose of a statement of cash flows is to provide relevant information about the cash receipts and cash

payments of an entity during a period. Cash flow information is useful in assessing the ability of an entity to generate cash and cash equivalents and enables users to develop models to assess and compare the present value of the future cash flows of different entities. Historical cash flow information is often used as an indicator of the amount, timing, and certainty of future cash flows. It is also useful in checking the accuracy of past assessments of future cash flows and in examining the relationship between profitability and net cash flow.

CURRENT STANDARDS FOR CASH FLOW REPORTING

The three major accounting standards setting organizations – FASB, IASB, and GASB – currently address statements of cash flows.

FASB's Accounting Standards Codification (Topic 230 – Statement of Cash Flows) requires the classification of the statement of cash flows into three categories; operating activities, investing activities, and financing activities. In preparing cash flow from operating activities, FASB encourages organizations to report major classes of gross cash receipts and gross cash payments, and the arithmetic sum – the net cash flow from operating activities (the direct method).

Recently, FASB issued an Exposure Draft (ED) for the Accounting Standards Update “*Statement of Cash Flow (Topic 320): Classification of Certain Cash Receipts and Cash Payments.*” This ED addresses specific cash flow issues with the goal of reducing the existing diversity in practice. These issues include, for example, debt prepayment or debt extinguishment costs, settlement of zero-coupon bond, proceeds from the settlement of insurance claims, and distribution received from equity method investees.

The International Accounting Standard (IAS) No. 7 also requires the classification of the statement of cash flow into three categories; operating activities, investing activities, and financing activities. The standard also stated that classification by activity provides information that allows users to assess the impact of those activities on the financial position of the entity and the amount of its cash and cash equivalents. This information may also be used to evaluate the relationships among those activities. IAS No. 7 allows the use of the direct method or the indirect method to prepare the statement of cash flows. The standard also stated that entities are encouraged to report cash flows from operating activities using the direct method because it provides information which may be useful in estimating future cash flows and which is not available under the indirect method.

GASB Statement No. 34 stated that governments should present a statement of cash flows for proprietary funds based on the provisions of GASB Statement No. 9. The direct method of presenting cash flows from operating activities (including a reconciliation of operating cash flows to operating

The direct method to prepare the statement of cash flow is recommended by FASB, IASB, and GASB.

income) should be used. A statement of cash flows for proprietary funds should classify cash receipts and cash payments as resulting from operating, noncapital financing, capital and related financing, or investing activities.

DIRECT METHOD'S INCREMENTAL INFORMATION

The direct method to prepare the statement of cash flow is recommended by FASB, IASB, and GASB. Additionally, capital market research suggests that the direct cash flow statement provides incremental information to that provided by the indirect cash flow method. The following synopses summarize the state of capital market research on the direct method for cash flow statements.

- Kirshnan and Largay (2000) tested a sample of 405 US firms and found that the direct method leads to superior prediction of one-year ahead operating cash flows than the indirect method. They also found that information on the gross amounts of cash receipts and cash payments (i.e., the direct method components) is more relevant than information on the net amount.
- Opurt and Zang (2009) concluded that the improved stock price informativeness of the direct method provides investors with a useful basis for estimating future earnings and cash flows. This information is incremental to the information presented in indirect cash flows.
- Farshadfar and Monem (2013) concluded that actual direct method components are incrementally useful to accrual components when forecasting one-year cash flow from operating activities. The accrual components they utilized include the balance sheet changes in accounts receivable, inventory, and accounts payable, as well as depreciation and amortization expense. As such they represent typical indirect method components.

For state and local governments, the direct method for the statement of cash flows for the governmental funds and for the combined statement for the entire government would provide better prediction of a government's future performance than the indirect method. Additionally, the direct method would reduce information asymmetries among lenders and creditors, and consequently, lower the cost of additional borrowings.

STATEMENT OF CASH FLOWS FOR THE GOVERNMENTAL FUNDS

Information about governmental funds' activities and balances is important to help users understand and interpret the government-wide statements as well as how the government manages and controls its short-term financial resources, in compliance with legal requirements.

Presenting a government-wide statement of cash flows, without presenting statements of cash flows for the governmental funds, would not provide the user with the most relevant information.

Fund financial statements report the government's operations in more detail by providing information about its major funds. For this reason, GASB Statement No. 34, in defending the fund financial statements, states that information about funds is also important in relation to government-wide financial statements, as discussed below.

- Understanding the relative financial health of major funds contributes to users' understanding of the government-wide statements. Government-wide statements provide valuable information about the government as an economic unit. But governments are not operated on a day-to-day basis purely as economic units, but rather as collections of short-term financing mechanisms. Thus, the financial position of the government as a whole can be better understood if users also understand the relative health of the major funds of the government.
- Information about major funds can provide more or less confidence in the conclusions reached about government-wide results and balances. Through cross-validation of results, users' conclusions about the government are either reinforced or questioned, prompting further inquiry into reasons for differences.
- Fund-based information allows users to be more perceptive about what the government-wide statements do and do not report. This allows them to interpret the government-wide information more accurately.

Based on GASB's notes, it is reasonable to argue that presenting a government-wide statement of cash flows, without presenting statements of cash flows for the governmental funds, would not provide the user with the most relevant information to understand and interpret a government-wide statement of cash flows.

A statement of cash flows for the governmental funds would add incremental information and value to the current financial statements (balance sheet and statement of revenues, expenditures, and changes in fund balance), and to the budgetary comparison schedules. This information would increase the predictive value of the financial statements, and provide the governments with valid information for better planning, budgeting, and management's decision making process.

The governmental funds use the modified accrual basis of accounting to record transactions and prepare the fund financial statements. The financial information provided under the modified accrual basis of accounting is sufficient and valid to prepare the statement of cash flows using the direct method.

Statement of cash flows for the governmental funds and a combined statement of cash flows for the entire government should be prepared using the direct method, and classified into four categories similar to the statement of cash flows for the proprietary funds.

A statement of cash flows for the governmental funds should be classified into the same categories required for the proprietary funds (operating, noncapital financing, capital and related financing, and investing activities). Therefore, a statement of cash flows for the entire government would be just a combination of the statement of cash flows for the governmental funds and the proprietary funds.

CONCLUSION

GASB's recent project of reexamining the current financial reporting model includes the issue of exploring whether a government-wide statement of cash flows should be required. This paper concludes that requiring government-wide statement of cash flow without preparing statement of cash flows for the governmental funds would not provide the financial statements users with the most relevant and useful information, and would create an issue of discontinuation and disconnection among the fund financial statements and the government-wide financial statements. Therefore, I recommend GASB to explore first the issue of statement of cash flows for the governmental funds, and then the statement of cash flows for the entire government should be a combination of statement of cash flows for both the governmental funds and the proprietary funds. Statement of cash flows for the governmental funds and a combined statement of cash flows for the entire government should be prepared using the direct method, and classified into four categories similar to the statement of cash flows for the proprietary funds.

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STAFF DEVELOPMENT HACK: KILLING MANY BIRDS WITH ONE SLICE OF PIZZA

Olga Ovcharenko



“My very eager management just served us nine pizzas”
Planetary mnemonic modified

This is what this article is offering a solution for:

- A training program tailored to staff's needs and desires
- Development of presentation skills among staff (AND making them happy at the same time)
- Getting a bunch of CPE hours at an unbeatable price
- Networking with your auditees
- Sharing your shop's best practices with others in the organization
- Enabling continuous process improvement

Interested? Keep reading if you are. We are ready to share a formerly classified and thoroughly vetted training approach that was synthesized to meet all of the goals listed above.

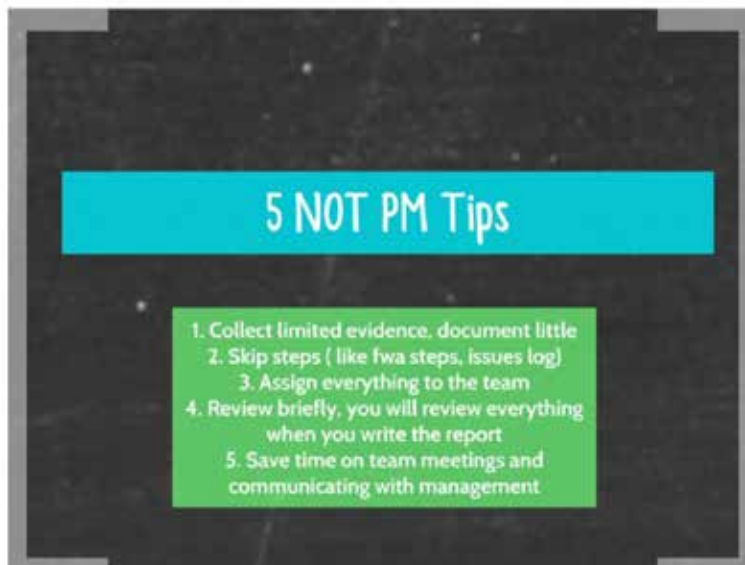
About two years ago we were going through a cycle of assessments of our office's strengths and weaknesses and identified a desire for additional training in several areas: project management, statistical analysis, interview techniques, report writing, risk assessment, and more. Not general training, but the best ways to do it in our specific environment with our tools, templates, and processes. As a part of the assessment process, we also saw a need for cross training and increased communication between our auditors and investigators. We were also emphasizing personnel development at the time and were looking for ways to encourage staff to bring up their improvement ideas and share best practices. Lastly, we were going through a big push to build better relationships with management.

Free pizza not only proved to be a great training attraction, more so it became an extremely cost-beneficial training approach.

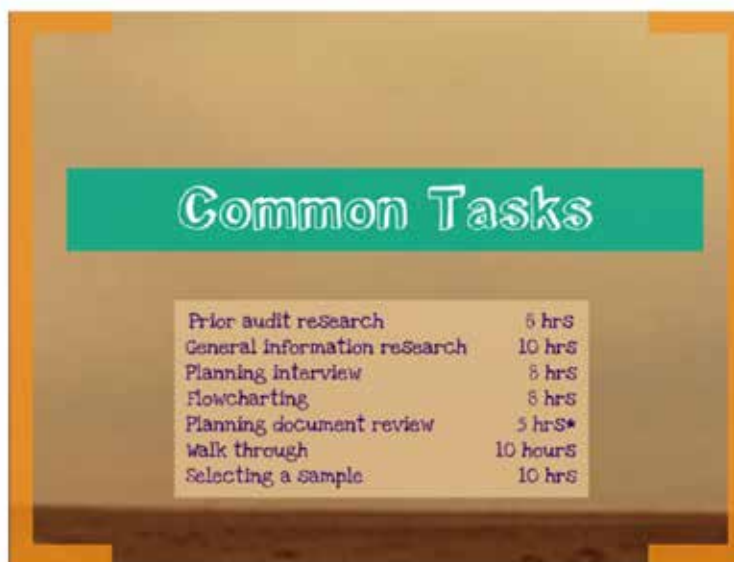
To address these needs and goals, we designed a series of brown bag trainings, except they were not quite "brown bags;" they were better (keep reading to learn why). The concept was easy: optional 1.5-hour monthly training sessions during lunch time, led by our staff or invited speakers from other city departments. The topics were a combination of staff's requests and the City Auditor's priorities. Sessions were very interactive, included practice exercises and discussions, and....free pizza! Free pizza not only proved to be a great training attraction, more so it became an extremely cost-beneficial training approach. The math is easy: \$200 for 20 people to earn 1.5 hours (in some cases 2) of super relevant CPE. We are looking at 15 CPEs per year at less than \$10 per CPE. Pretty hard to beat. Not to mention that staff preparing and leading training can get additional CPE hours.

Now on to the contents. As mentioned earlier, some of the desired topics were project management, interview techniques, and risk assessment. We had our staff members, experienced and successful in those areas, work together to pass on their secrets to others. The project management tips session sparked discussions about realistic time allocation for future tasks. For example, one can estimate that it will take five hours to interview five people. Well, it might. However, in planning this work, other tasks should be taken into consideration: scheduling, preparing questions, the time of two auditors attending the interview and commuting to and from, writing up the interview, and review time from the manager. We arrived at eight hours of actual time for a one-hour interview. Now, more experienced staff can probably do it in less time, but it was a good, realistic, conservative estimate for a new project manager. We came up with similar estimates for all standard steps and tasks we do and included the information in the project budget planning template.

A couple of examples of materials from the project management sessions:



Our managers caught us up on the industry's report writing best practices, IT security aspects, and the use of geographic information systems (GIS) for audit analysis.



Common Tasks	
Prior audit research	5 hrs
General information research	10 hrs
Planning interview	8 hrs
Flowcharting	8 hrs
Planning document review	5 hrs*
walk through	10 hours
Selecting a sample	10 hrs

Interview techniques was one of the first sessions led by auditors and investigators in collaboration and was tailored to the needs of both groups. The risk assessment topic became a series of office-wide trainings and helped us bring more consistency to planning our audits. Our invited speakers from outside of our office included audit directors of City of Austin's two municipal utilities, a long time public safety finance and program manager, former and current City Council aides, and the City's new Innovation Officer. We let them know in advance the topics in which we were interested and had very fruitful discussions with our speakers, almost all of which had been previously audited by our office. Our managers caught us up on the industry's report writing best practices, IT security aspects, and the use of geographic information systems (GIS) for audit analysis. They also attended the sessions to provide guidance on the office's expectations. Our staff stepped up and volunteered to share their knowledge on using social media to find evidence, better graphics tips and tools, a strengths finder assessment, and interpretation of legal criteria. In fact, a vast majority of the training sessions were led by staff and not management. For a few of those staff members, their initiative at the brown bag training led to external presentations and articles.

To sum up, I would like to encourage other audit shops, small or large, to take advantage of the talent you already have. It proved to be entirely possible to develop staff, save money on training, and have pizza parties all at the same time!

ABOUT THE AUTHOR

***Olga Ovcharenko** is a Siberian-Texan hybrid of creative soul and a task master. She has degrees in economics and accountancy and is certified in government auditing, internal controls, and risk management. Olga spent 8 years auditing in the areas of utility rates, hotel occupancy taxes, construction inspections, police evidence room operations, fire department growth planning, eGovernment, and financial oversight in the Office of the City Auditor with the City of Austin. During the last three years, Olga focused on coordinating quality control aspects of the shop's audit and investigative activities, as well as supporting the Audit and Finance Committee.*

AUDITORS AND US

**Katherine Barrett
and
Richard Greene**



We know that this essay is being read by many men and women who are involved in performance auditing. With that in mind we don't think we can get into any trouble with the following statement: In almost 30 years of reporting and writing about state and local government, we've often found those reports and the people who create them—whether auditors or others who do this kind of work, like some controllers—are among the best sources available in the world we've been covering for much of our adult lives.

We're constantly in search of new ideas for columns in *Governing* and the Council of State Government's *Capitol Ideas*, as well as story ideas for the Pew Charitable Trusts' *Stateline* and elsewhere. We're also, to borrow Ray Bradbury's description of Walt Disney, "jackdaws in the fields of the Lord," searching out new and interesting ideas that can be used by a variety of other clients. We read everything we can get our hands on, and have regular conversations with officials at all levels of states and localities.

With such a big world at our fingertips, it's startling how often we rely on audit reports as central to our understanding of a topic. Among other things, these documents are generally intellectually honest, unbiased, apolitical, and data based. That's exactly what we aspire for in our own work.

For example, when someone mentioned to us that there were important issues at the local level in terms of property management, we had a rough time finding national studies about the subject. But audit shops in Tampa Bay, San Diego, Portland and others had all delved deeply into the area. Their reports led us to know that we were onto a good topic and one that had the potential to have dramatic impact on the smooth functioning of local governments.

With such a big world at our fingertips, it's startling how often we rely on audit reports as central to our understanding of a topic. Among other things, these documents are generally intellectually honest, unbiased, apolitical, and data based.

The Portland report attracted our attention immediately. We've always found Portland to be a well-managed city. But the audit indicated that the city had not disposed of surplus properties, lacked a comprehensive inventory, and had no comprehensive strategic plan for property management.

In other instances, simply staying on top of the many audits that come out each month leads us to an issue that we would never have considered in the first place. That was true when we wrote an article in *Governing* about animal control offices, a subject that had provoked audits in Austin, Palo Alto, New York City, and DeKalb County, Georgia. The common theme we discovered in reading through them was the question of whether the primary goal of animal shelters was protecting people or protecting the animals themselves.

We also learned from these audits that, no matter what the goal, departments often can't achieve them for lack of resources. As we wrote, "Austin shelters have a goal that 90 percent of their animals will live. In other words, the city anticipates that 9 out of 10 creatures that enter its shelters will stay on their own 4 legs indefinitely. But according to the audit, 'animal services do not have sufficient facilities and resources allocated to meet the goal.'"¹

We'd be unfair to leave anyone with the impression that we rely strictly on the audit reports themselves. In fact, it's common practice for us to reach out to the men and women who research and write those documents in order to get a fuller perspective of the challenges and proposed solutions to the problem about which we're writing.

Here's a totally unscientific finding from our years foraging the fields of these reports: the men and women who are involved in their creation are the single most generous government employees in terms of sharing their time and their information, understanding our deadlines, and having the capacity to help us develop the kinds of concrete examples that we hope will make our writing come to life. What's more, they are far more willing than many other government employees to provide fully accurate details – and to tell us when they don't know the complete truth.

Back in the mid-1990s, we were honored to be asked by ALGA to speak at one of its national conferences in Scottsdale, Arizona. At dinner that night, we joined a couple of dozen auditors at a long table in an excellent barbecue restaurant. When the bill came, a couple of the auditors figured out everyone's share. All the parties at the table chipped in. And, ultimately, it turned out that an extra three dollars had been collected. What was to be done? The three single dollars wended their way up and down the table, with no one willing to acknowledge that they had overpaid. The group wound up adding it to the tip. But any collection of professionals who are that careful with three dollars simply have to be trusted when it comes to thousands – or millions.

NOTES

¹ Katherine Barrett and Richard Greene, “Do Animal Shelters Serve People or Pups?” *Governing*, October 2015.

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Katherine Barrett and Richard Greene (B&G) are nationally recognized authorities on state and local governments. They are principals of Barrett and Greene, Inc., an organization devoted to researching, analyzing, and writing about these entities. They are columnists for *Governing* magazine; senior fellows at the Council of State Governments; fellows at the National Academy of Public Administrators; senior fellows at the Governing Institute; special project consultants at the Volcker Alliance; and more.

B&G's Governing columns frequently rely on the audit community. You can receive them for free, bi-weekly, by subscribing at: www.governing.com/subscribe/newsletters/management

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