

OHIO AUDITOR OF STATE
KEITH FABER

**Internal Control Considerations for
Operating Virtually
&
AOS COVID-19 Webpage
November 2020**

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Center for Audit Excellence

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Agenda

- Internal Control Considerations for Operating Virtually
- AOS COVID-19 Webpage & FAQ's

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Internal Control Considerations for Operating Virtually

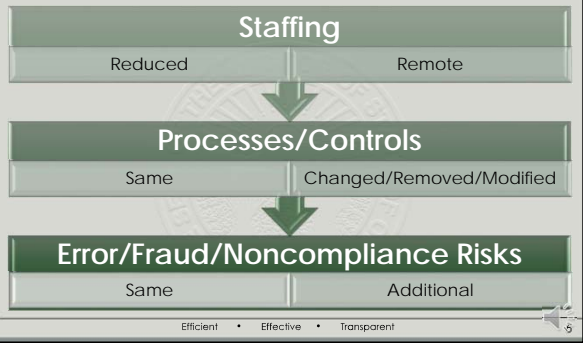


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What is Your "New Normal"?



What is Your Entity's "New Normal" for Finance? Consider.....



Did/Should Your Entity's Internal Controls Have Changed? Consider.....

- Controls** • If any prior controls were removed, changed or modified - what is the impact?
- Staff** • Are the correct staff still involved?
- Reviews** • Are review processes still effective?
- Segregation of Duties** • Are proper segregation of duties still in place?

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Segregation of Duties Definition

Process where management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud.

So that no one individual controls all key aspects of a transaction or event, this includes separating the responsibilities for:

Authorizing Transactions	Processing & Recording Transactions	Reviewing the Transactions	Handling Any Assets Related to the transactions
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A/p & Purchasing Cycle

Ability to Process Partially Remote
 Invoices received electronically | Invoices received in mail/paper form

Ability to Process Fully Remote
 Review of Invoices Entered to Accounting System

Cannot be Processed Fully Remote
 Checks printed by IT / Signed by Fiscal Officer / A/p Staff Mails

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Internal Control – The Basics

How do you prevent errors?

If an error occurs, will you detect it timely?

Internal Controls

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Internal Control – The Basics

Control environment

Information & communication

Risk assessment

Monitoring

Control activities/procedures

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Risk Assessment

- Ask yourself: How do I avoid reading the following headline while drinking my morning cup of coffee?

"\$50,000 embezzlement Found at (insert name of your entity here)"

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www.ohioauditor.gov

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http://www.ohioauditor.gov/resources/COVID19_assistance.html

COVID-19 Resources for Local Government

The Auditor of State (AOS) is working to help local governments manage the financial impact of COVID-19. The resources on this page are a response to the questions and concerns Auditor Falter has heard from our local partners, and we believe they will help our clients better understand and use available resources.

In This Together, Ohio | What YOU Can Do

Federal Financial Assistance

- ★ CARES Act and Federal Assistance Spreadsheet (updated 10/30)
- How to Use the Spreadsheet
- Summary of DG Applicability (see 7/14)
- Deadline Extensions (updated 7/2)
- Job and Family Services List of Federal Guidance for Local Agencies
- CARES Act USAS Fund Numbers and Accounting Guidance for Schools (updated 9/2)
- ★ CARES Act UAN Client Fund Numbers (see 8/2)
- AICPA Summary of Uniform Guidance (UG) Applicability for COVID-19-Related Federal Programs

AOS Efforts to Assist Clients

- ★ AOS Free Training Programs
- UAN "Fee Holiday" Info
- LGS Assistance for Clients Experiencing Fiscal Distress

Federal and State FAQs

- ★ General Auditor of State FAQs (updated 10/19)
- Federal OMB FAQs & COVID-19 Assistance Listing (see 7/2)
- OBM's Ohio Grants Partnership
- Ohio Public Meetings Guidelines
- ★ More Federal and State Information

Track the Money

- The U.S. Pandemic Response Accountability Committee

Guidance for AOS Clients

- ★ Advisories and Policy Updates
- View AOS Teleconferences
- ★ GASB Emergency ToolBox
- AICPA State and Local Government Expert Panel (SLGEP) FAQ (see 7/14)
- Deadline Extensions (updated 7/2)
- What is a Single Audit? (see 7/14)
- COVID-19 and the Impact on Single Audits (see 7/17)
- Have you received inaccurate COVID-19 test results? Let us know here. (see 8/1)
- ★ OBM COVID-19 Federal Grant Training Ohio Grants Partnership Summit Responsibilities Under Uniform Guidance Act 2CFR §200 (see 10/9)

Contacts

- How to Reach AOS and Other Offices

AOS COVID-19 Page – Free Training

AOS Efforts to Assist Clients

- [AOS Free Training Programs](#)
- [UAN "Fee Holiday" Info](#)
- [LGS Assistance for Clients Experiencing Fiscal Distress](#)

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AOS COVID-19 Page – Free Training

Fund Accounting for Villages

Chart of Accounts for Villages

Basic Accounting for Villages

Fund Accounting for Townships

Chart of Accounts for Townships

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AOS COVID-19 Page – Free Training

- Basic Accounting for Townships
- Long Term Planning/Cash Basis Forecasting
- How Do I Record.....
- Ohio Budgetary Law
- What Revenues for What Expenses?

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AOS COVID-19 Page – Free Training

- ★ Coronavirus Funding Tracker
- Internal Controls
- Common Audit Comments
- Understanding Your Financial Audit Results
- Resources Available on the AOS Website

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AOS COVID-19 Page – Free Training

- ★ What is a Single Audit?
- ★ COVID-19 & the Impact on Single Audits
- Basic Policies for Small Governments
- Ohio Compliance Supplement Update
- Segregation of Duties

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AOS COVID-19 Page – Free Training

- Preparing for an Audit
- Budgetary Process
- Pension & OPEB Census Data Examinations

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AOS COVID-19 Page – LGS Assistance for Clients Experiencing Fiscal Distress

- Annual Reports: (GAAP Conversions and Financial Statements)
- Financial Forecast/Planning
- Reconstructions/Reconciliations
- Policies and Procedures/Internal Control Processes
- Merger/Dissolution Assistance
- Web GAAP
- Uniform Accounting Network (UAN)
- Fiscal Distress Assistance**
- Training Opportunities

<http://www.ohioauditor.gov/fiscaldistress.html>
<http://www.ohioauditor.gov/local.html>

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AOS COVID-19 Page - Federal

Federal Financial Assistance

- CARES Act and Federal Assistance Spreadsheet (updated 10/30)** ★
- How to Use the Spreadsheet
- Summary of UG Applicability (new 7/14)
- Deadline Extensions (updated 7/2)
- Jobs and Family Services List of Federal Guidance for Local Agencies
- CARES Act USAS Fund Numbers and Accounting Guidance for Schools (updated 9/22)
- CARES Act UAN Client Fund Numbers (new 8/5)**
- AICPA Summary of Uniform Guidance (UG) Applicability for COVID-19-Related Federal Programs

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GASB Emergency Toolbox

Fair value measurement	Going concern considerations	Government combinations
MD&A	Nonexchange financial guarantees	Nonexchange transactions
Operating and nonoperating revenue and expenses	Prior-period adjustments and accounting changes	Property tax revenues

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GASB Emergency Toolbox

Public entity risk pools	Revenue and expense/expenditure recognition	Revenue and receivable recognition
Sales and pledges of receivables and future revenues	Significant violations of finance-related legal or contractual provisions	Subsequent events
Termination benefits	Troubled debt restructuring	

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Additional GASB Guidance

GASB Technical Bulletin 2020-1 ★

- Accounting & Financial Reporting Issues Related to the CARES Act & Coronavirus Disease - 7/2/2020

GASB Statement No. 95

- GASB Postponed Effective Dates of Upcoming Pronouncements
- Postponed by 1 year: GASB 83, 84, 88, 89, 90, 91, 92, 93 & various Impl. Guides
- Postponed by 18 mo's: GASB 87 & related Implementation Guide
- Earlier application is encouraged by GASB, and is permitted to the extent specified in each pronouncement as originally issued.

<https://www.gasb.org/COVID19>

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AICPA Guidance

AICPA State & Local Gov. Expert Panel

- ★ •FAQs — State and Local Government Financial Statement Accounting and Auditing Matters and Auditor Reporting Issues Related to COVID-19
- Dated 6/9/2020

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AOS COVID-19 Page – FAQ'S & Info.

Federal and State FAQs

- [General Auditor of State FAQs](#) (updated 10/19) ★
- [Federal OMB FAQs & COVID-19 Assistance Listing](#) (new 7/2)
- [OBM's Ohio Grants Partnership](#)
- [Ohio Public Meetings Guidelines](#)
- [More Federal and State Information](#)

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AOS COVID-19 Page – More State Info.

- ◀ Ohio AG's
- ◀ OPWC
- ◀ OWDA
- ◀ OEPA
- ◀ Ohio JFS

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AOS COVID-19 FAQ'S

What will be the AOS audit approach to compliance leniency and what documentation will AOS expect for various issues that may arise out of COVID-19?

- Document, document, document -- documentation is the key!
- AOS will give all due consideration to a well-reasoned legal opinion provided by the local gov's legal counsel and documented decisions about spending, compliance, etc., to the greatest extent possible.

Are there resources available to help local governments recognize, arrest, and reverse patterns of financial decline?

- Yes, many associations offer tools to assist local government deal with the tenuous financial situation.
- www.gfoa.org/fiscal-first-aid
- <http://www.ohioauditor.gov/fiscaldistress.html>

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AOS COVID-19 FAQ'S

In light of social distancing, do I have to have a pre- or post-audit?

- If your entity would like to hold a pre- or post-conference during this time, the AOS will be available to discuss the audit via phone or teleconferencing options.
- If your entity would prefer to waive a post audit, please let your regional auditor know.

Will AOS auditors be required to be on-site to perform my audit?

- The AOS has a long standing remote work location policy that allows audit staff to perform their duties remotely - from home, in community or on location with audit clients.
- While some time on-site may be necessary during audit fieldwork, records can be transmitted electronically using <http://www.sendthisfile.com/AOS>

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AOS COVID-19 FAQ'S

Will the receipt and expenditure of CARES Act funds significantly affect audit costs, particularly for smaller jurisdictions that do not routinely accept federal funds?

- Yes, receipt and expenditure of CARES Act funds will increase audit scope and audit costs; however, the extent of the increase cannot be estimated at this time.

Can we collect daily deposits in a single location and hold them in a safe location to allow the virus to dissipate over a 2-3 day time frame?

- Local gov's must continue to comply with ORC 9.38 during the pandemic.
- However, this statute provides allowable options for depositing public moneys with the fiscal officer until they can be deposited in a designated depository.

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AOS COVID-19 FAQ'S

How do I reimburse expenditures made out of other state and local funds with my COVID-19 federal funding?

- AOS encourages local governments to take advantage of the opportunity to reimburse expenditures made from other funds, particularly during the early months of the pandemic before the CARES Act and other COVID-19 awards were available.
- For those accounting systems that accommodate it, AOS prefers local governments utilize a negative expenditure, Reduction of an Expenditure, or Reduction of Prior Year Expenditure line-item to move the eligible expenditure out of the fund that originally paid for it and record the expenditure in the appropriate federal fund.

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AOS COVID-19 FAQ'S

For entities receiving a refund from the IRS for employees who utilized the Emergency Paid Sick Leave due to COVID, how should the refund be recorded in UAN?

- Unlike other refunds, the related expense (in this case the employee check) cannot be reduced as that would change the W-2 reporting at the end of the year. However, a 'withholding refund' for the employer share can be recorded.
- See FAQ's for 8 steps to record.

The CRF Fund in UAN shows that the fund generates its own interest. If all of the gov's moneys are held in the same bank account (pooled), how do we attribute the interest accrued to the CRF fund?

- Yes, the CRF fund would receive interest earned.
- UAN has a feature where you can identify the funds that are to receive an allocation of interest and the system will calculate the allocation of interest.

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AOS COVID-19 FAQ'S

Financial Reporting Considerations

Subsequent Event (SE) Disclosures

- Footnote disclosures related to the impact of COVID-19 will be relatively common and likely should be included in most reports.
- Example disclosure included

Going Concern Evaluation

- Going concern is the assumption that an entity will be able to meet its obligations and continue to operate for the foreseeable future.
- Generally going concern disclosures are rare for governments, but should still be considered when performing management's evaluations, including impacts from COVID-19.
- Even if your entity does not disclose a going concern issue, the potential loss of revenue and increased expenditures during this time could result in financial difficulties warranting disclosures.

Estimate Disclosures

- Some estimates may have been reasonably determined using practices that were perfectly acceptable or reasonable in prior periods; however, uncertainty or expected reductions could mean they can no longer be supported.

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AOS COVID-19 FAQ'S

How will the COVID-19 pandemic affect the audit documentation required?

Internal Controls

- It is very likely the way that governments are processing transactions impacting the financial statements is different from those in place prior to the pandemic.
- Auditors will likely be asking, "What has changed (policies, procedures, internal controls) since more employees are working remotely?"

Fraud Risks

- As in the past, auditors will discuss fraud risk with clients keeping in mind the differences that may occur from employees working remotely, or possibly not at all.

ORC Compliance

- AOS will utilize its discretion under ORC 117 relative to our audit findings. Specifically, where a local gov. makes all due effort to meet statutory requirements, but is unable to do so, and documents both the attempt at compliance and the reasons for non-compliance, the AOS will take into account these factors during our audit and will make every effort to avoid issuing an adverse finding, while still noting the non-compliance.

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AOS COVID-19 FAQ'S

How will the COVID-19 pandemic affect the audit documentation required?

Budgetary & Economic Impact

- Make your auditors aware of how the pandemic has affected your entity.
- Discuss items such as: decrease in tax revenue, charges for services or other governmental revenue; increases in expenditures.

Federal Funding

- The Federal Government has released billions of dollars in federal funding related to the pandemic
- Much of the related guidance was not available as the money was received
- Document, Document, Document!

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AOS COVID-19 FAQ'S

Can elected officials sign resolutions and other official documents electronically during the COVID-19 emergency?

- During an audit of a public office, the AOS will not take issue with resolutions or other official documents that were signed electronically during the COVID-19 emergency.

Will email approvals for "Ok to Pay" and "Then and Now" be acceptable without an actual digital signature?

- AOS will give all due consideration to a well-reasoned legal opinion provided by the local gov's legal counsel and documented decisions about spending, compliance, etc. to the greatest extent possible.

What accounting guidance should my entity follow if we received BWC dividends during the pandemic?

- AOS Bulletin 2013-007 provides accounting guidance entities should follow for all BWC rebates & dividends.

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AOS COVID-19 FAQ'S

How do I obtain my Fiscal Integrity Act (FIA) training or other professional education during this time?

- <http://www.ohioauditor.gov/trainings/registration.html>

How do I obtain my Certified Public Records Training (CPRT) also known as Ohio Sunshine Law Training during this time?

- The Ohio Attorney General's Office has provided an online webinar during periods where no in-person trainings are being conducted <https://sunshinelaw.ohioattorneygeneral.gov/>.

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AOS COVID-19 FAQ'S


Federal!
★

- Many!
- Many!
- Many!

Entity Specific
★

- Township
- Village
- School
- etc.

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