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Denver Government and Nonprofit Training Academy

May 20, 2026



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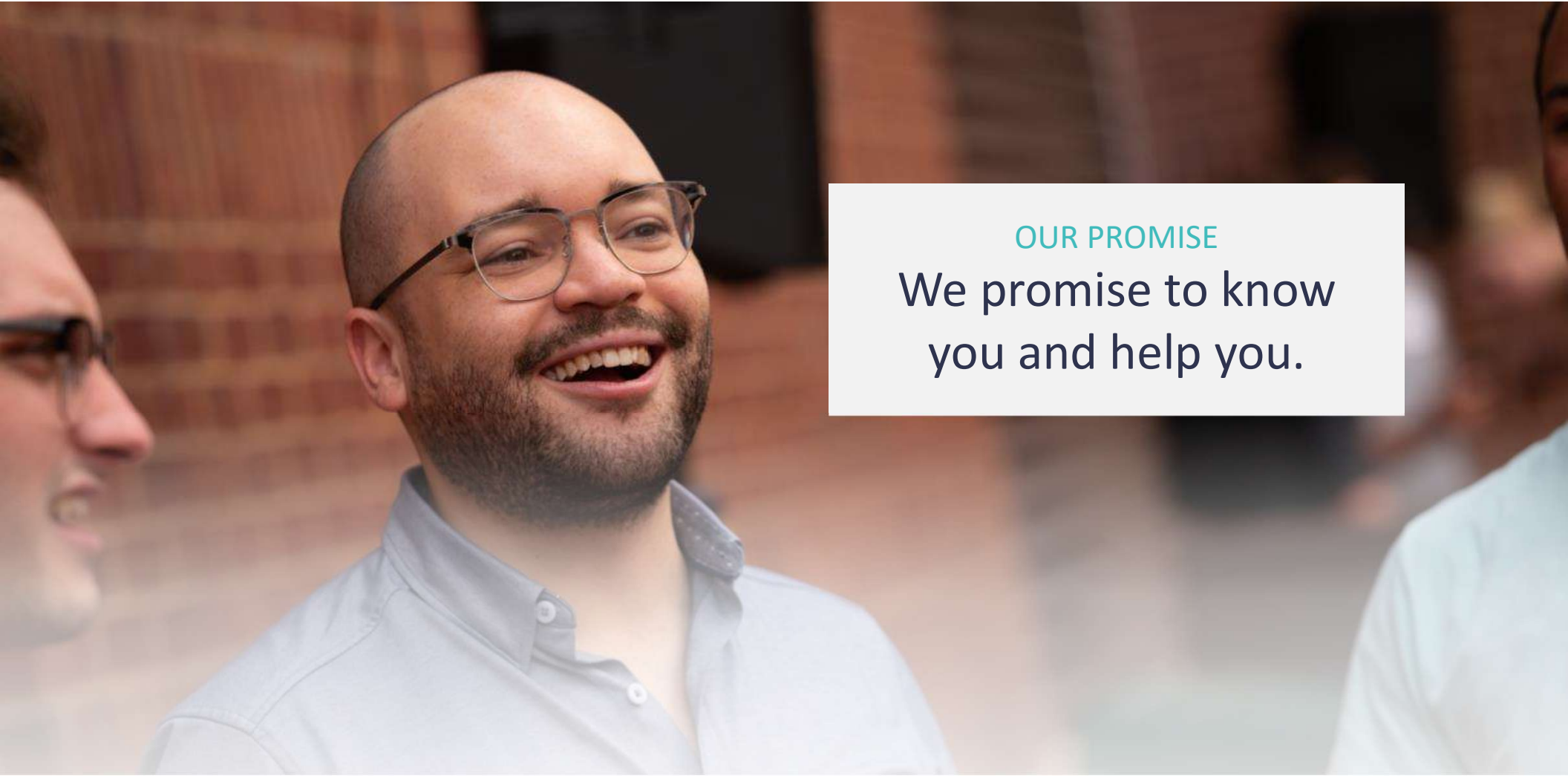
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OUR PURPOSE

CLA exists to create opportunities
for our clients, our people,
and our communities.





OUR PROMISE
We promise to know
you and help you.





*Elevating
the heroes of
Main Street*

**SERVING HEARTBEAT
OF AMERICA**
Resilient economy
and community vitality

LOCALLY EMPOWERED
Connected, collaborative
local leadership

*130 locations,
no central
headquarters*

*\$13B RIA +
largest back-
office
accounting
and payroll*

INTEGRATED SERVICE MODEL
Seamless wealth, tax,
and business advisory

NEXT GEN LEADERSHIP
GenX and millennial led,
succession-minded

*Nationally
recognized
for female
leadership*

*Investing
\$500M*

DEMOCRATIZING AI
Advanced generative AI
for clients and CLA family

U.S. BUILT
U.S.-based talent,
local jobs, no offshoring

*Shared
service
centers*

*Aiming for \$10M
CLA Foundation*

**ELEVATING PEOPLE
AND COMMUNITIES**
Connection centers,
pathways to prosperity

**STEWARDS OF
OUR PARTNERSHIP**
100+ year legacy,
self-funded, independent

*8th
generation
of ownership*



Agenda

- Future of work – 8:40 – 9:30 am
- Managing grants with confidence – 9:30 – 10:20 am
- Wellness break – 10:20 – 10:35 am
- A conversation about fraud, waste, and abuse – 10:35 – 11:25 am
- Lunch – 11:25 am – 12:25 pm
- Breakout sessions (GASB – here, FASB – 1st floor) 12:30 – 1:20 pm and 1:20 – 2:10 pm
- Wellness break – 2:10 – 2:25 pm
- Comprehending the audit process – 2:25 – 3:15 pm
- Cybercrime in 2026: How modern attacks work – 3:15 – 4:05 pm





Building Human + AI Teams That Deliver: From Hype to Habits

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Agenda

- The next 10 years of AI and work
- Norms for living and working better with AI
- The human impact
- Human approaches to positive change
- The CLA story



Learning Objective

Identify innovations and evolving workplace trends transforming today's work environment.



The Next 10 Years of AI and Work

The infographic is divided into two main panels. The left panel, titled 'AUGMENTED INTELLIGENCE (AI) | THE NEXT DECADE (2025-2035)', shows a man in a suit using AR glasses to interact with a glowing 'AI ASSISTANT' cloud. Below this are four callouts: 'Enhanced Decision-Making' (with a surgical robot), 'Human-in-the-Loop' (with a surgeon), 'Tool, Not Replacement' (with a construction worker), and 'Leverage & Acceleration' (with a construction worker). The right panel, titled 'ARTIFICIAL GENERAL INTELLIGENCE (AGI) | FUTURE CONCEPT (POST-2035)', shows a robot at a computer workstation with a glowing 'AUTONOMOUS COGNITION' sphere. Below this are four callouts: 'Human-Level Cognition Across Tasks' (with a self-driving car), 'Fully Reliable' (with a self-driving car), 'Autonomous Operation' (with a robot in a lab), and 'Mass Production Ready' (with a robot in a lab). A question mark icon is placed between the two panels.

AUGMENTED INTELLIGENCE (AI) | THE NEXT DECADE (2025-2035)

AI ASSISTANT

Enhanced Decision-Making

Human-in-the-Loop

Tool, Not Replacement

Leverage & Acceleration

ARTIFICIAL GENERAL INTELLIGENCE (AGI) | FUTURE CONCEPT (POST-2035)

AUTONOMOUS COGNITION

Human-Level Cognition Across Tasks

Fully Reliable

Autonomous Operation

Mass Production Ready



A Ten-Year Journey, *Starting Now*



The jagged edge and
bottlenecks



Your people have the most
powerful AI in their pocket



Today's AI is here to stay,
and it will be better
tomorrow



Everyone is now an
professional in 5 minutes



A Ten-Year Journey, *Starting Now*

A fully autonomous, superintelligent, PhD-level researcher by 2028.

Sam Altman, September 2025

Prepare for a decade of Augmented Intelligence before Superintelligence.

Andrej Karpathy, October 2025

11.7% of skills are technically replaceable today, concentrated in routine white-collar work.

*Project Iceberg (MIT and Oak Ridge National Laboratory),
November 2025*

18% of all work hours will be assisted by generative AI in 2030.

*Forecasting Research Institute,
November 2025*

How can you make sense of the noise?



The Norms for Working With AI

Which most accurately describes your personal relationship with AI tools today?

- A. I actively use AI tools in my life
- B. I rarely, or do not, use AI tools in my life



Norms for Living and Working Better



Norm 1

Let AI handle
the machine work



Norm 2

AI then think,
not AI instead of think



Norm 3

Make AI use acceptable

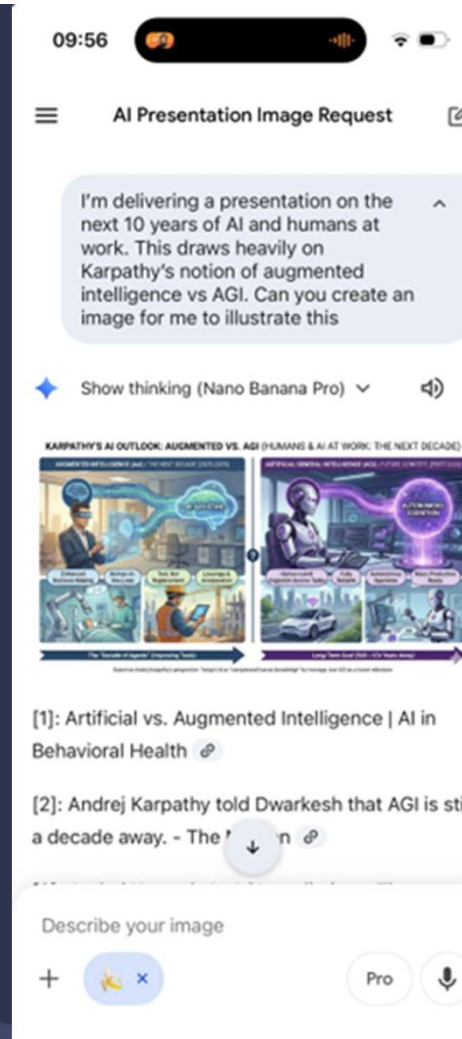


Norm 4

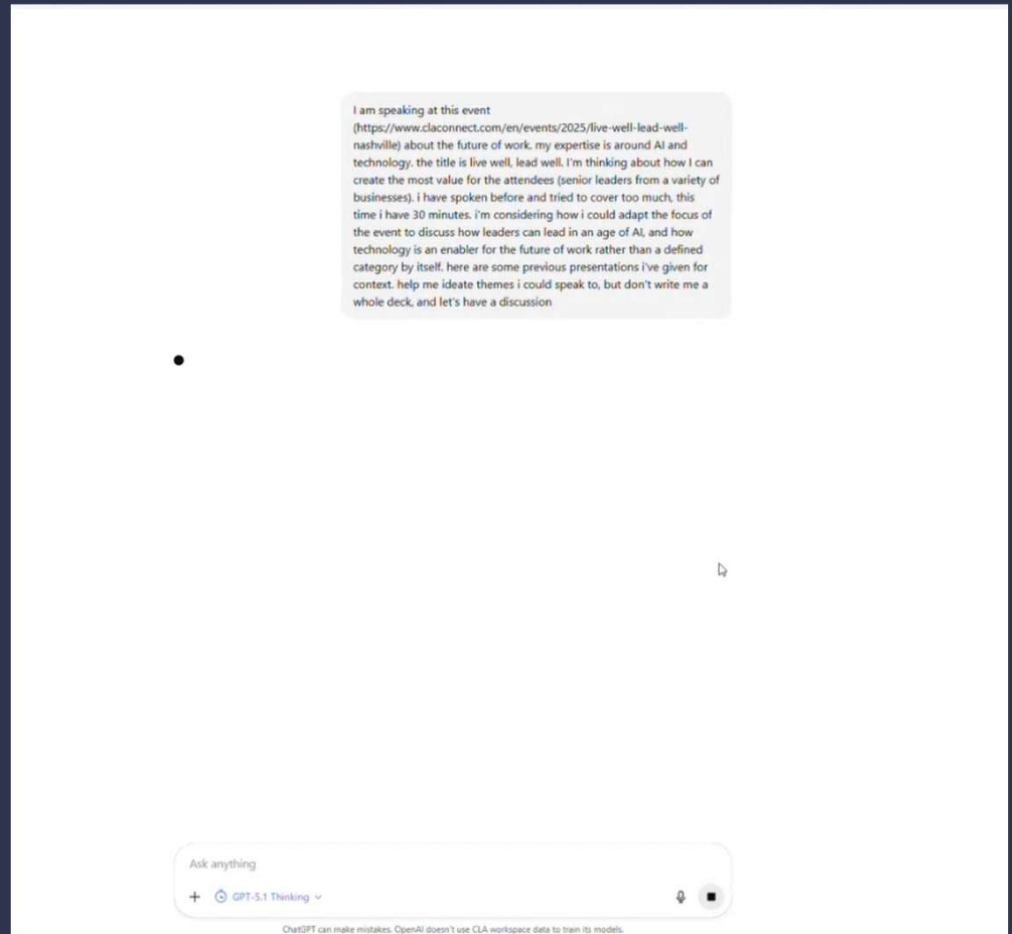
Human pace,
despite machine speed



Let AI Handle the *Machine Work*



AI...*Then Think*



Make AI Use Acceptable

Hi Wesley

This paper came across my desk and thought it may be of interest to you... [FinRobot: Generative Business Process AI Agents for Enterprise Resource Planning in Finance](#)
(I still think there's something between this and MCP we should investigate, and its' on my list!)

TLDR below:

Here's a detailed summary of the paper "**FinRobot: Generative Business Process AI Agents for ERP in Finance**":

Overview

This paper introduces **Generative Business Process AI Agents (GBPAs)**, a novel, AI-native architecture that brings **autonomous, interpretable, and intelligent automation** to Enterprise Resource Planning (ERP) systems in the financial sector. Traditional ERP platforms are static and inflexible, often relying on hard-coded workflows. GBPAs, by contrast, are **multi-agent systems** powered by **LLMs**, capable of **understanding business intent, dynamically generating processes, and executing them with modular agents**.

System Architecture

The proposed GBPA framework consists of **five integrated layers**:

1. Data Modeling Layer

- Transforms structured (SQL), semi-structured (JSON), and unstructured data (PDFs) into a unified format using the **5W3H1R schema** (Who, What, Why, When, Where, How, How much, How long, Result).
- Converts business events into LLM-readable inputs for contextual understanding.

2. Business Modeling Layer

- Extracts user intents from inputs (e.g., **chat**, forms).
- Maps them to workflow templates with domain-specific rules and compliance constraints.

3. LLM Integration Layer

- Uses fine-tuned LLMs (e.g., **GPT-4**, DeepSeek, Qwen) to generate semantic plans and structured task instructions.
- Bridges abstract goals and executable actions



The Human *Impact*



The 4P ROI Model

Productivity

Cost Effective

Performance

People

Are we reducing manual effort and cycle time?

Are we improving economics in a visible way?

Is the output better, not just faster?

What is happening to the humans in this workflow?



The 4P ROI Model – How We Do It At CLA

Productivity

Efficiency gains (hours)
turned into client service

Cost Effective

New revenue streams (e.g.
digital products)

Performance

Product/project/
program level
measurements

People

Retention, skills audits,
survey feedback loops to
AI integrations



Human + AI Teams: Give AI a Job Description



Admin



Assistant



Absolutely not

Communicate these to your teams



Making the Most of *Your* *Humanity*



*What Uniquely
Human Attributes
Can AI Not Replace,
and What
Should We Make the
Most Of?*

- Perception
- Curiosity
- Intrigue
- Empathy
- Care
- Challenge
- Self-initiated goals
- Unpredictable creativity resulting from personal intentions



Humanity in Practice



AI gives you data. Humans add value when they turn it into ____



In public finance, trust is built when humans ____



Think of a finance decision where being technically correct still wasn't enough. In one line share what extra human skill was required.

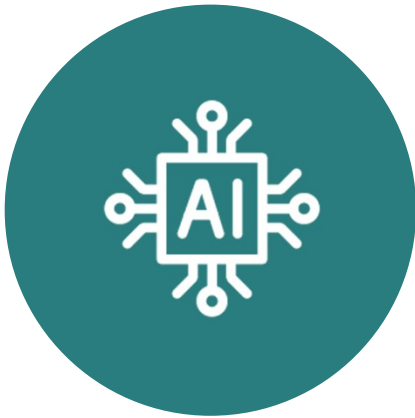


Where Are We Seeing the Most Potential?

- Substantive testing agents
- Data extraction and categorization
- Tax chatbots
- Value-added revenue insights
- Logistics profitability insights
- AI simulations for learning
- Client insights



Building Human + AI Teams That Deliver



Don't be a machine, we
have machines for that...



Be deliberate about what
you give AI to do



To win the next 10 years,
be more human





Managing Grants With Confidence



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Learning Objectives

- Identify key grants compliance risk areas across pre-award through closeout.
- Describe internal control and documentation practices that support consistent reporting, timely drawdowns, and audit readiness.
- List ways to improve grants workflows and coordination between program, finance, and compliance teams while leveraging technology appropriately.



Wellness Break



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A Conversation About Fraud, Waste, and Abuse

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Learning Objective

Identify the common signs, patterns, and types of fraud, waste, and abuse occurring within organizations.



Overview

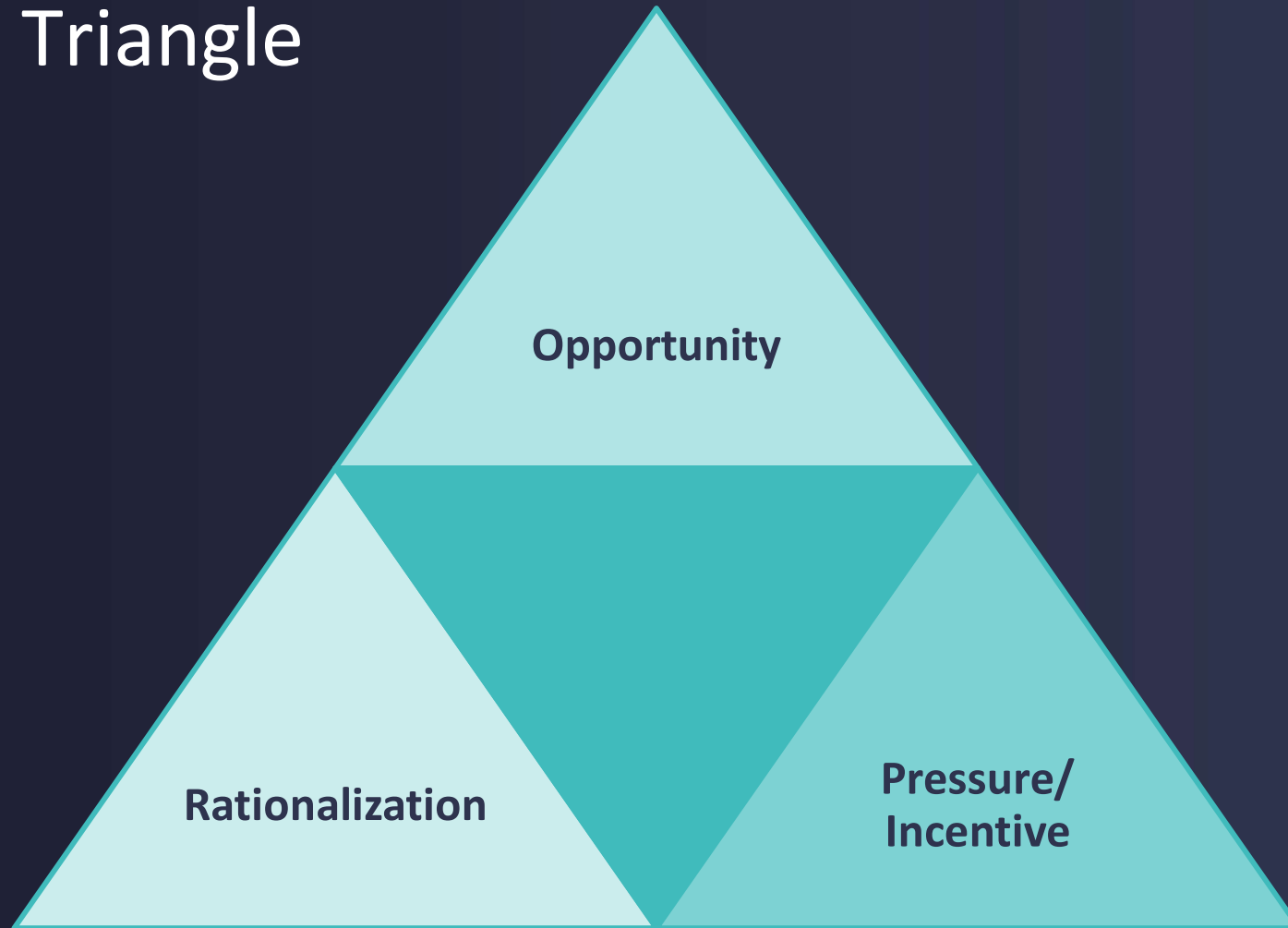
- Public sector work involves limited resources, legal requirements, transparency, and accountability
- Everyday pressure, quick decisions, and routine processes can introduce ethics and fraud risks
- Familiar government scenarios reveal common warning signs
- Small issues can escalate if not addressed early
- Simple actions—slowing down, asking questions, and documenting decisions—help prevent problems



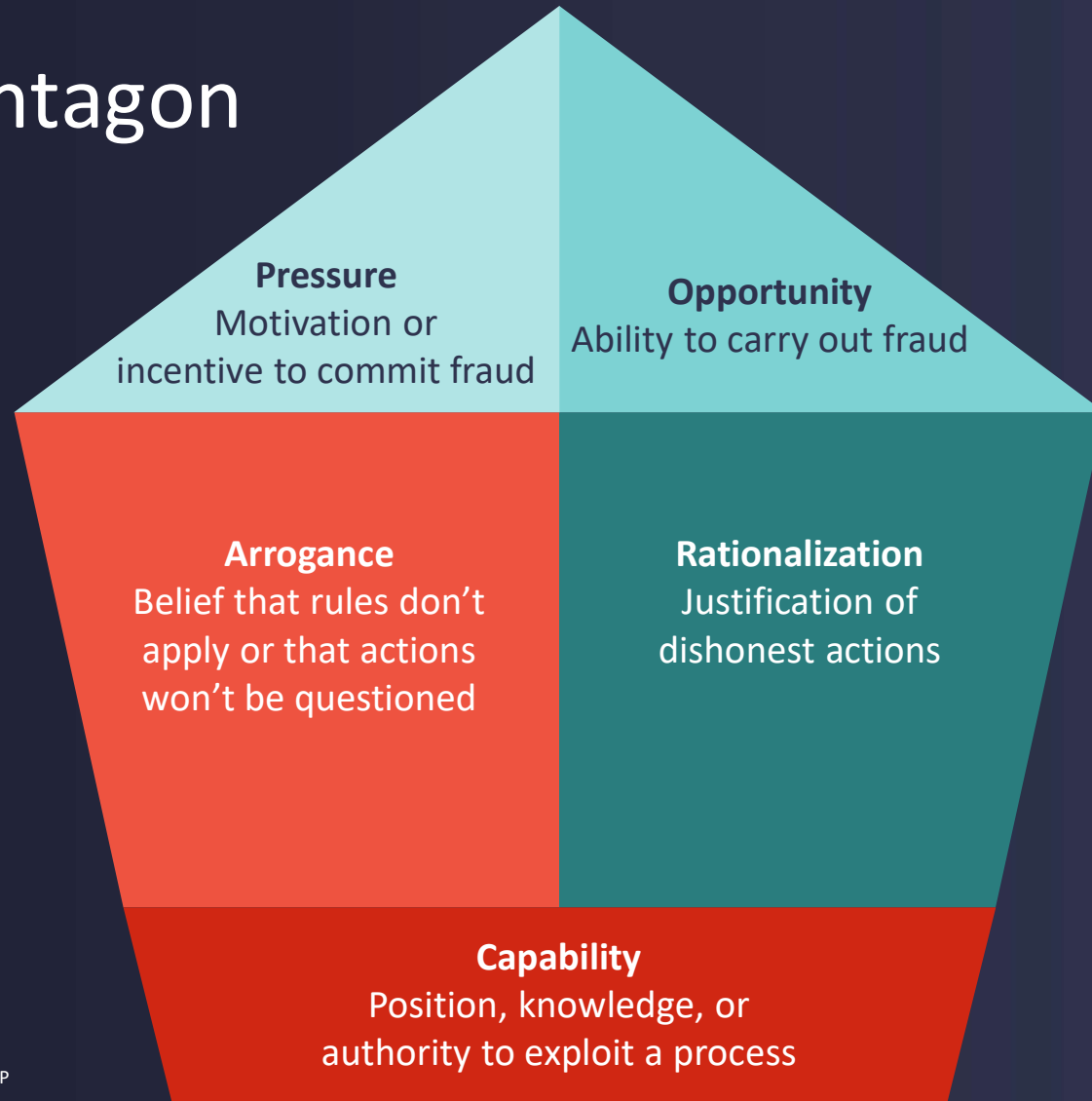
Understanding Fraud



Fraud Triangle



Fraud Pentagon



Why This Matters in the Public Sector

- Most fraud and ethics violations begin with pressure, not criminal intent
- Deadlines, emergencies, and service demands can weaken safeguards
- Public funds and authority carry heightened expectations
- Small lapses can quickly become audit findings, investigations, or loss of public confidence

Public trust is hard to earn and easy to lose—and everyday decisions matter.



What This Looks Like in Practice



Same Motives, New Playbooks



Motives

- Pressure to meet operational demands
- Fear of slowing down services or creating delays
- Desire to be helpful or avoid conflict

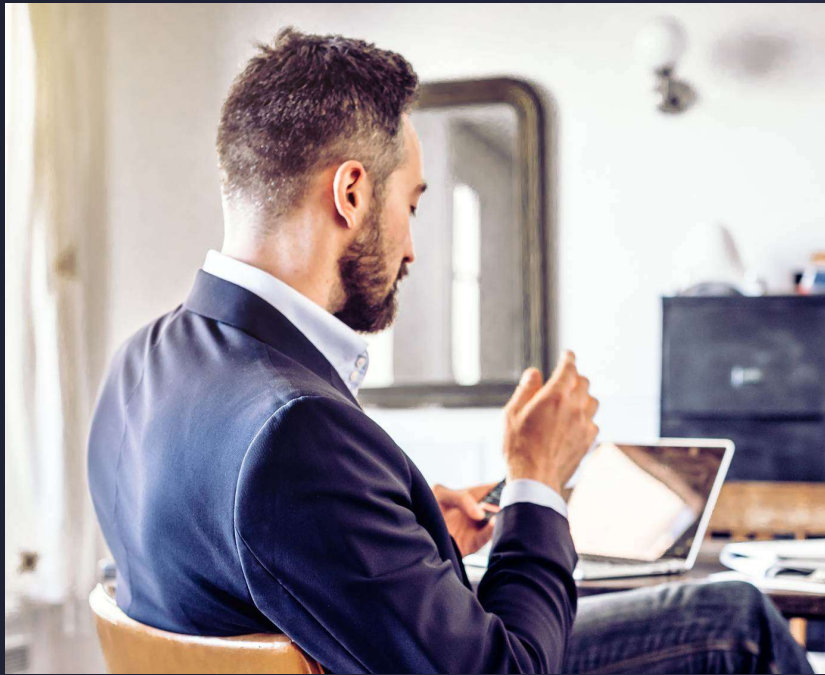


Environment

- More automation and faster processing
- Increased reliance on electronic approvals
- Informal workarounds becoming normalized



Reflection Question:



Think about your own role or team:

- Where do time pressure or urgency most often show up?
- Which controls or review steps are easiest to bypass when things get busy?
- Which element of the Fraud Triangle or Fraud Pentagon feels most familiar in your own environment?



Example Motives in Practice

Scenario: Emergency Procurement in a Local Government Agency

- A department needs immediate repairs to critical equipment or facilities
- Leadership expects services to continue without interruption
- Competitive quotes and secondary review feel impractical under time pressure



Example Motives in Practice – Cont.

How the Fraud Triangle and Pentagon show up:



Pressure

Urgent service demands and tight deadlines



Opportunity

Emergency procurement allows exceptions to normal controls



Rationalization

“This is for the public’s benefit” or “We’ll document it later”



Capability

Staff with delegated purchasing authority know how to move quickly



Arrogance (risk)

Confidence that the exception won’t be questioned



Key Takeaway

No bad intent – just pressure, authority, and weakened controls creating increased risk



Public Sector Pressure Points

Staffing shortages and high caseloads

- Employees covering multiple roles
- Reliance on trust increases because of lack of time
- Risk: errors and exceptions go unnoticed because everyone is “overloaded”

Emergency or time-sensitive spending

- Natural disasters, public safety issues, or urgent repairs requiring fast action
- Emergency authority that can override normal procurement or approval steps
- Documentation often follows after the fact
- Risk: Temporary exceptions quietly become routine behavior



Public Sector Pressure Points

Delegated authority and routine approvals

- Authority is pushed down to keep operations moving
- Approvals become routine and transactional rather than thoughtful
- Long-tenured staff operate with minimal oversight
- Risk: The same person initiates, approves, and explains decisions

Long-standing vendor or internal relationships

- Familiar vendors or colleagues feel safe and reliable
- Competition, documentation, or verification can feel unnecessary
- Decisions begin to rely on history instead of current justification
- Risk: Comfort replaces skepticism



Shortcuts That Feel Harmless



- Skipping a secondary review to meet a deadline
- Approving items without full documentation
- Relying on verbal explanations instead of records
- Assuming compliance because “this is how it’s always been done”

Key takeaway: Shortcuts reduce controls—and controls exist to protect both the organization and employees.



From Risk to Action



Why Is Understanding Risk Important?

A small crack in controls can widen over time.

- These patterns don't "fix themselves"
- Waiting for an audit or complaint can be costly
- The most effective response happened *before* issues escalate



Common Fraud and Ethics Red Flags



Behavioral red flags

- Resistance to oversight or questions
- Unusual defensiveness over routine reviews
- Reluctance to share workload or take leave



Situational red flags

- Frequent exceptions to policy
- Urgent requests that bypass normal processes
- Missing, inconsistent or delayed documentation



How Small Issues Escalate

- One-time exceptions become accepted practice
- Informal workarounds replace formal controls
- Documentation gaps increase
- Problems surface during audits, complaints, or investigations



Slowing Down High-Risk Moments

Pause before approving or certifying

- Take a moment to separate urgency from necessity
- Ask: If this were reviewed later, would it still make sense?

Ask whether policies were followed and verify documentation

- Don't rely on verbal explanations alone
- Documentation protects both employees and the agency

Confirm who benefits from the decision

- Is the benefit clearly tied to a public purpose?
- Are any individuals or vendors receiving special treatment?

Consider how the decision would look to auditors or the public

- How would this decision read in an audit report?
- Would you feel comfortable explaining this to leadership or the public?



- Raising questions is part of your duty—not an accusation
- Policies rely on employees to surface concerns
- Early questions prevent bigger issues later



Practical language:

- “Can we walk through how this complies with policy?”
- “Do we need documentation for this exception?”
- “Who else should review this before we proceed?”



Your Role as a Public Steward

- Ethics and integrity are core to public service
- Every role supports the control environment
- Transparency and consistency protect public resources

Public trust is built or eroded through everyday actions.



Case Study



Case Study

Setting:

- A pass-through organization administered multiple state-funded grants and distributed funds to numerous subrecipients to support time-sensitive community programs

Context:

- Strong pressure to move funds quickly and show progress
- Disbursement authority concentrated among experienced staff
- Grant-management procedures existed but were inconsistently applied in practice



Case Study

Early signals from the recipient perspective:

- Payments were released before agreements were fully executed
- Some MOUs were later found to be missing, unsigned, or backdated
- Required items—budgets, scopes of work, reporting requirements—were incomplete at the time of payment
- Staff assumed agreements were “in process” and would be finalized later

Why No One Spoke Up:

- Long-tenured leadership was trusted to handle approvals
- Questioning timing felt like creating unnecessary delay
- Responsibility for enforcement was unclear across roles
- Exceptions had happened before without apparent consequences



Case Study

What happened next:

- Exceptions quietly became the norm
- Documentation could not clearly show what was approved, when, or by whom
- Monitoring and allowability determinations became difficult
- Oversight concerns expanded once identified, triggering deeper reviews

Impact on the organization:

- Significant audit and compliance scrutiny
- Substantial staff time spent recreating records and explanations
- Reputational risk to both the organization and the funding agency
- Reduced confidence in the integrity of grant administration
- Eventually organization was closed



Case Study

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Case Study

Red flags from state agency perspective:

- Year-end and interim reports showed large variances, underspending, passthrough arrangements, and revisions, but were accepted because they met formal submission requirements.
- The scope and complexity of funding expanded significantly, including extensive passthrough activity and subrecipient payments.

Impact:

- Reduced response options limiting the feasibility of recovery
- Reactive oversight posture
- Expanded scrutiny once disclosed
- Reputational exposure including increased media, political and public-trust risk
- Resource strains and costly investigations



Case Study

What should have triggered state escalation:

- Reports that complied with format requirements but showed:
 - Large variances
 - Underspending
 - Revisions without explanation
 - Passthrough arrangements lacking clarity
- Rapid growth in funding volume
- Extensive passthrough activity
- Subrecipient-level disbursements without direct state visibility
- Operational complexity exceeding baseline monitoring assumptions



Case Study

Cumulative impact on the state:

- Reactive rather than preventive oversight
- Increased investigative and remediation costs
- Expanded reputational and political risk
- Reduced public confidence in grant stewardship
- Pressure to revisit monitoring policies and thresholds

Key lesson for state agencies:

- Speaking up at the state level isn't about compliance failures. It's about recognizing when risk crosses a threshold that requires a different oversight response.



Closing Thoughts

Pressure + silence → risk

Red flags + inaction → escalation

Early questions → prevention

Shared responsibility → public trust

Staying alert, slowing down, and asking questions helps ensure public resources are used ethically, lawfully, and in the public's best interest.



Lunch



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Changing Landscape of State and Local Government

Learning Objective

- Describe emerging trends affecting state and local governments.





Macro Fiscal Outlook: What's Changed for FY2026

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State Snapshot

Modest general
funding spending

Revenue growth
is flattening

Reserve balances
are trending down



Cities Snapshot

General funding
growth cooled

Revenue is
softening
(ARPA cliff)

Public safety
consuming most
of general funds





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2026 Focus Areas for Community Leaders

Economic
development
and downtown
revitalization

Housing supply
and affordability

Core
infrastructure
and disaster
readiness

Budget
management
amid federal
funding shifts





Technology and Operations: CIO Priorities Affecting the Ledger

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Key Theme: Accessibility

WCAG 2.1 AA standards

April 24, ~~2026~~ – JUST EXTENDED TO 2027

Cities and counties with 50K+ residents

April 26, ~~2027~~ – JUST EXTENDED TO 2028

Cities and counties <49,999 residents

Special district governments

Digital content accessible and useable

Examples: Color contrast, keyboard navigation, screen-reader labeling, videos with captions and transcripts, alt text



Other Key Themes

AI is *everywhere*



Leadership churn
is real



Chargebacks still
dominate



Cybersecurity Themes



Cyber and Identity

Sustain MFA and identity proofing across workflows



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Cyber and Identity

Budget for
controls monitoring.



Cyber and Identity

Align cyber insurance
terms to actual
control posture.



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Delivery Trends

Modernize without full re-platform

Process simplification

Blended digital-physical services

Accessibility by design



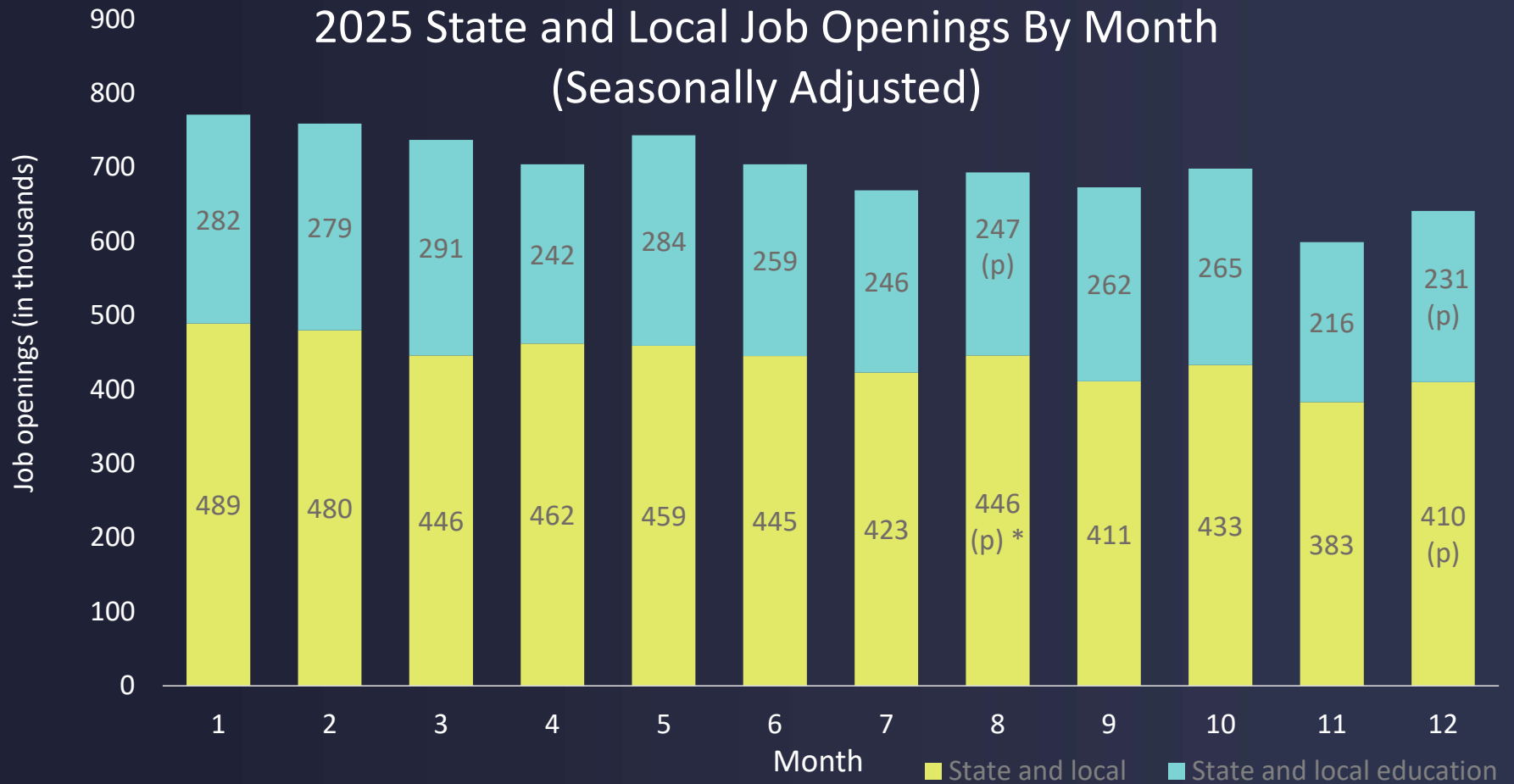


Talent and Workforce

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2025 State and Local Job Openings By Month (Seasonally Adjusted)



U.S. Bureau of Labor Statistics; Job Openings and Labor Turnover Survey (seasonally adjusted); Accessed February 13, 2006.



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Top HR Priorities



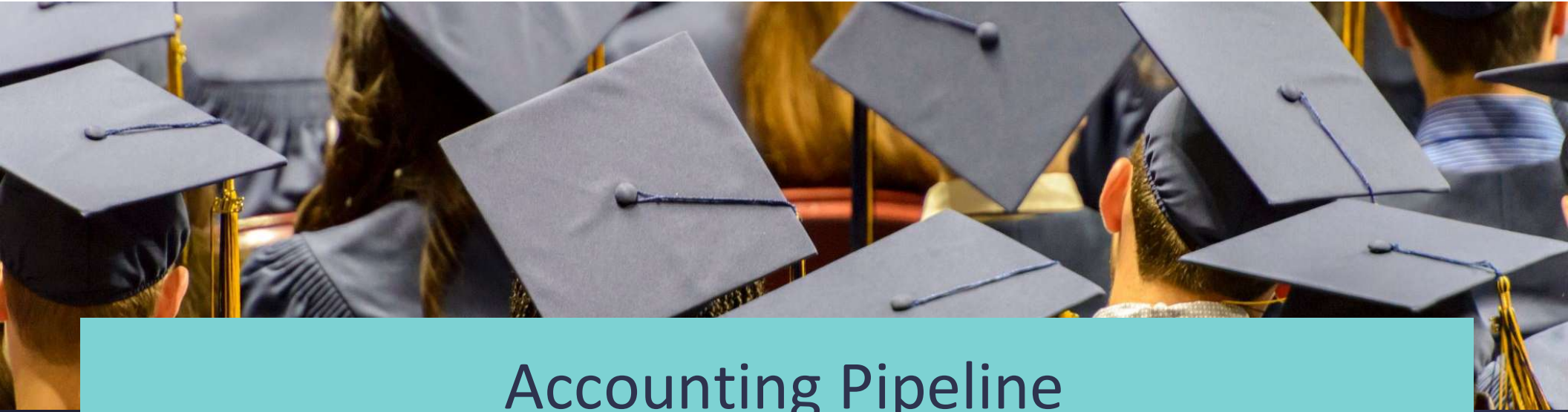
Recruiting

Retention



Engagement





Accounting Pipeline



Decline in
new graduates



Upward trend of new
candidates in exam
pipeline



Wave of impending
retirements



Pipeline Responses

Alternate licensure pathways

Paid apprenticeships

Job redesign

Automation of lower-level tasks





Policy Watch: What Could Move Your Forecasts

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Policy Watch

Tariffs and trade
policy

Municipal bond
tax exemption

Federal
appropriations,
grants calendars,
and post-relief
funding



From Insight to Action: Key Themes

- 2026 is the year of stabilization
- Protect reserves discipline
- Modernize with governance
- Practice resilience
- Build capacity intentionally
- Keep policy risk on the radar





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GASB Update



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Learning Objective

- Recall key GASB standards and how to apply their reporting and disclosure requirements to current implementation efforts.



GASB 102

Certain Risk Disclosures

Effective date is fiscal years beginning after June 15, 2024



GASB 102 Risk Type Definitions

Concentrations

Lack of diversity related to an aspect of a significant inflow or outflow of resources

Constraints

Limitation imposed on a government **by an external party or by formal action** of the government's highest level of decision-making authority



Disclosure Is Required If:

A concentration or constraint is **known** to the government prior to issuance

The concentration or constraint makes the reporting unit vulnerable to the risk of a **substantial impact**

An **event or events** associated with the concentration or constraint that could cause a substantial impact has occurred, have begun to occur, or are more likely than not to begin to occur **within 12 months** of the date the financial statements are issued



EXAMPLE

Concentration of Financial Resource Provider

Example note disclosure:

- **Note XX concentration of financial resource provider**
- The Airport Fund accounts for the City's airport operations and reports \$10 million of revenue bonds outstanding on June 30, 2025. The bond indentures state that the revenue generated by airport operations is pledged as the sole source of repayment for the bonds. 75 percent of the Airport Fund's revenues are associated with a single airline customer who has notified the City that it plans to terminate its lease and discontinue service to the City's airport by December 31, 2025. A loss of revenue from that airline could adversely affect the Airport Fund.



GASB 103 Financial Reporting Model Improvements

Effective date is fiscal years beginning after June 15, 2025



The Basics

Earlier application is encouraged.

If primary government chooses early implementation, all component units should implement in the same year.

Changes adopted at transition should be reported as a change in accounting principle in accordance with Statement 100.

Illustrative examples are included within the text of the Statement.



What's Changing – High Level Overview

Proprietary funds

- Redefines operating and nonoperating
- Revised financial statement presentation

Management's Discussion and Analysis (MD&A)

- Significant policy changes and economic factors
- Currently known facts, decisions, and conditions

Budgetary comparison information

- Always RSI
- Additional variances required

Major component unit reporting

- Separate column in government-wide financial statements

Unusual and infrequent items

- Replaces special and extraordinary
- Revised disclosures

Statistical section financial trends

- Distinguish between operating, noncapital subsidy, and other nonoperating revenue/expenses



Management's Discussion and Analysis

GASB 34 (OLD)

- Government-wide and fund analyses – include reasons for significant changes and discussion of economic factors
- Budgetary variations – discussion of significant general fund budgetary variances required
- Capital assets – activity, commitments
- Long term debt – activity, changes in credit ratings and debt limitations
- Currently known facts, decisions, and conditions – no explicit guidance

GASB 103 (NEW)

- Government-wide and fund analyses – reasons for change, economic factors, **significant policy changes and economic factors**
- Budgetary variations - **no longer required to be in MD&A**
- Capital assets - **additions/disposals, changes to commitments, policy changes and economic factors**
- Long term **financing** – activity, changes in credit ratings and debt limitations, **policy changes and economic factors, explicitly includes leases, SBITA, PPP**
- Currently known facts, decisions, and conditions – **Economic/demographic trends, subsequent year's budget, expected changes in budgetary net position or fund balance, actions after end of reporting period by both the government and other parties**



Management's Discussion and Analysis

- Government-wide and fund analyses – reasons for change, economic factors, **significant policy changes and economic factors**

Example:

Governmental activities

Table A-2 shows that revenues continued to exceed expenses in the current year, resulting in an increase in net position. The total net position of the City's governmental activities was over \$1.7 billion, an increase of \$117.7 million or 7.3 percent from 20X4. Various events contributed to this increase in net position; however, the six primary factors affecting the change in net position are as follows:

- (1) Increases in intergovernmental grant revenues, particularly related to capital assets
- (2) Growth in various revenues due to the strength of the national and local economies and a major court decision
- (3) A law that requires a portion of sales taxes to build up a financial emergency fund
- (4) Increases in expenses for certain programs and functions
- (5) Transfers to the business-type activities
- (6) Damage related to the March 20X5 flood.



Management's Discussion and Analysis

- Government-wide and fund analyses – reasons for change, economic factors, **significant policy changes and economic factors**

Example:

The City reports four major funds individually in the governmental fund financial statements. Those funds are the general fund, the public safety and transportation special revenue fund, the debt service fund, and the infrastructure capital projects fund. Most of the discussion regarding governmental activities is equally applicable to the finances of those governmental funds. However, certain factors that are relevant to the City's current financial health are more apparent in the fund financial statements than in the government-wide financial statements. There were significant changes to three of the four major funds. Those three major funds are shown in Table A-3 and are discussed in more detail below.

General fund

The fund balance of the City's general fund increased by 21.8 percent. Excluding the effects of the flood damage, the general fund's fund balance would have been \$7.5 million greater. This increase in fund balance is attributable to (1) the 0.09 percent sales tax that has been set aside in a reserve as required by the ordinance passed in 20X3, (2) growth in revenues (previously discussed), and (3) a delay in planned increases in public safety expenditures as a result of the delay in the opening of new police station #453, offset by net flood damage expenditures.



Management's Discussion and Analysis

- Long term **financing** – activity, changes in credit ratings and debt limitations, **policy changes and economic factors, explicitly includes leases, SBITA, PPP**

Example:

Significant capital asset and long-term financing activity

The discussion thus far has only touched upon certain significant transactions and events during 20X5 with respect to capital assets and long-term debt. Overall, the carrying value of capital assets—original cost minus accumulated depreciation—increased 3.2 percent over 20X4. However, that relatively small change does not completely capture the substantial amount of capital investment activity that occurred in 20X5.

The City's governmental activities had \$182.8 million in its beginning balance of construction in progress with another \$145.9 million in capital projects started during 20X5. Of those amounts, the City put \$127.4 million into operation during the year and, therefore, reclassified that amount to the other capital asset classifications of infrastructure and buildings and improvements. Additionally, the City contributed \$55.3 million of capital assets to not-for-profit organizations. This resulted in an ending balance of construction in progress of \$145.9 million. Many of the completed and ongoing capital projects are a part of the city-wide highway and street improvement program.



Management's Discussion and Analysis

- Capital assets – **additions/disposals, changes to commitments, policy changes and economic factors**

Example:

In 20X3, voters approved a referendum authorizing the City to issue up to \$125 million of tax-backed bonds to pay for a city-wide capital program to reconstruct major routes, including adding lanes, upgrading street surfaces in the business district, and adding additional buses and bus routes serving the business district. The City issued \$118.1 million of those bonds in 20X5, which is the primary reason that governmental activities long-term liabilities increased 5.7 percent overall. Slightly more than half of the addition to long-term liabilities by those bonds was offset by a reduction in general obligation debt outstanding (which decreased 12.4 percent) due to a series of bond calls and refundings that continued in 20X5.

Total bonds and notes payable outstanding increased 8.0 percent to \$718.5 million in 20X5. The most prominent aspect of that change, as already mentioned, was the issuance of \$118.1 million of bonds backed by the City sales tax, under the authorization of the 20X3 voter referendum. Netted against the principal that was repaid during the year, that new issuance increased tax-backed bonds outstanding by 50.7 percent.



Management's Discussion and Analysis

- **Currently known facts, decisions, and conditions**
 - Trends in economic and demographic data
 - Could include changes in population, enrollment or student count, customer base, average/median income levels, building permits, or unemployment rates
 - Relevant factors used to develop the subsequent year's budget
 - Emphasis on how operations might be different in the upcoming year
 - Could include changes in tax rates, fee amounts, new fees, new programs, eliminated programs, planned spending, or labor contracts
 - Expected changes in budgetary net position or fund balance
 - Actions that the government has taken relating to capital assets or long-term financing that will affect future years
 - New legislation, new regulations, or other impacts to the government from other entities



Management's Discussion and Analysis

- Currently known facts, decisions, and conditions – **economic/demographic trends, subsequent year's budget, expected changes in budgetary net position or fund balance, actions after end of reporting period by both the government and other parties**

Example:

Currently known facts, decisions, or conditions

The City is aware of five developments that will have an impact on the City's finances in the future and were therefore incorporated into next year's budget:

- (1) Public safety employee unions' new contract
- (2) Amendments to the City budget
- (3) Recent economic reports
- (4) Adoption of the State budget
- (5) Pension plan changes.



Unusual and Infrequent Items

GASB 34/62 (OLD)

- Extraordinary or special depending upon certain factors relating to whether an event is unusual or infrequent
- Shown prior to transfers on Statement of Activities
- Disclose unusual/infrequent items NOT within management's control

GASB 103 (NEW)

- **Unusual or infrequent**
- **Last item** prior to net change on government-wide, governmental fund, and proprietary fund statements of resource flows
- Explicit requirement **not** to net inflows/outflows
- Disclose whether unusual/infrequent items **are** within management's control
- Disclose the **program, function, or identifiable activity** to which an unusual/infrequent item is related



Unusual and Infrequent Items

- **Example disclosure:**

- Sample City experienced a flood during March of 20X5 that was a catastrophic event outside the control of management. The City incurred expenses to clean up flood damage in the amount of \$10 million attributable to the functions of public works and public safety in the amounts of \$8.35 million and \$1.65 million, respectively. Sample City also received \$2.5 million in grants from the State to assist with the cleanup effort.



Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position

GASB 34, as amended (OLD)

- Operating revenues/expenses - Follow established policy for defining
- Nonoperating revenues and expenses - Items not meeting definition of operating, typically capital and noncapital related financing, and investing activities
- Subsidies – not defined in technical guidance

GASB 103 (NEW)

- Operating revenues and expenses defined as revenues and expenses **other than nonoperating**
- Nonoperating revenues and expenses defined as **subsidies**, financing related, capital asset/inventory disposals, investment income/expenses, contributions to permanent/term endowments *(Exceptions apply if such transactions constitute the fund's principal ongoing operations)*



Proprietary Fund Resource Flows *Before* (GASB 34, As Amended)

NONOPERATING REVENUES (EXPENSES)						
Property Taxes	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-
Insurance Recoveries	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-
Gain (Loss) on Sale of Capital Assets	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	-	-	-	-	-	-
TRANSFERS AND CAPITAL CONTRIBUTIONS						
Capital Contributions	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfer Out	-	-	-	-	-	-
CHANGE IN NET POSITION	-	-	-	-	-	-



Proprietary Fund Resource Flows After GASB 103

NONCAPITAL SUBSIDIES									
Intergovernmental Revenue									
Transfers In	-		-		-				
Transfers Out	-		-		-				
Total Noncapital Subsidies									-
OPERATING INCOME (LOSS) AND NONCAPITAL SUBSIDIES	-		-		-				-
OTHER NONOPERATING REVENUES (EXPENSES)									-
Investment Income									-
Interest Expense									-
Gain (Loss) on Sale of Capital Assets									-
Capital Contributions	-		-		-				-
Transfers In- Restricted for Capital Assets	-		-		-				-
Total Other Nonoperating Revenues (Expenses)	-		-		-				-

Section added for noncapital subsidies, along with total line.

New subtotal line added

Section title revised to **Other** Nonoperating Revenues (Expenses) with same revision to total line.



What Are Subsidies?

Resources received from another party or fund

- For which fund does not provide goods or services and
- That directly or indirectly keep current/future fees and charges lower than they would be otherwise

Resources provided to another party or fund

- For which the other party or fund does not provide goods or services *and*
- Are recoverable through current or future pricing policies

All other transfers



Major Component Unit Reporting

GASBs 14 and 34, as amended (OLD)

- Three options for presenting:
 - Separate column for each major discretely presented CU in the government-wide financial statements
 - Combining statements after the fund financial statements
 - **Condensed financial statements in the footnotes**

GASB 103 (NEW)

- Separate column in the government-wide financials for each major component unit unless readability is reduced
- If readability is reduced, combining statements after the fund financials are allowed



Budgetary Comparison Information

GASBs 34 and 37, as amended (OLD)

- Required Supplementary Information (RSI) or basic financial statements
- Variances between original/final budget not required
- Variances between final budget and actual amount not required

GASB 103 (NEW)

- **Always RSI**
- Variances between original/final budget **required**
- Variances between final budget and actual amount **required**
- Explanation of significant variations in notes to RSI



Budgetary Comparison Information

	Budgeted Amounts		Variance with Original Budget—over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget—over (under) Actual Amounts
	Original	Final			
BUDGETARY REVENUES					
Taxes	\$ 49,825	\$ 49,825	\$ -	\$ 51,442	\$ 1,617
Intergovernmental	29,750	29,750	-	30,337	587
Charges for services	6,720	6,720	-	6,848	128
Investment earnings	1,900	1,900	-	2,295	395
Total budgetary revenues	88,195	88,195	-	90,922	2,727
BUDGETARY EXPENDITURES					
Current:					
General government	13,665	15,305	1,640	15,083	(222)
Public safety	58,000	58,250	250	58,452	202
Public works	16,265	16,945	680	16,934	(11)
Total budgetary expenditures	87,930	90,500	2,570	90,469	(31)
Net change in fund balances	265	(2,305)	2,570	453	2,758
Budgetary fund balance—beginning of period	4,024	4,024	-	4,024	-
Budgetary fund balance—end of period	\$ 4,289	\$ 1,719	\$ 2,570	4,477	\$ 2,758
RECONCILIATION TO GAAP BASIS					
Total fund balance GAAP basis				\$ 4,477	



Budgetary Comparison Information

Required Supplementary Information
Note to Budgetary Comparison Schedules
(amounts expressed in thousands)

Note A—Actual Budget Results

	<u>General Fund over (under)</u>	<u>Public Safety and Transportation Fund over (under)</u>
BUDGETARY REVENUES		
Differences—final budget to actual:		
The City experienced an increase in revenue for taxes from budgeted amounts primarily due to the opening of the new shopping center 3 months earlier than expected.	\$ 4,170	\$ 1,617
Actual amounts of interest revenue exceeded budgeted amounts as the City saw higher interest rates than expected.	1,692	395
BUDGETARY EXPENDITURES		
Differences—original budget to final budget:		
The original budget was amended for public safety as the new police station #453 was completed 7 months behind schedule. The original budget included salaries and benefits for new officers and administrative staff, in addition to noncapital building expenditures. Station #453 will be opening in the next fiscal year, and these expenditures have been included in the next year's budget.	\$ (2,526)	\$ -



Statistical Section

GASBs 34 and 37, as amended (OLD)

- No explicit requirement to distinguish revenue types when only business-type or business-type/fiduciary activities

GASB 103 (NEW)

- Governments engaged only in business-type/business-type and fiduciary activities – present revenues by **major source** for business-type activities
- **Distinguish between operating, noncapital subsidy, and other nonoperating revenue/expenses**



GASB 104 Disclosure of Certain Capital Assets

Effective date is fiscal years beginning after June 15, 2025



Overview of Disclosure Changes

Separate disclosure by major asset class

Lease assets

PPP assets

Subscription assets

Other intangible capital assets

Capital assets held for sale

Historical cost and accumulated depreciation/amortization by major asset class

Carrying amount of debt for assets pledged as collateral



	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 29,484	\$ 2,020	\$ (4,358)	\$ 27,146
Construction in progress	2,915	13,220	(14,846)	1,289
Total capital assets not being depreciated	<u>32,399</u>	<u>15,240</u>	<u>(19,204)</u>	<u>28,435</u>
Capital assets being depreciated:				
Buildings and improvements	40,861	334	-	41,195
Equipment	32,110	1,544	(1,514)	32,140
Road network	72,885	10,219	-	83,104
Bridge network	18,775	4,627	-	23,402
Software	2,100	548	(650)	1,998
Lease assets:				
Buildings	25,821	209	-	26,030
Equipment	20,389	2,312	(2,456)	20,245
Subscription assets	5,490	687	(743)	5,434
Total capital assets being depreciated	<u>218,431</u>	<u>20,480</u>	<u>(5,363)</u>	<u>233,548</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,358)	(691)	-	(11,049)
Equipment	(9,247)	(2,676)	1,040	(10,883)
Road network	(12,405)	(823)	-	(13,228)
Bridge network	(2,896)	(197)	-	(3,093)
Software	(543)	(110)	25	(628)
Lease assets:				
Buildings	(7,456)	(596)	-	(8,052)
Equipment	(5,864)	(1,782)	823	(6,823)
Subscription assets	(1,009)	(450)	209	(1,250)
Total accumulated depreciation	<u>(49,778)</u>	<u>(7,325)</u>	<u>2,097</u>	<u>(55,006)</u>
Governmental activities capital assets, net	<u>\$ 201,052</u>	<u>\$ 28,395</u>	<u>\$ (22,470)</u>	<u>\$ 206,977</u>



Held for Sale Criteria



Government has decided to sell



Probable that sale will be finalized within one year of the financial statement date



Factors To Consider

Present condition

Current status
activities to locate
potential buyers

Market conditions

Applicability of
regulatory approvals



Frequency



Classification should be evaluated each reporting period



Held for Sale - Disclosures

No change in reporting for capital assets held for sale

- Still presented at historical cost
- Still depreciated using estimated useful life
- Still included in the capital asset footnote

Additional disclosures

- Historical cost and accumulated depreciation by major class of capital assets held for sale
- Carrying amount of debt for which capital assets held for sale are pledged as collateral
- Disclosed separately for governmental and business-type activities



Hold for Sale – Additional Considerations



Equipment
*especially computers and
vehicles*



Materiality



Capital Assets Held for Sale Example Disclosure

Included in capital assets are buildings that are capital assets held for sale. Those buildings are reported in governmental activities. They have a total historical cost of \$8.0 million and an accumulated depreciation of \$5.0 million, and they are pledged as collateral for debt with a balance of \$1.5 million.



GASB 2025 Implementation Guidance

Effective date is fiscal years beginning after June 15, 2025, except for Question 4.16, which is effective upon issuance.



Financial Reporting Topics

Cash flows

- Operating income reconciliation

Resource flows statement (post GASB 103 implementation)

- Classification of interest revenue and expense
- Lease revenue
- Definition and classification of subsidies

Accounting changes and error corrections

- Presentation of adjustments/restatements
- “Ghost” columns and changes to/within the reporting entity

GASB 103 effective date for component units



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Other Topics



Leases

- Lease term
- Lease modifications



Compensated absences

- Planned future pay rates



GASB 105 Subsequent Events

Effective date is fiscal years beginning after June 15, 2026



Overview – What’s Changing?

STATEMENT 56

STATEMENT 105

Definition and time frame

After financial statement date but before financial statements are **issued**

After financial statement date but before financial statements are **available to be issued**

Disclosure requirements

Requirements lacked specificity

Specific disclosure requirements for nonrecognized events; date through which subsequent events have been evaluated



Subsequent Event

Transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued.



New Terminology

Subsequent events time frame

Time period after the date of the financial statements but before the date the financial statements are available to be issued

Date the financial statements are available to be issued

Date at which (a) the financial statements are complete in a form and format that complies with generally accepted accounting principles (GAAP) and (b) approvals necessary for issuance have been obtained.

In most cases, this will be the audit report date



Recognized Event

Subsequent event that provides evidence of conditions that existed at the financial statement date that inform accounting estimates reported as of the financial statement date



Nonrecognized Event

Subsequent event that results in a significant effect that is recognized or disclosed in the basic financial statements in the reporting period in which the event occurs and is one of the following:

- A debt-related transaction, such as a new issuance
 - DOES NOT include regularly scheduled debt payments, leases, PPPs, or SBITAs
- A government combination or a disposal of government operations
- A change to the legally separate entities that compose the financial reporting entity
- A transaction or other event that is of such a nature that the information items required for disclosure are essential to a user's analysis for making decisions or assessing accountability



Recognized vs. Nonrecognized Events

Recognized

Conditions substantiated by recognized events should be reflected in accounting estimates reported as of the financial statement date

Example of recognized event

Customer bankruptcy soon after year-end reflects prior financial difficulties affecting the estimates of the allowance for doubtful accounts

Level of professional judgment

Identifying recognized subsequent events requires a higher level of professional judgment to determine whether such events inform conditions at the financial statement date.

Nonrecognized

Do NOT inform conditions as of the financial statement date and fit specific criteria in GASB 105.

Example of nonrecognized event

Major fire or flood occurring during subsequent events time frame (after year-end).





Subsequent Event Footnote Requirements



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Disclosure Requirements

Evaluation date

Entities must disclose the date through which subsequent events were evaluated, regardless of whether there is a recognized or nonrecognized event.

Nonrecognized events

- Description of the nonrecognized event and its effect
 - Estimate of the amount of the effect of the nonrecognized event, OR
 - The reason why an estimate of the amount cannot be made.
-

Required disclosures should correspond to the reporting units in the financial statements



Example Footnote Disclosure

Example City has evaluated subsequent events for potential recognition or disclosure through January xx, 202x, the date the financial statements were available to be issued.

On January 3, 2026, Example City issued General Obligation Bonds totaling \$10,000,000 to finance infrastructure improvements. The bonds carry an interest rate of 3.25% and mature in 2046. The proceeds were recorded in the Debt Service Fund.





What's on the Horizon?





Exposure Draft

Infrastructure Assets



Infrastructure Assets

- Part of a network of assets
- Stationary in nature
- Can be maintained or preserved for a number of years
- Examples:
 - Roads, bridges, tunnels
 - Water and sewer
 - Lighting and communication towers

Note: Buildings are not considered infrastructure unless its primary purpose is integral to a network of infrastructure assets



Infrastructure – Current Guidance

- Non modified approach
 - Depreciating assets over useful lives
- Modified approach
 - May be applied to eligible infrastructure assets
 - Infrastructure is not depreciated
 - Costs to extend life of the infrastructure are expensed as incurred
 - Specific additional disclosures required in MD&A and RSI



Modified Approach

- Infrastructure is treated as an inexhaustible capital asset, thereby eliminating the need for depreciation accounting.
- Governments must demonstrate that they are maintaining networks or subsystems of infrastructure assets at a selected condition level to qualify to use the modified approach.
- Eligible infrastructure assets must meet three criteria:
 1. Record keeping
 2. Condition assessments – minimum every three years
 3. Established condition levels
- Additional RSI disclosures required under modified approach.
 - Results of the condition assessments for at least the three most recent assessments
 - Estimated amount to maintain the established condition level compared to actual expenditures



GASB Exposure Draft – Infrastructure Assets

Purpose:

- Allow for public comment before issuing new guidance
- Exposure Draft does not provide any authoritative guidance

Timeline:

- Exposure Draft issued April 2026
- Deadline for comments is June 26, 2026
- Expected effective date is for fiscal years beginning after June 15, 2028



Clarified and Re-Emphasized Requirements

Components of infrastructure assets

- New infrastructure components must be **accounted for as separate assets** for depreciation and note disclosures **when**:
 - The component cost is significant, **and**
 - The component has a substantially different estimated useful life than the overall asset
- **Prospective application only**
 - No requirement to revisit or recalculate depreciation for components recorded in prior fiscal years



Clarified and Re-Emphasized Requirements

Capital asset disclosures – infrastructure networks

- Infrastructure assets must be **presented by network**, not as a single “infrastructure” category
- Each network must be disclosed separately
 - Examples: roads, water, sewer, bridges



Clarified and Re-Emphasized Requirements

Periodic review of estimated useful lives

- Governments are **required to periodically review** the estimated useful lives and salvage values of depreciated infrastructure
 - Objective: Reduce instances where infrastructure assets remain in service after being fully depreciated
- **Transition requirement:**
 - A review is required in the **year of implementation**
 - Any resulting changes to estimated useful lives are reported as a **restatement in the year of implementation**



New Disclosure Requirements

Infrastructure maintenance and preservation policy

- Governments that have a policy for monitoring infrastructure maintenance and preservation must:
 - Provide a **brief description of that policy** in the notes to the financial statements



New Disclosure Requirements

Infrastructure assets near or at end of useful life

- New disclosures required by infrastructure network for assets reported using depreciation:
 - Infrastructure assets that are **100% depreciated**
 - Infrastructure assets that are **between 80% and 100% depreciated**
- Required information includes:
 - Historical cost
 - Accumulated depreciation
 - Historical-cost weighted-average age



New Disclosure Requirements

Infrastructure assets near or at end of useful life

- Example:

Disclosure

Of the government's infrastructure assets, roads with a historical cost and accumulated depreciation of \$75,000,000 and a historical-cost weighted-average age of 32.20 years and bridges with a historical cost and accumulated depreciation of \$90,000,000 and a historical-cost weighted-average age of 55.89 years had reached 100 percent of their estimated useful lives at June 30, 2020. In addition, roads with a historical cost of \$50,000,000, accumulated depreciation of \$43,333,333, and a historical-cost weighted-average age of 13 years exceeded 80 percent of their estimated useful lives but had not yet reached 100 percent of their estimated useful lives.



New Disclosure Requirements

Infrastructure assets near or at end of useful life

- New disclosures required by infrastructure network for assets reported using depreciation:
 - Infrastructure assets that are **100% depreciated**
 - Infrastructure assets that are **between 80% and 100% depreciated**
- Required information includes:
 - Historical cost
 - Accumulated depreciation
 - Historical-cost weighted-average age



Guidance Removed

- Previous GASB guidance **encouraged (but did not require)** governments not using the modified approach to report infrastructure condition as supplementary information
 - Limited use of this optional disclosure was observed in practice
 - This encouraged information has now been **removed**



Modified Approach – Key Updates

- Governments are **no longer required** to describe the modified approach in the summary of significant accounting policies
- Required Supplementary Information (RSI) for the modified approach:
 - Remains substantively the same, **but**
 - Must now be presented for **10 years instead of 5**
- New RSI disclosure:
 - Reasons for changes in the condition level the government intends to preserve



What Is *Not* Changing

- Accounting under both non-modified and modified is unchanged
- Deferred maintenance continues **not** to be recognized as a liability
- Estimated maintenance and preservation costs are **not required** to be disclosed in notes or RSI



Effective Date and Transition

- Effective for fiscal years beginning **after June 15, 2028**
- Earlier application is permitted
- Transition approach:
 - Changes in estimated useful lives from re-evaluation of infrastructure assets → **Restated**
 - All other changes → **Prospective**, no prior-year restatement



Preparing for Transition

- Begin organizing infrastructure assets by **network**
 - Roads, water/sewer, bridges, etc.
- Begin evaluating estimated useful lives for infrastructure
 - No changes recorded until the implementation year
- For governments using the modified approach:
 - Begin retaining data for 10 years of RSI
 - Begin documenting reasons for changes in intended condition levels



What Else Is Coming Up?

Revenue and expense recognition – exposure draft expected Q1 2027

Going concern uncertainties and severe financial stress – exposure draft expected Q2 2027



Thank you!



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Comprehending the Audit Process

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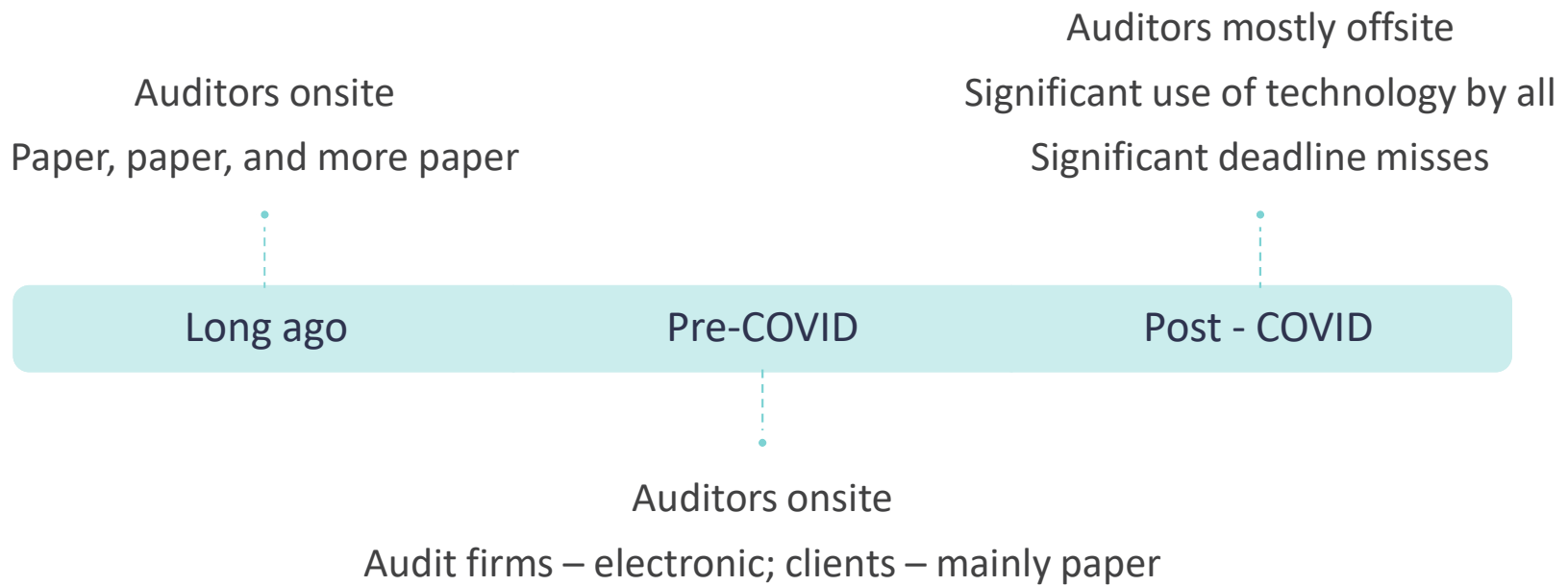


Learning Objectives

- Outline the key stages of the audit process from initial planning and risk assessment to fieldwork, reporting, and follow-up.
- Recall practical tips for how to prepare for an audit.
- Identify effective communication strategies for interacting with auditors.



Evolution of the Audit



Current Audit Challenges

- Lack of review of audit deliverables (financials, reconciliations, schedules, etc.)
- Last minute rush to the finish line
- Missing regulatory deadlines
 - Turnover and loss of institutional knowledge
 - Open positions
 - New faces
 - Implementation of systems
 - Remote working



The Audit Process



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Phase I - Planning



Planning: Auditor's View

Internal planning meetings are held to identify:

- Overall audit approach
- Significant processes and related audit approach
- Areas to perform preliminary fieldwork
- Fraud risks
- Reliance on others

Calculate materiality thresholds

Prepare workpaper listing for clients

Prepare Statement of Work



Planning: Client's View

Entrance conference



- Time frames for fieldwork and deliverables
- Effects of new reporting/accounting/auditing requirements
- Effects of new initiatives/funding/regulations
- Staffing discussions
- Coordination of other offices (information technology, procurement, human resources, construction, etc.)
- Coordination of others (actuaries, third party service providers, etc.)
- Coordination of SAS 99 interviews



Planning: Key to Success

Communication and collaboration!

- Be up front with challenges
- Don't be afraid to ask for help

Entrance conferences –
come prepared with the
right people

Read and implement new
standards *early*

Establish internal
deadlines for your team



Planning

Identify a person to be the primary audit contact
Conduit vs. gatekeeper

Key to success

Provide auditors with holidays, days off, and vacations ahead of time





Phase II – Internal Control Documentation and Testing

“Preliminary fieldwork”



Internal Control Documentation and Testing

- “Preliminary fieldwork”
- Documentation of significant processes and related controls
- Perform test of design over controls
- Perform of test of effectiveness to reduce control risk
 - Nonpayroll disbursements
 - Payroll disbursements
 - Capital disbursements
 - Revenue streams (taxes, utilities, etc.)



Internal Control Documentation and Testing

- Perform all necessary risk assessment procedures (understanding the entity)
- Assessment and testing of IT systems and related controls
- Perform preliminary analytical procedures
- Review board minutes
- Prepare confirmations
- Obtain all information necessary to update permanent file records
- Conduct SAS 99 interviews



Preliminary Fieldwork: Key to Success

1 Provide all information requested timely

2 Assist in resolving discrepancies

3 Stress importance of scheduling SAS 99 interviews sooner rather than later

4 Coordinate early with actuaries

5 Coordinate early to obtain service organization reports

6 Connect/coordinate with information technology department



A photograph of a business meeting in progress. In the foreground, a man in a yellow shirt is seen from the back, looking at a laptop screen displaying data. A woman in a blue blazer is seated next to him, holding a pen and looking towards the laptop. In the background, other people are seated at tables, some looking at documents or laptops. The setting appears to be a modern office or meeting room.

Preliminary Fieldwork: Key to Success

Process

Process budget amendments, if needed prior to end of year

Obtain

Obtain necessary approvals/resolutions for committed or assigned fund balance by year end

Gather

Gather new agreements and contracts early

- Operating leases and SBITA
- Intergovernmental agreements
- Debt agreements (bonds, notes, lines of credit)
- Service sharing agreements
- Collective bargaining agreements





Phase II – Substantive Testing

“Final fieldwork”



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Substantive Testing



“Final fieldwork”



Detailed testing over year end balances



Analytical procedures over accounts



Manager and principal review



Regular status meetings



Final Fieldwork: Key to Success



Be ready! Communicate ahead of time if you are behind



Embrace an onsite audit



Set aside time for the audit



Final trial balances should be provided on day 1 of fieldwork



Review schedules and reconciliations before providing them to the auditors



Status meetings are important – make it a priority



Final Fieldwork

Provide a detailed response to analytical questions

Key to success

Provide a response to findings in a reasonable time period



Final Fieldwork: Key to Success

Give us time to audit!





Phase IV – Reporting and Concluding



Reporting and Concluding



Financial statement review, tie out, and final analytics



Review calculation for net investment in capital assets



Review prior year GFOA comments



Conclude on findings



Issue reports:

- Independent auditor's report
- Report on internal controls
- Management letter



Meet with governance



Reporting: Key to Success



- Independent review of financial statements (ACFR) prior to submission to auditor
- Confirm availability of those signing representation letter
- Consult with legal prior to finalization of draft financials for liabilities/disclosures
 - Assist in auditor receipt of legal letter





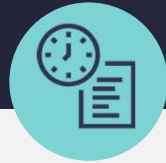
Common Findings



Common Findings To Avoid



Formal documentation that a control is being performed



Timely preparation of reconciliations



Subsidiary ledgers do not agree to TB



Reviews not performed timely or at all



Segregation of duties





We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

Cybercrime in 2026: How Modern Attacks Work

2026 Denver Government and Nonprofit
Training Academy

Speaker



Zoran Jovic
Manager
Cybersecurity

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813-384-2728

- Leads CLA's 'red team' out of Tampa FL
- "Professional student"
- US Army Reservist
- Programmer, Telecom, IT, Cybersecurity
- Serving State and Local Government, Nonprofit and Higher-Ed clients
- Mountain biker...



Learning Objectives

- Recognize how modern cybercriminals operate, with a focus on social engineering and credential compromise.
- Recognize how phishing attacks have evolved, including the use of AI and MFA bypass techniques.
- Identify behaviors and organizational conditions that increase exposure to account compromise.
- Describe where to focus risk mitigation efforts to reduce the likelihood and impact of a breach.



Sun Tzu: *“Know Your Enemy”*

The Current Threat Landscape

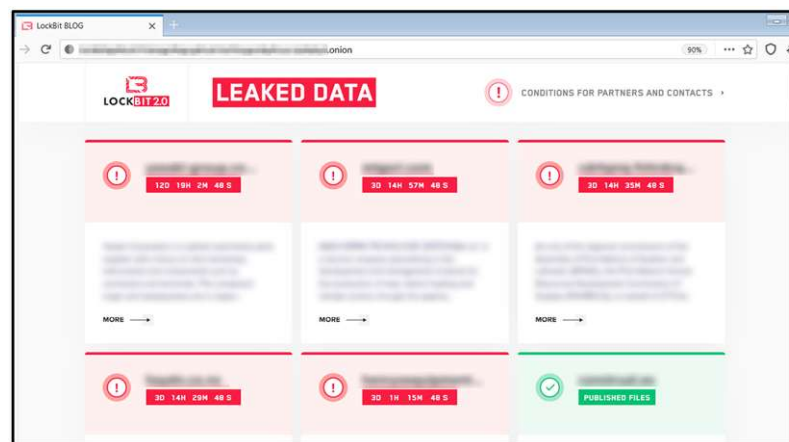


Cybercrime and Black-Market Economies

- Black-market economy to support cyber fraud
 - Business models and specialization
 - Underground marketplace
 - (The Dark Web)
- Most common cyber fraud scenarios we see affecting our clients
 - Theft of information
 - Log-in credentials
 - ePHI, PII, PFI, account profiles, etc.
 - Credit card information
 - Ransomware, interference w/ operations and extortion
- Monetization of access

They will hit you with any or all of the following:

1. Email spear phishing attacks
2. Password guessing and business email account takeovers
3. Payment and funds disbursement transfer fraud
4. Data exfiltration
5. Ransomware
6. Extortion to avoid breach disclosure



Average Days To Identify and Contain a Data Breach



Global average is 241 days

- 181 days to identify a breach
- 60 days to contain the attack
- **IMPROVEMENT!**

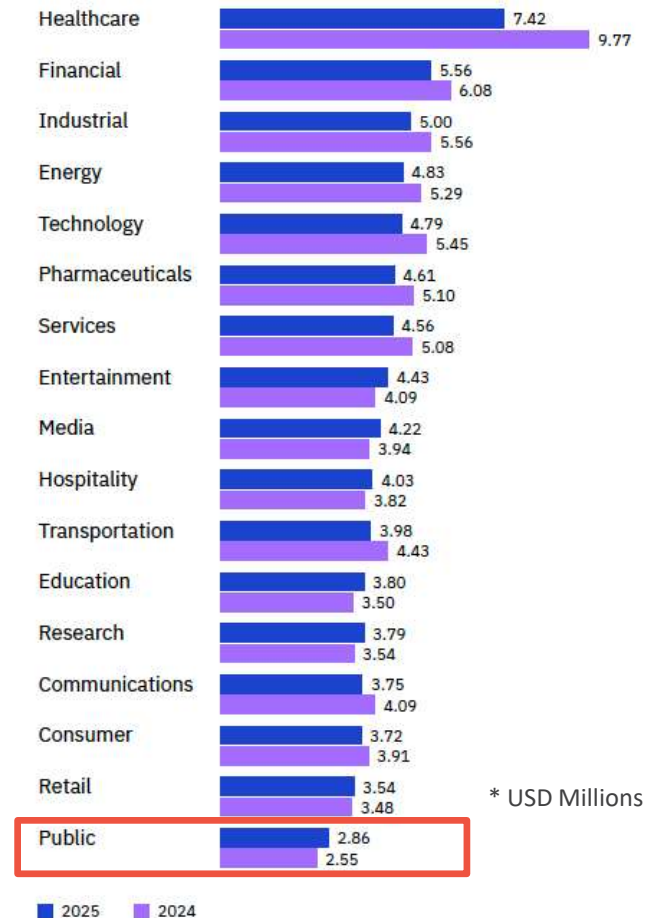
What are the bad actors doing for 181 days?

Source: IBM Security Cost of a Data Breach Report 2025

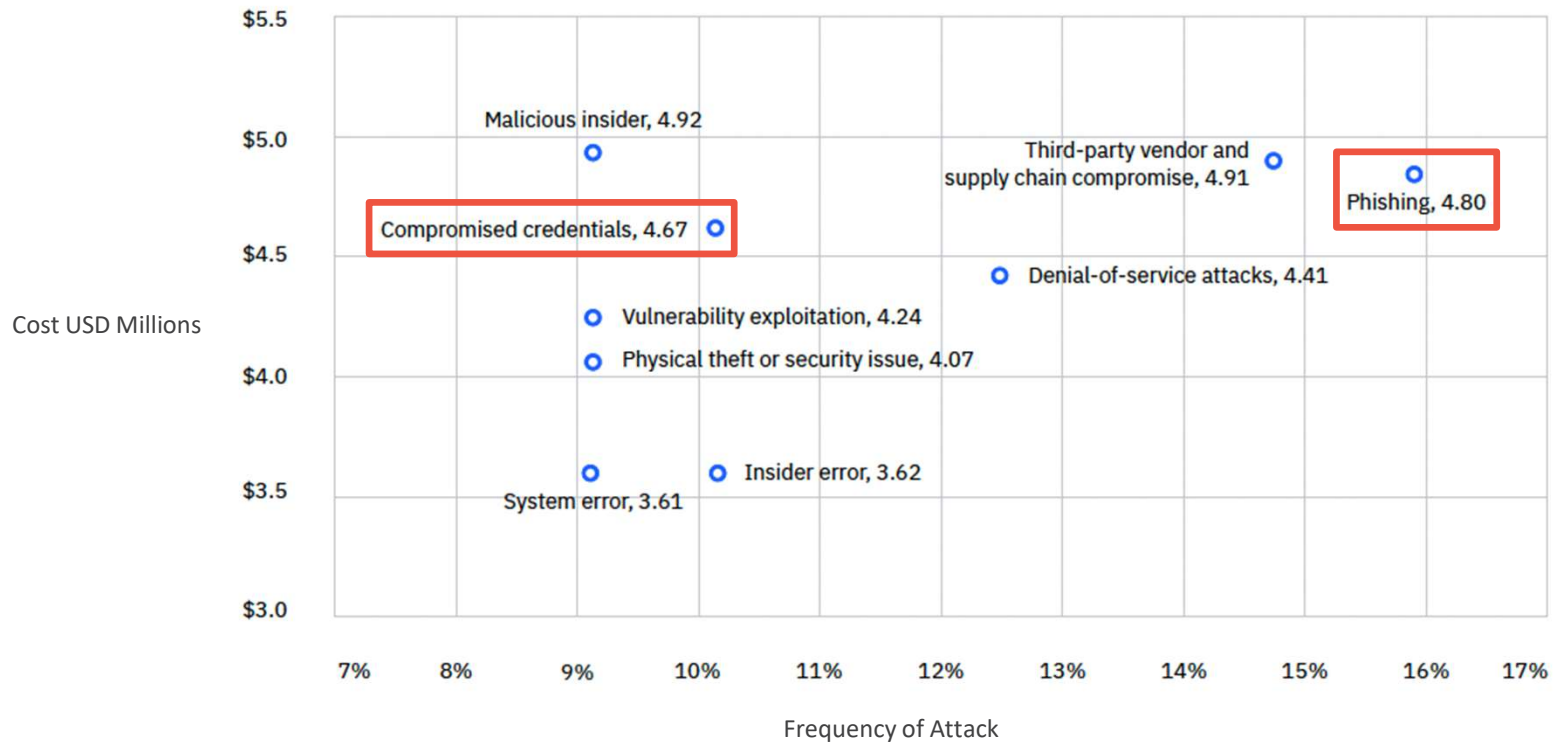


Cost of a Data Breach

- Average breach cost in 2025:
- Globally - \$4.4M
- USA - \$10.2M
- Cost factors:
- Detection and escalation - \$1.47M
- Lost business - \$1.38M
- Post-breach response - \$1.2M
- Notification - \$0.39M



Cost and Frequency by Initial Attack Vector

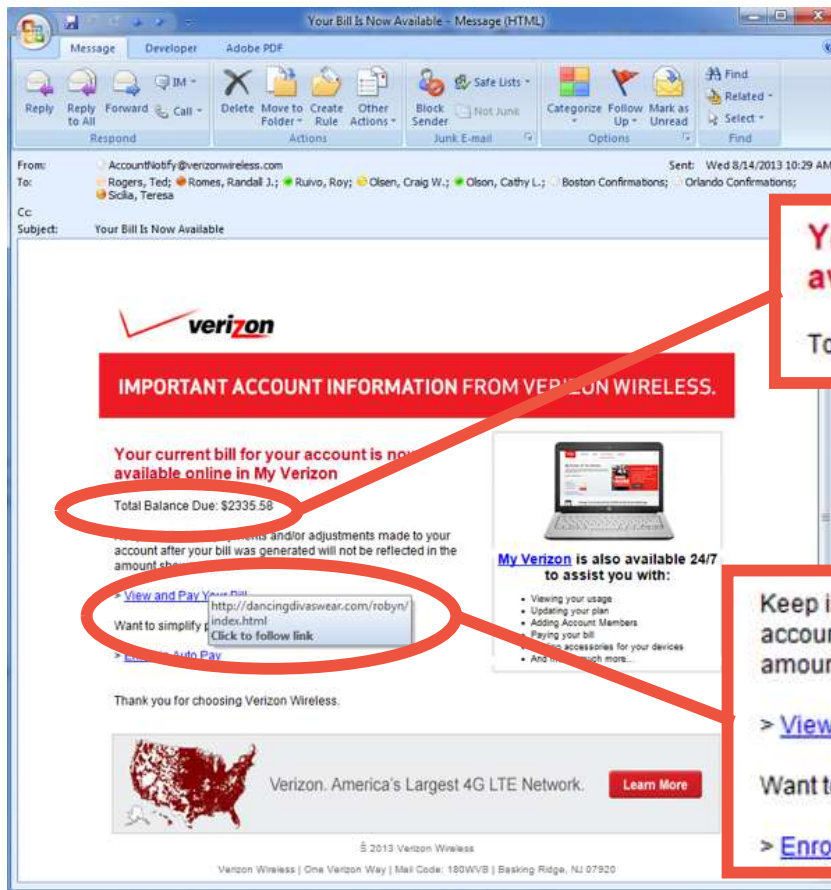


Email Phishing and Password Compromise

The root causes for most breaches



Email Phishing



Your current bill for your account is now available online in My Verizon

Total Balance Due: \$2335.58

IMPORTANT ACCOUNT INFORMATION FROM VERIZON WIRELESS.

Your current bill for your account is now available online in My Verizon

Total Balance Due: \$2335.58

payments and/or adjustments made to your account after your bill was generated will not be reflected in the amount shown above.

> [View and Pay Your Bill](http://dancingdivaswear.com/robyn/index.html)
http://dancingdivaswear.com/robyn/index.html
Click to follow link

> [Enroll in Auto Pay](#)

My Verizon is also available 24/7 to assist you with:

- Viewing your usage
- Updating your plan
- Adding Account Members
- Paying your bill
- Finding accessories for your devices
- And much more...

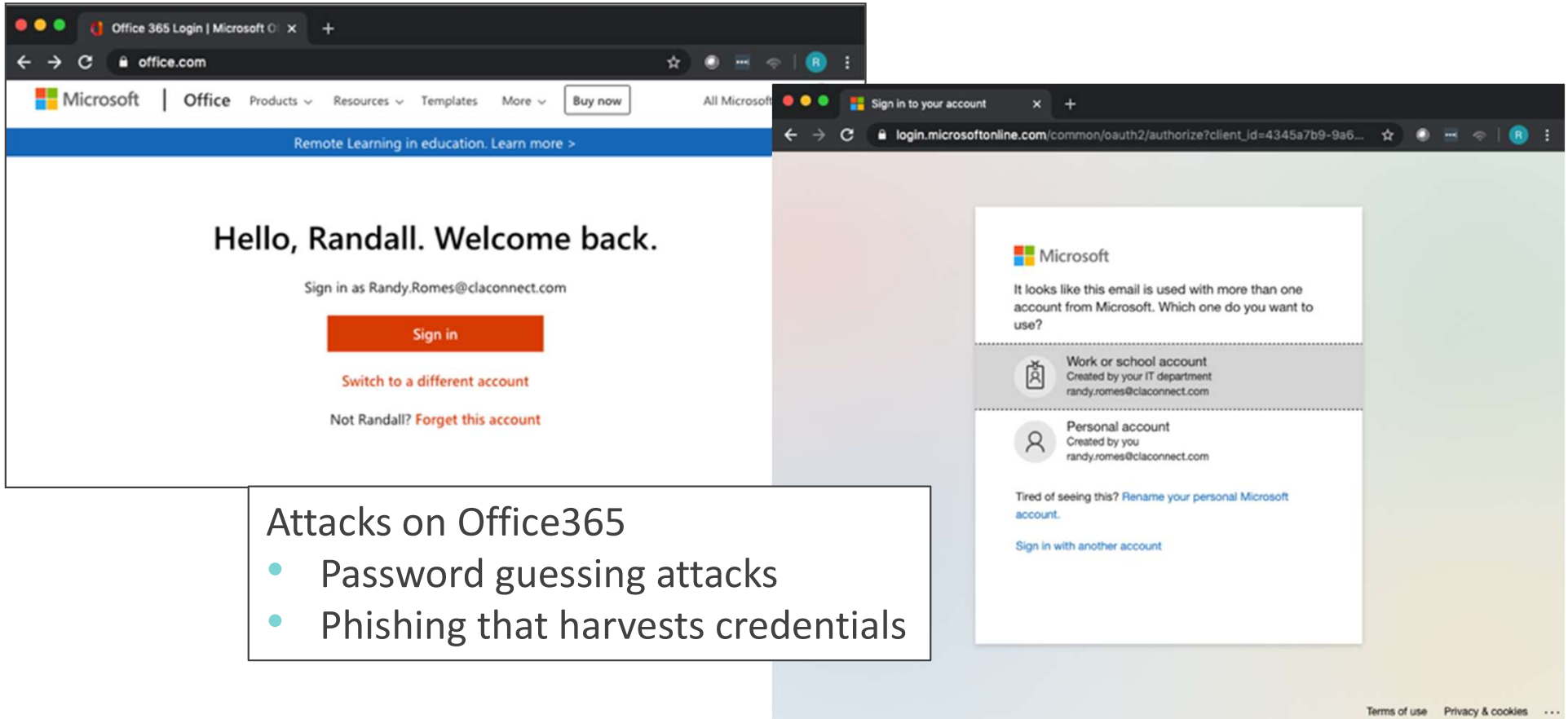
Keep in mind that payments and/or adjustments made to your account after your bill was generated will not be reflected in the amount shown above.

> [View and Pay Your Bill](http://dancingdivaswear.com/robyn/index.html)
http://dancingdivaswear.com/robyn/index.html
Click to follow link

> [Enroll in Auto Pay](#)



Credential Harvesting



Office 365 Login | Microsoft

office.com

Microsoft | Office Products Resources Templates More Buy now All Microsoft

Remote Learning in education. Learn more >

Hello, Randall. Welcome back.

Sign in as Randy.Romes@claconnect.com

Sign in

Switch to a different account

Not Randall? Forget this account

Sign in to your account

login.microsoftonline.com/common/oauth2/authorize?client_id=4345a7b9-9a6...

Microsoft

It looks like this email is used with more than one account from Microsoft. Which one do you want to use?

Work or school account
Created by your IT department
randy.romes@claconnect.com

Personal account
Created by you
randy.romes@claconnect.com

Tired of seeing this? [Rename your personal Microsoft account.](#)

[Sign in with another account](#)






Terms of use Privacy & cookies ...

Attacks on Office365

- Password guessing attacks
- Phishing that harvests credentials



Is Your Password Strong?

Password123		Unforgiveable
Spring26!		Terrible
N*7d348fm/12f		Painful
Wallet Painting lamp!		Good
I bought the Chevy in 1992 from Mr. Smith		Best

- Pass phrases: Long natural language
- Password tools: Password manager and MFA



Social Engineering Mitigating Controls

- Improve security awareness training
- Improve password requirements
- Enforce modern multi-factor authentication on all remote access
- Utilize password managers
- Implement geo-restrictions to M365
- Block email from newly-created domains
- Enhance email and log retention



Wire Fraud Mitigating Controls

- Utilize known/common methods of communication
- Enforce existing separation of duties policy
- Develop formalized processes for updated payment details
 - Do **NOT** rely upon email
 - Call back known, good number
 - Approval process
 - Train accounting/finance staff on processes

Critical for organizations with small teams!



Phishing Attack 2026 Edition

Email phishing and credential compromise combined



Phishing Attack Demo

Reply Reply All Forward

SB Smith, Brian <bsmith@fakebank.c0m> | sdecosta@issgs.net 12:17

Paid Time Off Policy Changes


Hello everyone,

We have made some significant changes to the way we work with requests for paid time off. Please find the update on our intranet, or you may review the following document containing the specifics of the new policy.

[PTO Policy](#)

We hope that everyone is happy with the new system, as we have been working very hard to develop an easier and more effective solution over the past couple months.

Please reach out if you have any questions!

 **Brian Smith**
Vice President of Human Resources

Direct 999-999-9999
Fake Bank
bsmith@fakebank.com



Do You Use AI? Attackers Are!



Which One Is Real?



AI Social Engineering Calls



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AI Social Engineering Implications!



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Source: www.enhancor.ai



Colorado Cybersecurity Governance Reality



Local Government Expectation

1. Protect financial/“citizen” data

2. Timely breach notification

3. Maintain operational resilience

4. Demonstrate “reasonable” security practices

5. Implied expectations for governance

6. Utilize the Whole-of-State coordination



Risk Reality and Priorities

- Common gaps exist across entities
- High-impact security controls = highest return on investment
- Prioritize critical systems and proactive measures
- Avoid reinventing the wheel
- Colorado provides funding and shared services to reduce the gap

Underinvestment increases both operational and financial risk!



Colorado Resources

Colorado Cybersecurity Council (C.R.S. § 24-33.5-1902)

- Develops statewide cybersecurity strategy
- Coordinates state and local cyber efforts
- Makes recommendations to Governor and Legislature

Office of Information Technology (OIT)

- Sets standards for state agencies
- Acts as purchasing agent for cyber tooling

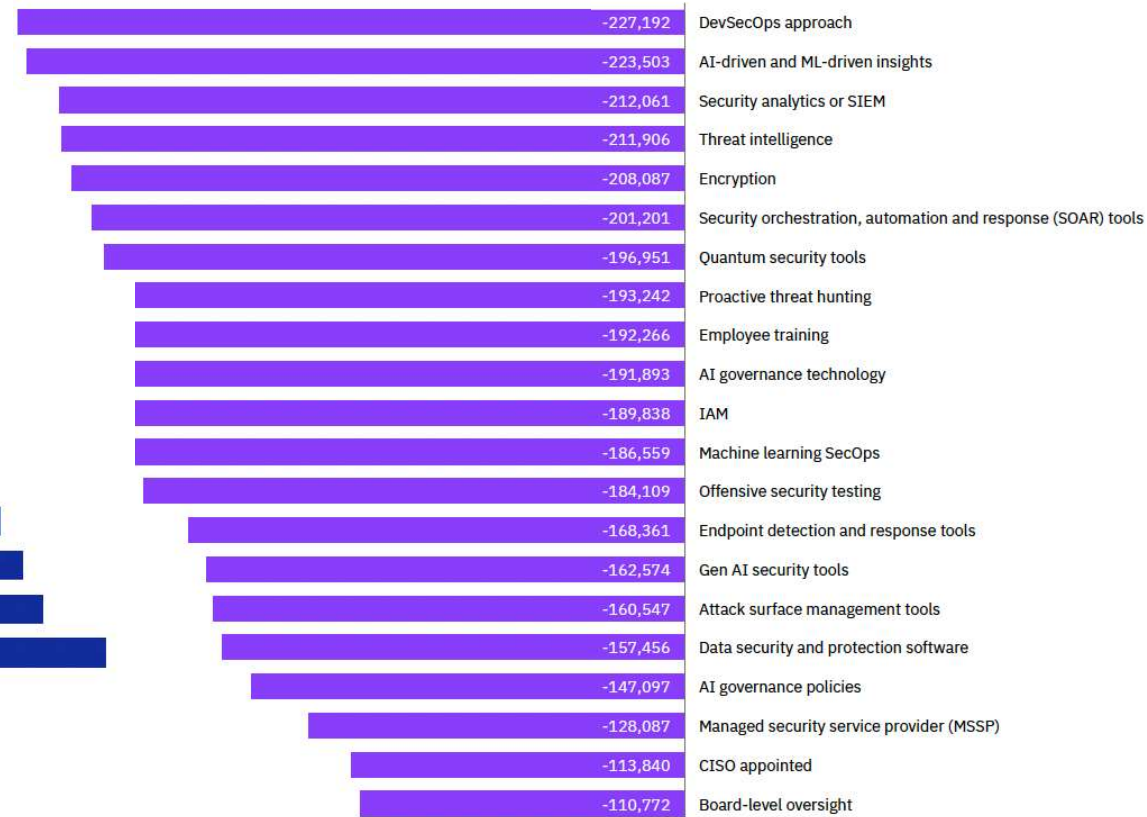
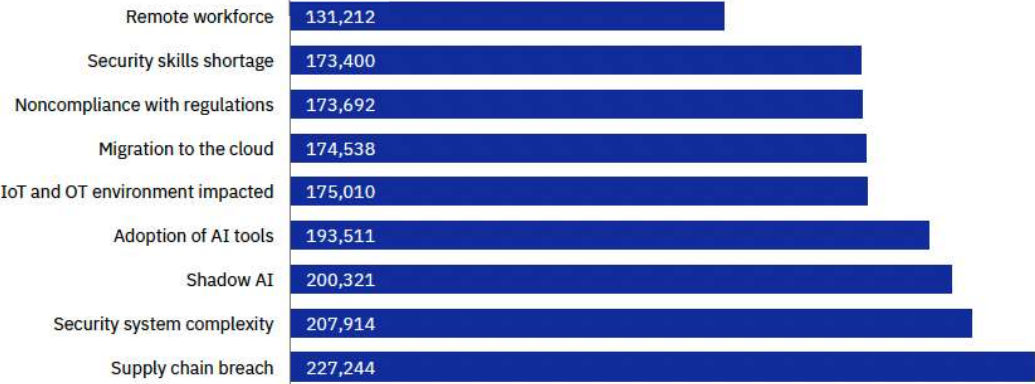
Colorado Information Analysis Center (CIAC)

- Provides threat intelligence and information sharing
- Incident response support
- Vulnerability assessments and tabletop exercises



Maturity Leads To Cost Savings

Factors that increase or decrease the cost of a breach:



CLA Cybersecurity Helps Clients



Governance, risk, and compliance

Risk assessments
IT controls assessments (NIST, CIS, etc.)
Policy development
Compliance assessments
(PCI, GLBA, HIPAA, etc.)



Security testing

Penetration testing
Vulnerability assessments
Social engineering (phishing, phone calls)
Computer forensics



Scan here to learn more!



Closing



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