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Welcome to the Florida State and Local Government Training Academy

August 13 and 14, 2025



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State and Local Government Industry Discussion

Speakers



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CPA
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Learning Objectives



Identify current trends impacting state finance professionals and practices to address these trends

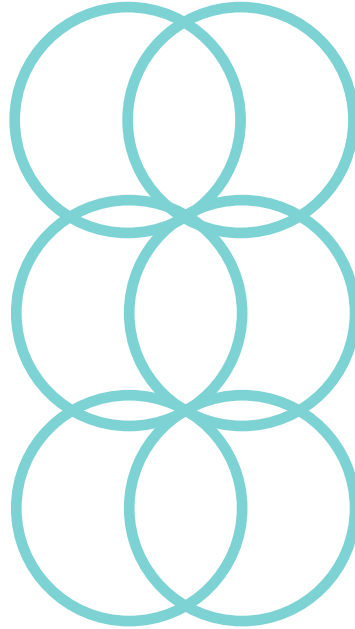


Recognize how economic conditions, federal regulations, and state specific policies influence the financial operations and accounting practices of state and local governments

How Are You Feeling?

Where most feel they are

- Stressed
- Worried
- Confused
- Tired
- Overwhelmed



Where most want to be

- Confident
- Focused
- Stable
- Engaged
- Capacity to do new things

What Are the Causes?

Federal government impact

Fiscal challenges

Technology innovations

Workforce issues

Citizen expectations

Council Members or Commissioners

COVID impacts lingering



Federal Impact

States heavily
reliant on federal
funding

Trickle down to
the local
governments

COVID funding
ending

Claw back of funds

Impact of tariffs

Investment market
impact

DOGE

Federal workforce
impacting local
economy



Fiscal Challenges

1 Federal funding changes

2 Impacts of the state budgets

3 Budget constraints

4 Rising costs
(internal and external)

5 Technology costs

6 Economic fluctuations



Addressing the Fiscal Challenges



- Prioritize spending
- Effective budget management
- Strategic budgeting approach
- Data analysis
- Alternative funding sources
- Outsourcing and partnerships
- Meet federal deadlines

Technology

- Transforming how governments operate
- Availability of data
- Impact of AI
- Smart cities
- Risks – cyber security
- Federal Data Transparency Act (FDTA)



The Workplace

Impact of federal return to office mandates

Increased retirements

Change in worker's mindset

Retention and burn-out

Recruitment challenges

Lack of funding for positions in finance

Efforts to enhance productivity with integrated work-life balance

Training issues



Citizen Expectations



Transparency and
accountability



Participatory
Governance -
Community
engagement and
social factors



Online services
and apps



Demand for
smart cities



Lower taxes and
fees

Elected Official Impact



- Turnover
- Volatility and instability
- Lack of institutional knowledge
- Personal agendas
- Short term focus
- Decisions impacted by re-election mindset
- Full-time elected officials

COVID Impacts Linger

5 years ago

Remote
work impact

Mindset
reset

Positions
created
during
COVID now
unfunded

Changed
expectations
moving
forward



Conclusion



Adopt innovation



Data analysis



Adapt to trends



Strategic budgeting with community engagement



Long-term forecasting



Succession based mindset when building workforce



Education to elected officials and community members



Build trust through transparency and accountability



Questions?



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GASB Update

Florida Government Training Academy

August 2025



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Learning Objectives



Explain challenges related to the implementation of GASB Statement 101



Identify upcoming GASB pronouncements and their potential impact on state and local government financial statements

What's Changing?

Less Difficult
GASB 102

Moderately
Difficult
GASB 103

More Difficult
GASB 101





GASB 101 Compensated Absences – Lessons Learned

The effective date is fiscal years beginning after December 15, 2023



Compensated Absences — Avoid The Pitfalls!

- Consideration of leave that will be used but may not be paid out
- Consideration of different employee classes
- Effect of retrospective application
- Can we support our “more likely than not” (MLTN) analysis



GASB 101 vs GASB 16

What's the big difference?

*Shift from **probable of being paid out to more likely than not to be used for time off** or otherwise paid in cash or settled through noncash means*

*Biggest area of impact – **sick leave***



Why Do I Need To Worry About Sick Leave Now?

We don't pay out sick leave at termination, nor do we convert to any type of pension or post retirement plan.

That means I don't need to worry about sick leave, right? I never had to before.



Incorrect. GASB 101 requires recognition of a liability for leave that has not been used if it:

1. Is earned,
2. Accumulates, and
3. Is MLTN to be used for time off or otherwise paid in cash or settled through noncash means.



Calculation Components – Question And Answer

A portion of sick leave is paid at termination, but employees may also use the leave. How does this affect the calculation?



Two estimates will need to be made:

- MLTN to be used as time off
- MLTN to be settled in cash at termination



What If I Have Different Employee Groups?

*If you have multiple employee groups, **each with their own labor agreements and varying historical usages**, separate estimations by group would be appropriate.*



Financial Reporting Implications

- Evaluation of potential restatement
- Do we have the data needed to evaluate prior year impact?
- Fund / opinion unit considerations



More Likely Than Not? Where Do I Start?

- Entity-specific and dependent on facts and circumstances
- Not "one size fits all"
- Historical information may not be indicative of future trends (COVID)
- Availability of historical information for analysis



What Are Some Common Methodologies?

- Full employee population
- Evaluate past use of leave using a representative sample of active employees
- Evaluate proportions of leave time used and leave time settled as cash at termination for a representative sample of former employees



Example – Full Employee Population

Assumptions - Employees earn 40 hours of sick leave each year.										
Employees may accrue up to a limit of 60 hours. Sick leave is not paid out upon termination or retirement.										
Employee	Hours	Service Years	Explanation							
1	50	30	Close to retirement, 100% of eligible is expected to be used.							
2	30	25	Close to retirement, 100% of eligible is expected to be used.							
3	50	5	Based on historical usage, employee uses approximately 25% of leave earned each year							
4	40	10	Based on historical usage, employee uses approximately 50% of leave earned each year							



Example — Payout Analysis

Data from Sick Leave Tracking

	Years of service	Accumulated unused sick leave (days)	Sick leave used (days)	Sick leave days settled in cash
Former employee #1	32	163	221	150
Former employee #2	6	50	22	-
Former employee #3	23	100	176	100
Former employee #4	20	179	61	150
Former employee #5	18	85	131	85
Totals	99	577	611	485

Total days earned over service of years for sample of former employees	1,188
Percentage of days used to days earned	51.43%
Percentage of days settled in cash at termination to days earned	40.82%

Source – Excerpt from GFOA Compensated Absences Tool



Example — Usage Analysis (2 step)

Employee	Sick days used as time off					Average annual	
	20X1	20X2	20X3	20X4	20X5	Used	use (days)
1	10	4	5	3	3	25	5.00
2	4	8	4	4	4	24	4.80
3	2	5	2	3	2	14	2.80
4	8	9	7	7	8	39	7.80
5	6	12	8	9	7	42	8.40
6	4	4	3	4	3	18	3.60
7	7	2	3	3	2	17	3.40
8	8	2	5	4	10	29	5.80
9	6	4	4	4	2	20	4.00
10	4	5	4	6	4	23	4.60
Average						5.02	A
Sick days awarded each year						12.00	
Average days used (12 days awarded per year)						41.83%	

Source – Excerpt from GFOA Compensated Absences Tool



Example — Usage Analysis (2 step)

	Years of service	Eligible for cash settlement (>= XX years)	Sick days settled as cash at termination	Accumulated (unused) sick days as of date of termination
Enter number of years for eligibility =>		<u>10</u>		
Former employee #1	32	YES	150	168
Former employee #2	6	NO	-	58
Former employee #3	23	YES	100	100
Former employee #4	20	YES	150	179
Former employee #5	<u>18</u>	YES	<u>85</u>	<u>85</u>
Totals	99		485	590
% of days paid as cash settlement at termination to total days accumulated				82%

Source – Excerpt from GFOA Compensated Absences Tool



How Can I Disaggregate The Population?

- Employee groups
- Vested versus non vested
- Employee tenure
- Likelihood of use



Hot Topic — Flow Assumptions

- GASB 101 does **not** require that flow assumptions be built into an entity's compensated absences calculation
- Mentioned in the basis for conclusions in the context of estimating the amount due within one year
- Entities may choose to consider this in their estimate, but consider key points
 - Elect a policy and stick to it! (i.e. LIFO/FIFO)
 - You need to be able to support assumptions used



What Documentation Should I Retain?

- All applicable leave policies, collective bargaining agreements, etc.
- Any historical reports used to perform MLTN analysis
- Description of procedures performed to arrive at year end balances
- Year end and prior year end leave reports





GASB 102 Certain Risk Disclosures

Effective date is fiscal years beginning after June 15, 2024



GASB 102 Risk Type Definitions

Concentrations

Defined as a **lack of diversity** related to an aspect of a significant inflow or outflow of resources

Constraints

Defined as a **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



Notes To Financial Statements

If all requirement are met, the information required to be disclosed is as follows:

The concentration or
constraint

Associated events
causing substantial
impact

Actions taken by the
government prior to
issuance to mitigate
the risk



To What Level Is This Applied?



Primary government reporting unit



Other reporting units that report a liability for revenue debt

What Is Considered a 'Substantial Impact'?

Intended to convey the fact that a risk is more than only the existence of a concentration or constraint


More stringent criterion than materiality needed to focus on circumstances that make a government have a heightened possibility of loss or harm

Professional judgement of both the quantitative and qualitative factors should be used in each circumstance




What Is Considered an ‘Event Or Events’?

This term has not been defined specifically



Ultimately means an event related to concentration or constraint that ***could*** cause a substantial impact on a government’s existing concentrations or constraints



Governments don’t need to go searching for potential events, but instead disclose information about events when they become aware of them



What Happens if a Government Takes Mitigating Action?

If a government discovers an event that will cause a substantial impact due to concentrations or constraints and takes action:

The mitigating action should be disclosed in the notes if the event is not remediated by the financial statement issuance date

If the situation is resolved, and there is no longer a risk of substantial impact to the government, no note disclosure is required (criteria is no longer met for disclosure)





GASB 103 Financial Reporting Model Improvements

Effective date is fiscal years beginning after June 15, 2025



What's Changing?

Low Impact

- Unusual / infrequent items
- Statistical section

Moderate Impact

- MD&A
- Budgetary comparisons
- Major component unit reporting

High Impact

- Proprietary fund statement of revenues, expenses, and changes in fund net position



A Word of *Caution* on Component Units

Statement No. 103, Financial Reporting Model Improvements

See also Questions 4.2 and 4.4–4.9 of this Implementation Guide for other implementation guidance related to Statement 103.

4.19. Q—If a primary government is implementing Statement 103 for its fiscal year ended June 30, 2026, and it will include in its financial statements a component unit with a fiscal year-end of December 31, 2025 (in accordance with the provisions in paragraph 59 of Statement No. 14, *The Financial Reporting Entity*), when should the component unit implement Statement 103?

A—For the purposes of implementing Statement 103, which requires changes to the presentation of certain financial statements, the component unit should implement that Statement in its December 31, 2025 financial statements.

Source – GASB exposure draft *Implementation Guidance Update 2025*



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

Nonoperating revenues and expenses

Subsidies received/provided, 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)

Operating revenues and expenses

Revenues and expenses **other than nonoperating revenues and expenses**



Proprietary Fund Presentation

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)	

New section and subtotal for noncapital subsidies, Noncapital transfers included in subsidies

New subtotal

Section renamed

Capital contributions and capital related transfers in move up to other nonoperating



MD&A

- Increased focus on **significant policy changes** for fund/government-wide analyses, capital assets, and long-term **financing**
- Include leases, SBITAs, and PPP liabilities in long term **financing**
- Prescriptive requirements for currently known facts, decisions, and conditions



MD&A Fund Analysis Significant Policy Change Example

In 20X3, the City Council approved an ordinance to temporarily direct 0.09 percent of that 1.25 percent into the City's financial emergency reserve beginning in fiscal year 20X4. The related sales tax revenues will be set aside in the reserve until it reaches 10 percent of the City's adopted operating expense budget.

Source: GASB Statement No. 103, Appendix C, [GASB HOME](#)



MD&A — Capital Assets Example

Additions and Disposals

The receipt of the base was reported as a \$22 million capital contribution, which increased both the land and buildings and improvement categories of the City's capital assets by \$15 million and \$7 million, respectively.

Changes to Commitments

Significant capital investments also are expected to be made as part of converting the former Army base to a city-wide public works and transportation garage and headquarters.

Policy Change

As discussed earlier, a portion of the sales tax is used to fund a reserve for road and bridge construction and other infrastructure projects, which provides financing on a pay-as-you-go basis.

Source: GASB Statement No. 103, Appendix C, [GASB HOME](#)



MD&A — Long Term Financing Chart

NAME OF GOVERNMENT's Long-term Financings						
	Governmental activities		Business-type activities		Total	
	2027	2026	2027	2026	2027	2026
General obligation bonds	\$ 73,022,878	\$ 77,994,507	\$ -	\$ -	\$ 73,022,878	\$ 77,994,507
Special assessment bonds	4,690,681	-	-	-	4,690,681	-
Revenue bonds	-	-	10,042,000	11,069,000	10,042,000	11,069,000
Notes payable	2,000,000	-	-	-	2,000,000	-
Lease liabilities	49,587	644,165	-	-	49,587	644,165
Subscription liability	42,105	-	-	-	42,105	-
Total	<u>\$ 79,805,251</u>	<u>\$ 78,638,672</u>	<u>\$ 10,042,000</u>	<u>\$ 11,069,000</u>	<u>\$ 89,847,251</u>	<u>\$ 89,707,672</u>

Source: [GAAFR Appendix D](#)



MD&A — Long Term Financing

Policy Change

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. (Source: GASB Statement No. 103, Appendix C, [GASB HOME](#))

Economic Factors

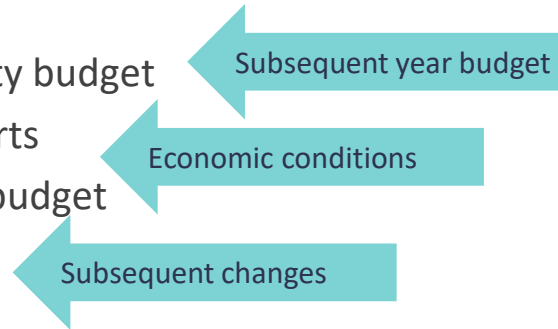
During the current year, the GOVERNMENT issued \$5.8 million in general obligation bonds to refinance previously outstanding general obligation bonds reported in governmental activities. This refinancing was done to take advantage of favorable interest rates. (Source: [GAAFR Appendix D](#))



MD&A — Currently Known Facts, Decisions and Conditions

- 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



Source: GASB Statement No. 103, Appendix C, [GASB HOME](#) Full example included in Appendix.



Budgetary Comparison Information

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

	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	\$ 157,715	\$ 157,715	\$ -	\$ 161,885	\$ 4,170
Payments in lieu of taxes	16,218	15,853	(365)	15,737	(116)
Intergovernmental	1,560	2,002	442	1,597	(405)
Charges for services	13,299	13,299	-	13,905	606
Licenses, permits, and fees	2,712	3,220	508	3,532	312
Fines and forfeitures	8,262	8,262	-	7,853	(409)
Investment earnings	5,100	5,100	-	6,792	1,692
Miscellaneous	3,313	3,313	-	2,075	(1,238)
Total budgetary revenues	208,179	208,764	585	213,376	4,612

Source: GASB Standard



Major Component Unit Reporting



- **Separate** column in the government-wide financial statements for **each** major component unit unless readability is reduced
- If readability is reduced, combining statements after the fund financial statements are allowed
- **Condensed financial statements can no longer be presented in the footnotes**

Unusual and Infrequent Items

Unusual or infrequent (no more special / extraordinary)

Last item prior to net change on government-wide, governmental fund, and proprietary fund statements of resource flows

Explicit requirements 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



Statistical Section

Present revenues by
major source for
business-type activities

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

Previously no explicit
requirement to
distinguish revenue
types in the separately
issued financial reports
of governments
engaged only in BTA or
BTA/Fiduciary Activities





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



Governmental activities:

Capital assets not being depreciated:

Land and improvements

Construction in progress

Total capital assets not being depreciated

Capital assets being depreciated:

Buildings and improvements

Equipment

Road network

Bridge network

Software

Lease assets:

Buildings

Equipment

Subscription assets

Total capital assets being depreciated

Less accumulated depreciation for:

Buildings and improvements

Equipment

Road network

Bridge network

Software

Lease assets:

Buildings

Equipment

Subscription assets

Total accumulated depreciation

Governmental activities capital assets, net

Primary Government			
Beginning Balance	Increases	Decreases	Ending Balance
\$ 29,484	\$ 2,020	\$ (4,358)	\$ 27,146
2,915	13,220	(14,846)	1,289
32,399	15,240	(19,204)	28,435
40,861	334	-	41,195
32,110	1,544	(1,514)	32,140
72,885	10,219	-	83,104
18,775	4,627	-	23,402
2,100	548	(650)	1,998
25,821	209	-	26,030
20,389	2,312	(2,456)	20,245
5,490	687	(743)	5,434
218,431	20,480	(5,363)	233,548
(10,358)	(691)	-	(11,049)
(9,247)	(2,676)	1,040	(10,883)
(12,405)	(823)	-	(13,228)
(2,896)	(197)	-	(3,093)
(543)	(110)	25	(628)
(7,456)	(596)	-	(8,052)
(5,864)	(1,782)	823	(6,823)
(1,009)	(450)	209	(1,250)
(49,778)	(7,325)	2,097	(55,006)
\$ 201,052	\$ 28,395	\$ (22,470)	\$ 206,977

Source: [Disclosure of Certain Capital Assets \(gasb.org\)](https://www.gasb.org/disclosure-of-certain-capital-assets)



Held for Sale Criteria

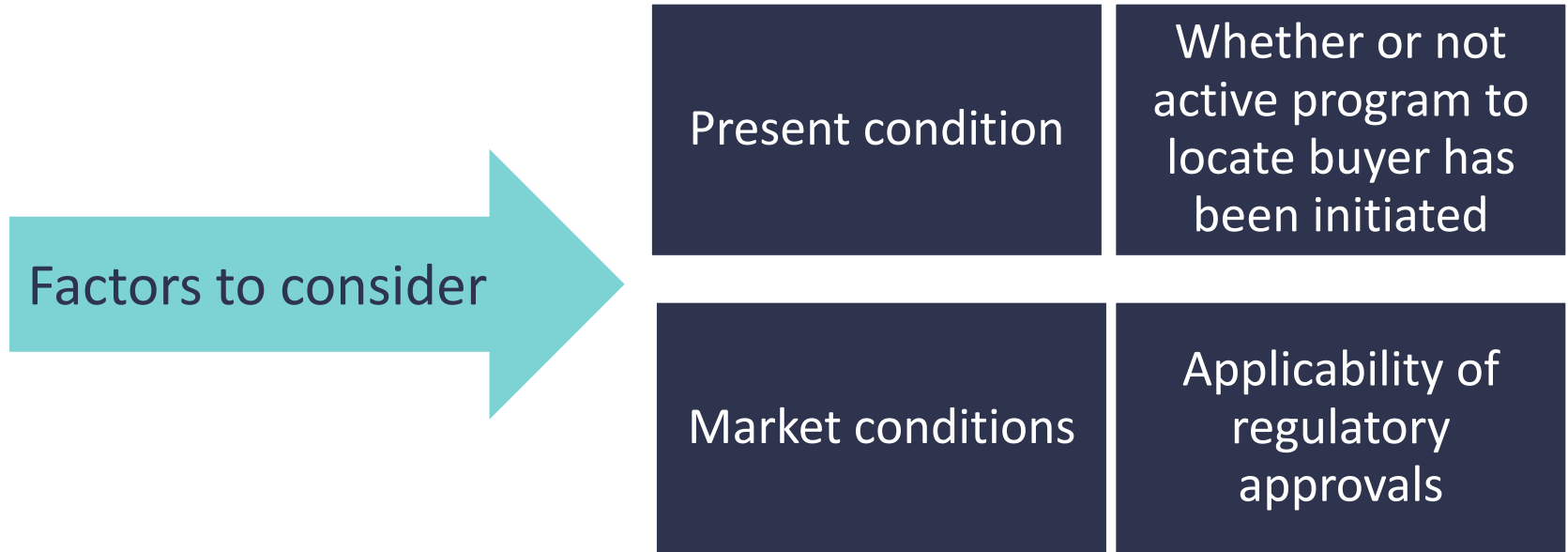


Government has decided to sell



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

Will the Asset Be Sold Within a Year?



Capital Assets Held for Sale Example Disclosure

Included in capital assets are buildings that are capital assets held for sale. Those buildings are reported to 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.

Source: GASB Standard





What's on the Horizon? Current GASB Projects and Practice Issues



What's Coming Up?

Revenue and expense recognition – exposure draft expected Q4 2025

Going concern uncertainties and severe financial stress – preliminary views statement issued and open for comment

Infrastructure assets – exposure draft expected Q1 2026

Subsequent events – final document expected Q4 2025

Implementation guidance 2025 – final document expected Q2 2025



Thank you!

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BREAK





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Accounting and Finance in Government: State of the Profession

Speakers



Christopher Kessler,
CPA
Principal



Madison Kathman,
CPA
Senior





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Learning Objectives

- Recognize the present condition of CPA and accounting resources in the public sector.
- Identify the main obstacles and provide recommendations for hiring and retaining CPAs and other qualified professionals in the public sector.
- Recall the latest accounting pipeline data, identify major causes of attrition in the field, recognize possible strategy, and outline future actions.



Importance in State and Local Government



Fiscal responsibility

CPAs play a crucial role in ensuring fiscal responsibility within state and local governments, promoting transparent financial practices.

Budgeting and financial planning

Their experience in budgeting and financial planning helps governments allocate resources effectively and make informed decisions.

Policy decision insights

CPAs provide critical insights that inform policy decisions, ensuring that financial impacts are considered in governance.

Professional Issues

Pipeline

Technology

Hiring and
retention

Rules and
regulations

Relevancy

Retirement /
succession

Innovation

Mergers /
acquisition /
private equity

Value creation

Trust and
credibility

Stakeholder
expectations



How would you rank the issues in the previous slide?

What other issues currently facing the accounting profession are important to you?



Public Sector CPA Resources Report

More than 900 respondents

GFOA members
Association of Government Accountants
AICPA's Government Performance
And Accountability Committee
American Accounting Association
Beta Alpha Psi
AICPA Governmental Audit Quality Center

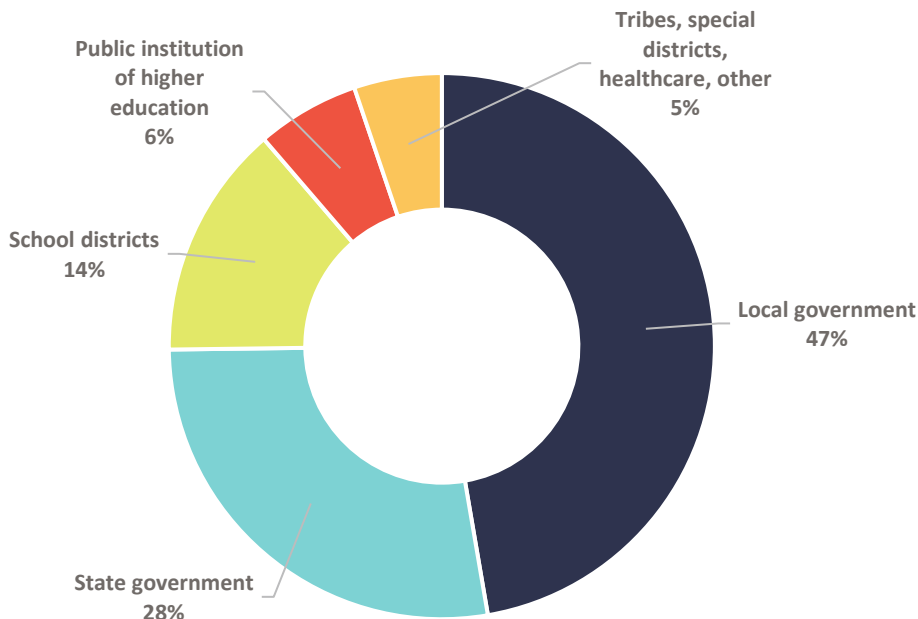
52%

Government
entity
respondents

48%

CPA firm
respondents

Employer Breakdown Government Entity Respondents





Hiring and Retention



Hiring and Retention

Competitive
compensation

Technical
experience

Room for
advancement

Outdated or
complicated
hiring policies

Flexibility

Candidates /
pipeline

Government
focus in college

Advanced
technology

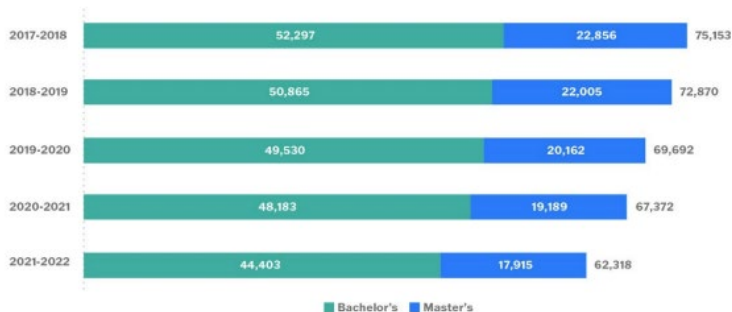
Training and
education

Stable political
and cultural
environment



NPAG's Accounting Talent Strategy Report

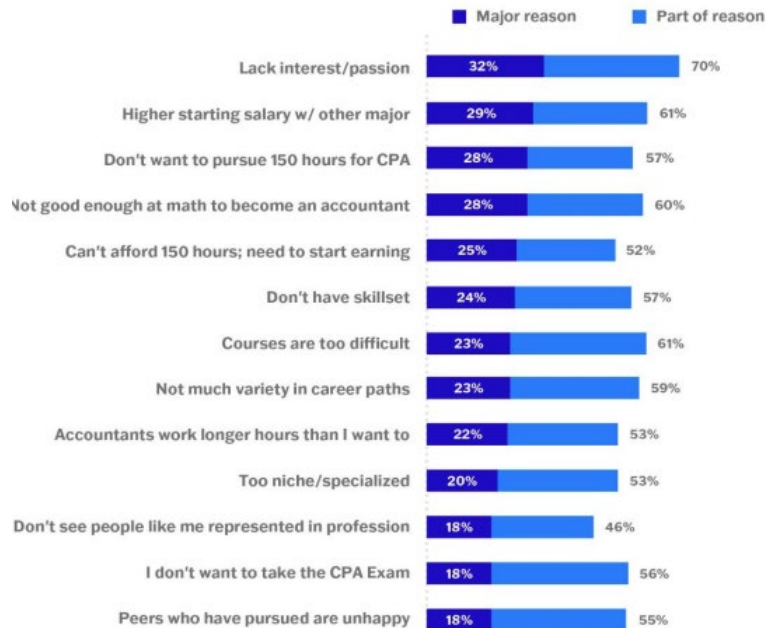
Accounting degree completions 2017-2022



Examining the pipeline 2021-2022



Reasons for not choosing accounting as a major among non-accounting majors

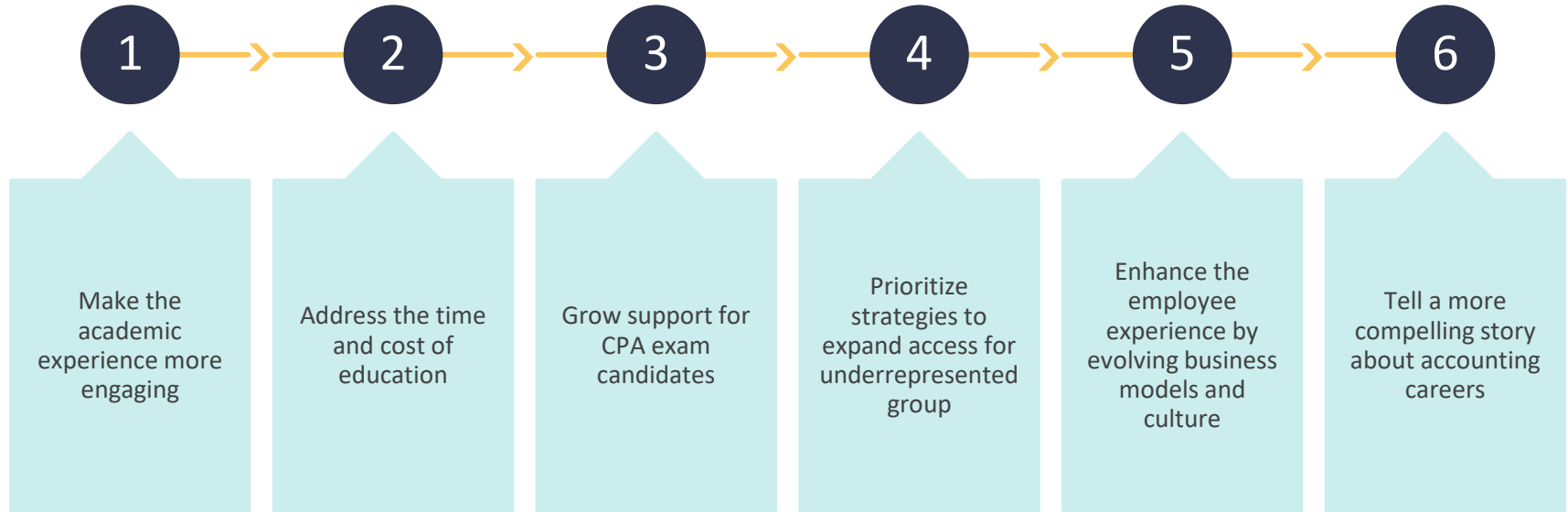


Sources: [NCES/IPEDS 2022 Table 305.10 Total Fall Enrollment of First-Time Degree Certificate Seeking Students](#);¹ [NCES/IPEDS 2021-22 Degrees/Certificates by Field of Study](#);² [AICPA 2023 Trends Report](#);³ [2023 Fall National Clearing House Current Term Enrollment Estimates Report](#).⁴

Source: [Center for Audit Quality](#), July 2023.



NPAG's Recommendations



Report Insight – Hiring and Retention

Insight:
Policies and processes
improvements

Recommendation 1:

Recruitment

Implement internship programs, on-campus
Recruiting, mentoring

Recommendation 2:

Timeline

Streamline and simplify hiring processes

Recommendation 3:

Update pitch and communicate benefits

Work life balance, stability, job security, defined career
paths, making a difference





Value Perception



GFOA – Rethinking Financial Reporting

55%

Of GFOA members who are financial statement preparers view the document as probably or definitely a good value.

71%

Of non-preparers view the financial statements as probably or definitely a Good value.

182

In 2021, the average time to issue financial statements was 182 days.



Report Insight – Value

Insight:

CPAs are not always valued within the public sector environment, which may be at the root of many of the other challenges reported by government entities and the CPA firms that
Audit them

Recommendation 1:

Assessment

Recognize the need for more qualified, better-credentialed accounting, auditing, and finance staff, including CPAs

Recommendation 2:

Focus

Value based vs commodity based

Recommendation 3:

Communicate

Develop a program for legislative bodies and government officials to educate them and advocate for needed change





Resources and Funding



Budget Constraints, Funding, and Technology Issues



Budget constraints challenges

CPAs face significant challenges due to budget constraints that restrict available resources for state government operations.



Streamlined reporting process

Electronic reporting systems simplify the workflow for CPAs, making the reporting process more efficient and organized.



Impact on service delivery

Budget limitations directly impact the quality and efficiency of service delivery within state government departments.



Complexity of compliance

Compliance with state regulations can be complex, requiring CPAs to navigate various laws and requirements.



Effective financial management

Understanding budget constraints is vital for CPAs to implement effective financial management strategies in government.



Impact of automation

Automation is streamlining repetitive tasks, allowing CPAs to focus on higher-value activities and improve overall efficiency.

Report Insight – Resources and Funding

Insight:

Resource and funding constraints make it challenging to offer competitive salaries to CPA positions in government and competitive fees To CPA firms Auditing governments

Recommendation 1:

Secure appropriate funding

Budget allocation
Dedicated revenue streams, grants, federal or state reimbursements

Recommendation 2:

Salary benchmark against private sector positions

Communicate to legislators, government officials and the public



Report Insight – Standards and Regulations

Insight:

The technical experience needed to work for, or audit government entities adds a layer of complexity that may serve as a deterrent for CPAs choosing a public sector career path

Recommendation 1:

Training

Offer technical training and upskilling opportunities to CPAs and other accounting, auditing, and finance staff

Recommendation 2:

Standards

Limit differences in standards between the public and private sectors

Recommendation 3:

Smaller entity reporting

Recommendation 4:

Review audit thresholds



Report Insight – CPA Firms

Insight:
Policies and processes
improvements

Recommendation 1:

Engaging CPA firms

RFP process, requirements

Recommendation 2:

Audit thresholds

Alternative engagements

Proactive in building the next generation

Specialization





Questions?



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Madison Kathman, Senior
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We'll get you there.

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Single Audit Update

Government Training Academy

August 13 and 14, 2025



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Learning Objectives

During this session, we'll discuss the latest updates and leading practices in the single audit process. This session will cover recent changes and developments impacting single audits, providing participants with knowledge needed to stay compliant and efficient.

At the end of this session, you will be able to:

- Identify known changes coming in the FY 2025 compliance supplement
- Recognize common single audit findings and pitfalls
- Identify how to apply lessons learned and leading practices



Changes to the Uniform Guidance



New Name



Uniform Guidance

The diagram consists of two large, overlapping chevron shapes pointing to the right. The left chevron is teal and contains the text 'Uniform Guidance'. The right chevron is yellow-green and contains the text 'Guidance for Federal Financial Assistance'. The two chevrons overlap, with the yellow-green one positioned slightly to the right and forward of the teal one.

**Guidance for
Federal Financial
Assistance**



Effective Date



The changes were effective October 1, 2024, unless adopted with an earlier effective date.



Subpart F (single audit) effective for fiscal years beginning on or after October 1, 2024.



Subparts A to E are effective based on award issuance date

Subparts A, B and C – definitions, acronyms and pre-award

Subpart D – post award

Subpart E – allowable costs

Effective Date

Communication with your grantor is key!



New Federal awards issued on or after **October 1, 2024**, that apply OMB's guidance in 2 CFR, but do not specifically reference which version of the guidance they apply, may be **assumed to apply the 2024 Revisions**.



Amendments issued on or after October 1, 2024, to **existing awards** made before October 1, 2024, that applied a previous version of OMB's guidance in 2 CFR may be assumed to **continue applying the previous version** of the guidance unless the amendment **explicitly applies the 2024 Revisions** to the award.



Federal awards issued before October 1, 2024, that applied a previous version of OMB's guidance in 2 CFR and have not been amended may be **assumed to continue applying the previous version** of the guidance.

Why the Changes?

- Strengthen and streamline administration of federal financial assistance
- Help recipients of federal funding “focus more on the people they serve and to deliver results for their communities”
- Clarifying sections that agencies or recipients have interpreted in different ways
- Rewriting in plain language, improving flow and addressing inconsistent use of terms



Summary of the Changes



General changes:
improved
readability



Changes for non-
federal entities
(Sections 300 and
400 of 2 CFR 200)



Changes for
auditors of non-
federal entities
(Section 500 of 2
CFR 200)

General Changes



General Changes: Improved Readability

Changes are focused on making the guidance easier to comprehend by enhancing the language to be more readable and specific. Changes will better align with other federal regulations and standards.

Change “grants and agreements” to **“Federal financial assistance”**

Use the terms **“recipient,”** **“subrecipient,”** or both in place of “non-Federal entity” throughout part 200 (except for subpart F) to clarify which sections of guidance apply to which entities

Clarification of which sections apply to the “Federal agency,” “pass-through entity,” or both

Eliminate acronyms used infrequently and adding others (200.0)

- Added and revised several definitions (200.1)

Provide additional flexibilities with regard to using a language other than English (e.g., reports, correspondence) (200.111)



General Changes : Improved Readability (Cont.)

Mandatory disclosures will now more closely align with Federal Acquisition Regulation (FAR) 48 CFR 52.203-13.

Questioned costs definition will clarify what questioned costs represent in audit findings.

Specifically requiring pass-through entities to verify subrecipients are not excluded or disqualified (suspended or debarred) in accordance with 2 CFR § 180.300.

Added requirement for when recipients do not have a final indirect cost rate covering the period of performance.

- A final financial report must still be submitted. The recipient must submit a revised final financial report when all applicable indirect cost rates are finalized.



Changes for Non-Federal Entities



Changes for Non-Federal Entities

2 CFR 200.303 – Internal Controls

Added a requirement that recipient and sub-recipient internal controls include cybersecurity and other measures to safeguard information.

2 CFR 200.307 – Program Income

Clarified this requirement, allowing the use of program income for certain closeout costs.

2 CFR 200.309 – Period of Performance

Added additional clarification that when a federal agency decides not to continue an award with multiple budget periods, the period of performance should be amended to end at the completion of the currently authorized budget period.

2 CFR 200.313 – Equipment

Revised the threshold value for equipment from \$5,000 to \$10,000. When equipment is purchased at the cost of \$10,000 or under, it can be expensed instead of capitalized.



Changes for Non-Federal Entities (Cont.)

2 CFR 200.314 - Supplies

Revised the threshold for unused supplies from \$5,000 to \$10,000. Title to supplies will vest in the non-federal entity upon acquisition. If a residual inventory of unused supplies exceeds \$10,000, the non-federal entity must compensate the federal government for its share.

2 CFR 200.332 – Requirements for Pass-Through Entities

Added a requirement for pass-through entities to confirm that potential subrecipients are not suspended, debarred or otherwise excluded from receiving federal funds.

2 CFR 200.414 – Indirect Costs

Raised the de minimis rate non-federal entities can use for indirect costs from 10% to 15% allowing for a more reasonable and realistic recovery of indirect costs.



Changes for Non-Federal Entities (Cont.)

Procurement standards

- Include “veteran-owned businesses” in contract provisions (§ 200.321).
- Updated “affirmative steps must be taken” to “when possible, the recipient or subrecipient should ensure” in relation to using small businesses, minority businesses, women’s business enterprises, veteran-owned businesses, and labor surplus area firms (§ 200.321).
- Change “small purchases” terminology to “simplified acquisitions” (§ 200.320(2)).
- Remove restrictions related to geographic preference requirements and allow for scoring mechanisms to evaluate bidders committing to U.S. jobs and certain compensation and benefits (§ 200.319).
- Prioritize environmentally sustainable products and services (§ 200.323(b)). This includes consideration of reused, refurbished, and recycled products; biobased or energy and water efficient acquisitions; and purchasing compostable items.



Changes for Auditors of Non-Federal Entities



Changes Affecting Auditors

2 CFR 200.501 – Audit Requirements

Increased the Single Audit threshold from \$750,000 to \$1,000,000. Organizations expending less than \$1,000,000 of federal financial assistance during their fiscal year will not be subject to a single audit.

2 CFR 200.518 – Major Program Determination

Increased the threshold for determining Type A programs from \$750,000 to \$1,000,000 if the total annual expenditures of all federal programs for a non-federal entity are \$34 million or less (previously \$25 million or less). Programs with expenditures of over \$1,000,000 will be considered a Type A for major program determination.



Next Steps



Recipient organizations should consider these slides to be generally helpful as they streamline interpretations and decrease administrative strain.

Next Steps

Organizations should review the applicable changes to the uniform guidance and begin revising / implementing their policies, procedures, and internal controls accordingly.



Common Single Audit Findings



What is a Single Audit Finding?

Audit finding means deficiencies which the auditor is required by 200.516 to report in the schedule of findings and questioned costs.

Double check!



What is Reported in a Single Audit Finding?

200.516 Audit findings. (a) *Audit findings reported.* The auditor must report the following as audit findings in the schedule of findings and questioned costs:

- Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs.
- Material noncompliance with the provisions of federal statutes, regulations, or the terms and conditions of federal awards related to a major program.
- Known questioned costs that are greater than \$25,000 for a federal program which is not audited as a major program.
- The circumstances concerning why the auditor's report on compliance for each major program is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for federal awards.
- Known or likely fraud affecting a federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for federal awards.
- Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with § 200.511(b) materially misrepresents the status of any prior audit finding.



Single Audit Findings Effect on the Grantee



The consequences of being found noncompliant can be costly and time-consuming.



If found noncompliant, the federal government may withhold funds until the deficiency is remedied, suspend or terminate the award, initiate suspension or debarment proceedings or withhold further federal awards for the program.



The government may also pursue other available legal actions.

Common Single Audit Findings

Procurement

- Inadequate support for sole source vendor
- Lack of supporting documentation in the vendor file (i.e. vendor selection, three quotes for small purchases, cost analysis)
- Lack documentation to support contractor's suspension and debarment status

Subrecipient monitoring

- Subaward does not contain required information
- Subs are not monitored timely (in accordance with pass-through entity procedures)
- Lack of written procedures over subrecipient process
- FFATA reporting not performed (most common finding)

Common Single Audit Findings (Cont.)

Subrecipient monitoring (continued)

- Inadequate monitoring documentation maintained
- Subaward does not contain required information
- Lack of proper identification of noncompliant subrecipients and noncompliance remedies

Untimely and inaccurate reporting

- Quarterly or annual reports are not filed timely
- Submitted reports are not supported by documentation
- Numerous errors in the reported data (most qualitative finding)

Common Single Audit Findings (Cont.)

Time and effort

- Lack of written procedures for budgetary reporting of time and effort process
- COVID-19 – lack of documentation to support allocation of hours/pay
- Budgetary reporting – lack of documentation to support adjustments to employee hours charged to the grant

Internal control

- Internal control structure is not documented or consistently performed
- Lack of written procedures as a result continuity of procedures
- Increase in electronic processes – lack of documentation to support review and approval



Recommended Practices

Keep program and accounting staff educated on Uniform Guidance compliance.

- New changes are not always being communicated by grantor.

There are many steps in a single audit so keep coordinated on due dates and project management both internally and with your auditor.

Verify that all relevant policies are documented and available.

- Many transactions are only allowable if under written policies (especially compensation).
- Single audit will test that your entity's policies meet compliance requirements and then test transactions against your policy (procurement, subrecipient monitoring).

Retain documentation throughout the year supporting any judgments on why a cost was reasonable, allocable, allowable and necessary.

Reach out to your auditor with questions throughout the year (we are here to help).



Recommended Practices (Cont.)

- Prepare a summary sheet for each award with all pertinent information (award period, amount, matching provisions and any special terms and provisions) for your program and accounting staff.
- Use accounting software to separately track all revenues and expenses of each award.
- Confirm corrective action plans are implemented or document why not. Follow up on management responses to prior year findings.
- Reporting:
 - Maintain submitted report and related documentation.
 - For electronically submitted reports, print out the report along with the electronic communications supporting submission.
 - Maintain evidence of supervisory review.



Corrective Action Plan (CAP)

§200.511(c) of the Uniform Guidance includes specific requirements for the CAP

- **Auditee must prepare a CAP**, in a document separate from the auditor's findings to address each finding in the current year auditor's reports
- The CAPs must:

Provide the name(s) of the contact person(s) responsible for corrective action



The corrective action planned, and the anticipated completion date



Explain and identify specific reasons if the auditee does not agree with the audit findings or believes corrective action is not required



Summary Schedule of Prior Audit Findings (SSPAF)

§200.511(b) also states that the SSPAF must be prepared by the auditee.

The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs.

- The summary schedule must also include audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected in accordance with paragraph (b)(1) of this section, or no longer valid or not warranting further action in accordance with paragraph (b)(3) of this section.



Leading Single Audit Practices



Audit Preparation Recommended Practices

Make an entrance conference

1

Establish timeframes for fieldwork and deliverables

2

Discuss effects of new reporting / accounting / auditing requirements

3

Discuss current year challenges or potential audit difficulties

4

Staffing discussions

5

Coordination of other depts (procurement, human resources, information technology, etc.)



Audit Request List



Documents should be ready prior to scheduled timeframes, not after



Do the hard or complex areas first



Stick to the list



Be mindful of due dates



Review documents before sending



Auditor Access to Systems

- Efficient way for auditors to view items for invoices, contracts, payroll, and other types of supporting documentation
- Clients should verify ahead of fieldwork that the auditors will have access to information requested through system access or it should be pulled by client ahead of time for review
- Grant management systems have become more sophisticated every year. Consider using them to improve your monitoring processes (and reduce the number of requests from your auditors)



Documenting Internal Control Procedures



Document the internal control activities within the organization



Evaluate internal control policies periodically

Concluding the Audit

- Exit conference
 - Discussion of audit observations / findings
 - Open items and resolutions
 - Timing of audit report issuance
 - Discuss efficiencies with the audit team for next year
- Internal activities
 - Timely draft management responses to audit results
 - Coordinate the receipt of legal letters and signing management representation letters



Resources

UG [Federal Register :: Guidance for Federal Financial Assistance](#)

Implementation Memo [M-24-11-Revisions-to-2-CFR.pdf \(whitehouse.gov\)](#)

Reference Guide [Uniform Guidance Reference Guides FINAL 4-2024.pdf \(cfo.gov\)](#)

FAC Audit Submission Guide [https://www.fac.gov/audit-resources/how-to/](#)



Thank you!

Julie S. Fowler, CPA

Signing Director

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Lunch and Networking





We'll get you there.

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Cyber Security for Florida Governments

FL State and Local Government Training Academy

August 13 – 14, 2025



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Learning Objectives

- ***At the end of this session, you will be able to:***
- Recall how to equip local governments with software, services, and solutions designed to protect critical infrastructure and Floridians' data.
- Identify what your government needs to do to comply with Florida Statute 282.3185 regarding adopting cybersecurity standards consistent with the National Institute of Standards and Technology Cybersecurity Framework to ensure the availability, confidentiality, and integrity of their data.





Zoran Jovic
Manager,
Cybersecurity

- “Professional student”
- US Army Reservist
- Programmer, Telecom, Emerging Tech, Hacker
- Manage ‘red team’ at CLA, serving FL State and Local Government team
- C:\whoami>zojo



Cyber Security Services at CLA

Information Security offered as specialized service offering for over 25 years

Penetration testing and vulnerability assessment

- Black box, red team, and collaborative assessments

IT/Cyber security risk assessments

IT audit and compliance
(HIPAA, GLBA/FFIEC, NIST, CMMC, CIS, State Laws, etc)

PCI-DSS readiness and compliance assessments
(PCI-DSS)

Outsourced Information Security Advisory

Incident response and forensics

Independent security consulting

Remediation assistance

Internal audit support





Florida Statute 282.3185

Cybersecurity Standards for Local Governments



Key Requirements for FL Local Governments

1. Adopt cybersecurity standards

2. Report cybersecurity incidents within 48 hours – if severe

3. Develop and maintain an incident response plan

4. Conduct an annual cybersecurity risk assessment

5. Provide cybersecurity training to all IT system users

6. Prohibited from paying ransomware demands

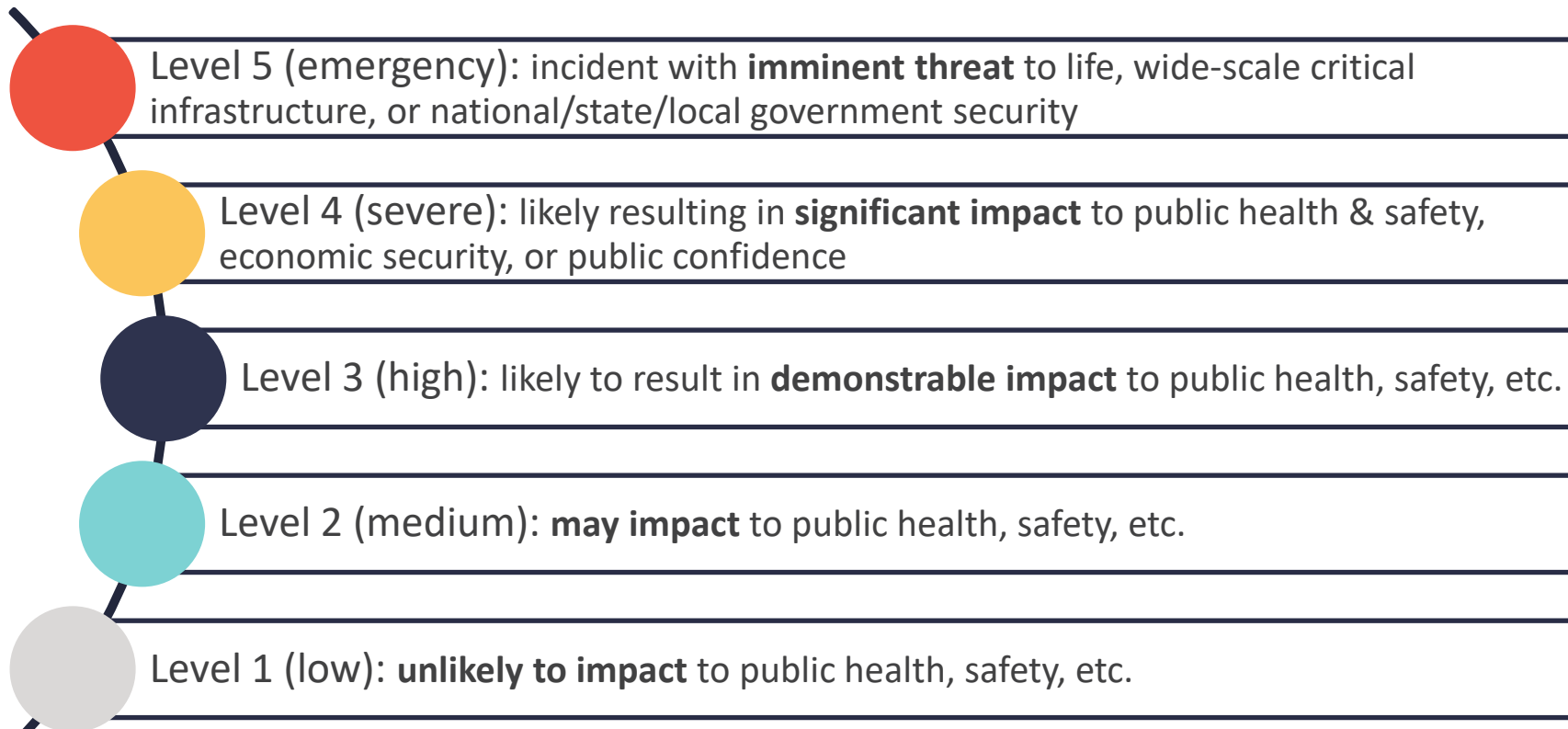


1. Adopt Cybersecurity Standards

- Develop an information security program:
 - Such as the NIST cybersecurity framework
 - Risk and security assessments
 - Monitoring and incident response
 - Security categorization, impact analysis, and security plans
 - Security controls:
 - Access controls (role-based, least privilege)
 - Multi-factor authentication
 - Data encryption at rest and in transit
 - Regular patch management and system updates
 - Audit logging and security monitoring



2. Report Cybersecurity Incidents



3. Incident Response Plan (IRP)

- IRP must be updated regularly and tested periodically to validate effectiveness

IRP components:

- Clearly defined roles and responsibilities
- Communication protocols, including internal and external contacts
- Steps for containment, investigation, recovery, and post-incident analysis
- Integration with local emergency management where/when applicable



4. Annual Cybersecurity Risk Assessment

- Conduct a cyber risk assessment annually to identify vulnerabilities and threats to systems

Risk assessment activities may include:

- Review and update asset inventory
- Perform vulnerability scans and penetration testing
- Assess third-party/vendor risk
- Evaluate current security policies and procedures
- Identify gaps in controls or training



5. Cybersecurity Training

- Training all users within 30 days of hire and annually thereafter
 - Basic cybersecurity training (awareness):
 - Phishing and email fraud awareness
 - Password hygiene and credential protection
 - Social engineering awareness
 - Proper use of government devices and networks
 - How to report suspicious activity
 - Advanced cybersecurity training (role-based):
 - Executives and managers
 - System developers and IT personnel
 - Cybersecurity specialists/managers
- Cybersecurity incident response team





Sun Tzu: *“Know Your Enemy”*

The Current Threat Landscape

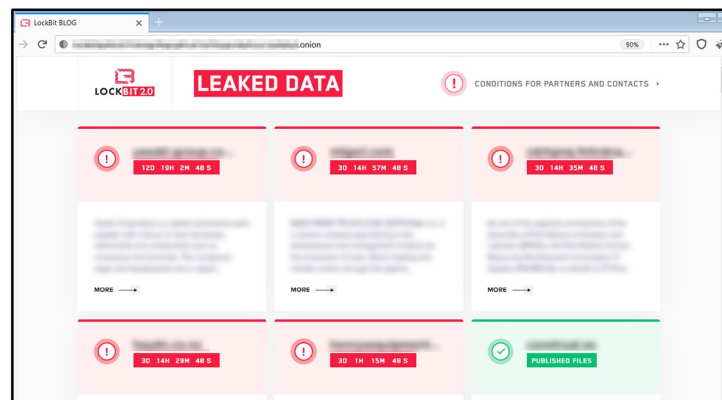


Cybercrime and Black-Market Economies

- 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



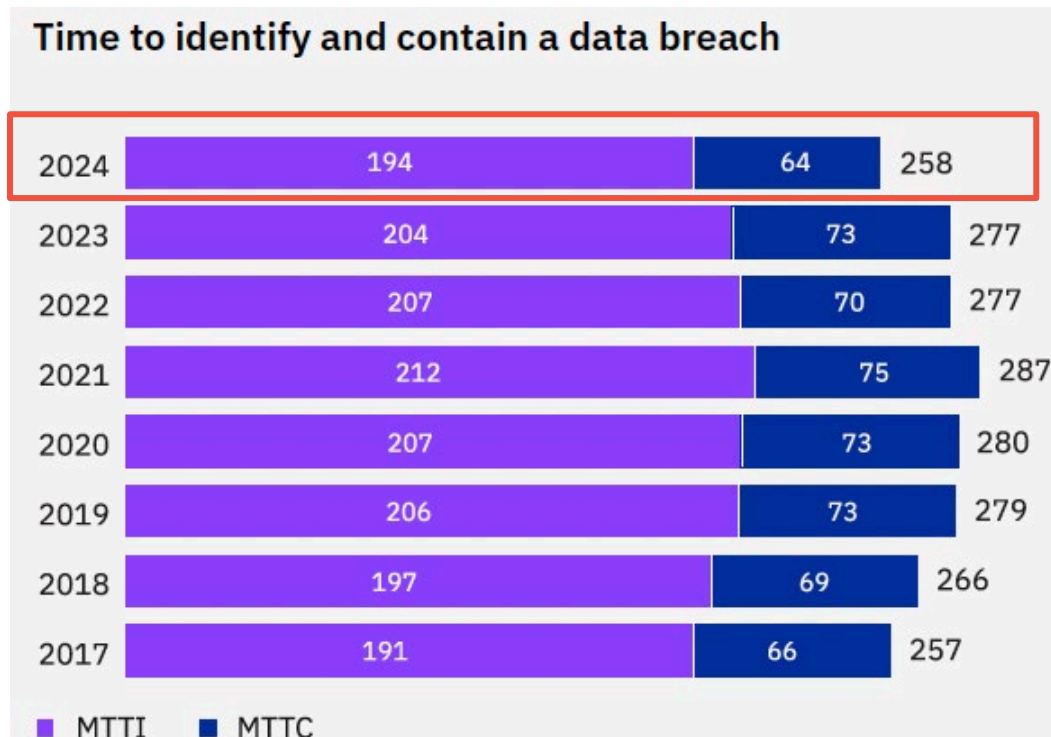
Which One Is Real?



<https://blog.knowbe4.com/how-a-north-korean-fake-it-worker-tried-to-infiltrate-us>



Average Days to Identify and Contain a Data Breach



Source: IBM Security Cost of a Data Breach Report 2024

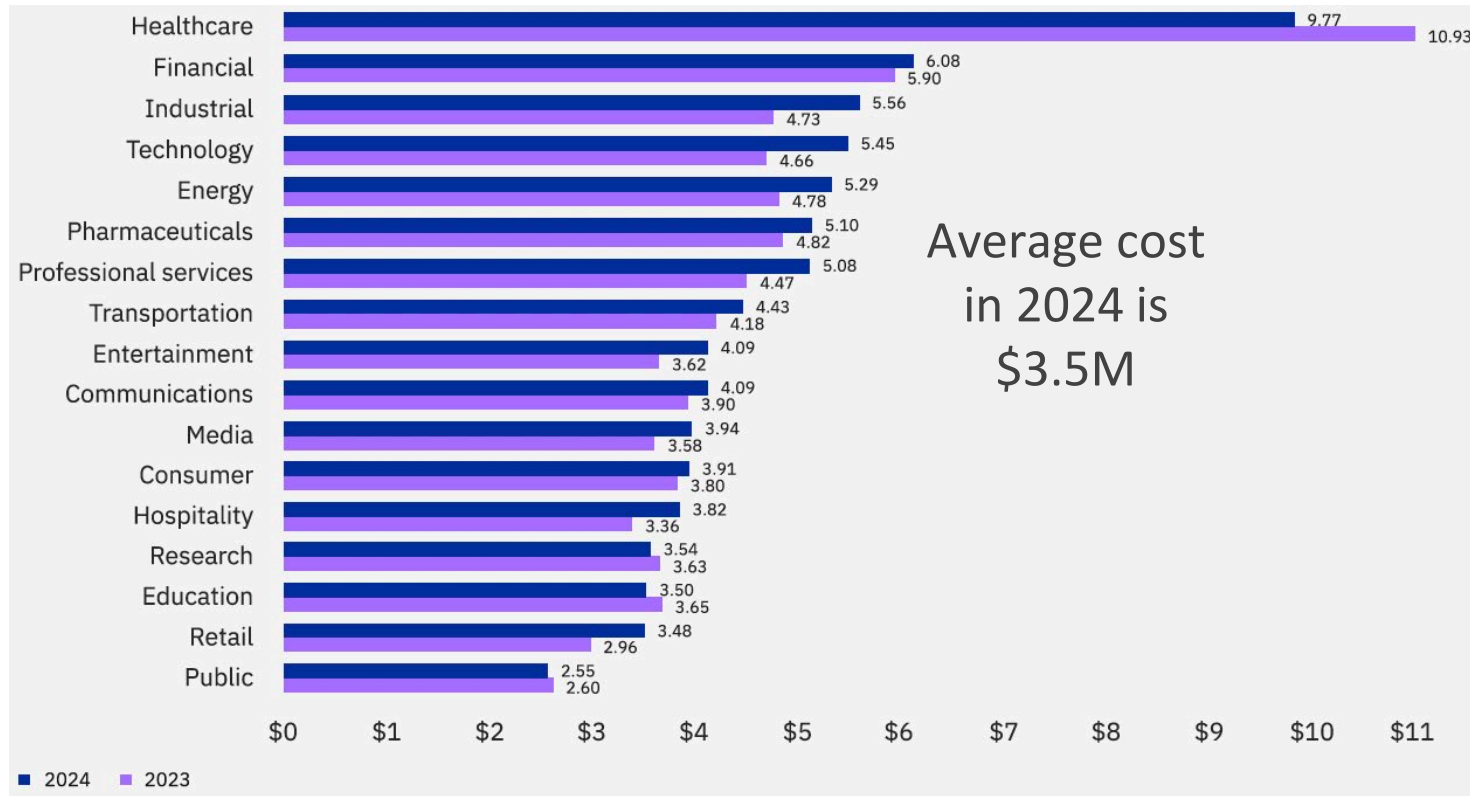
Global average is
258 days

- 194 days to identify a breach
- 64 days to contain the attack
- IMPROVEMENT!

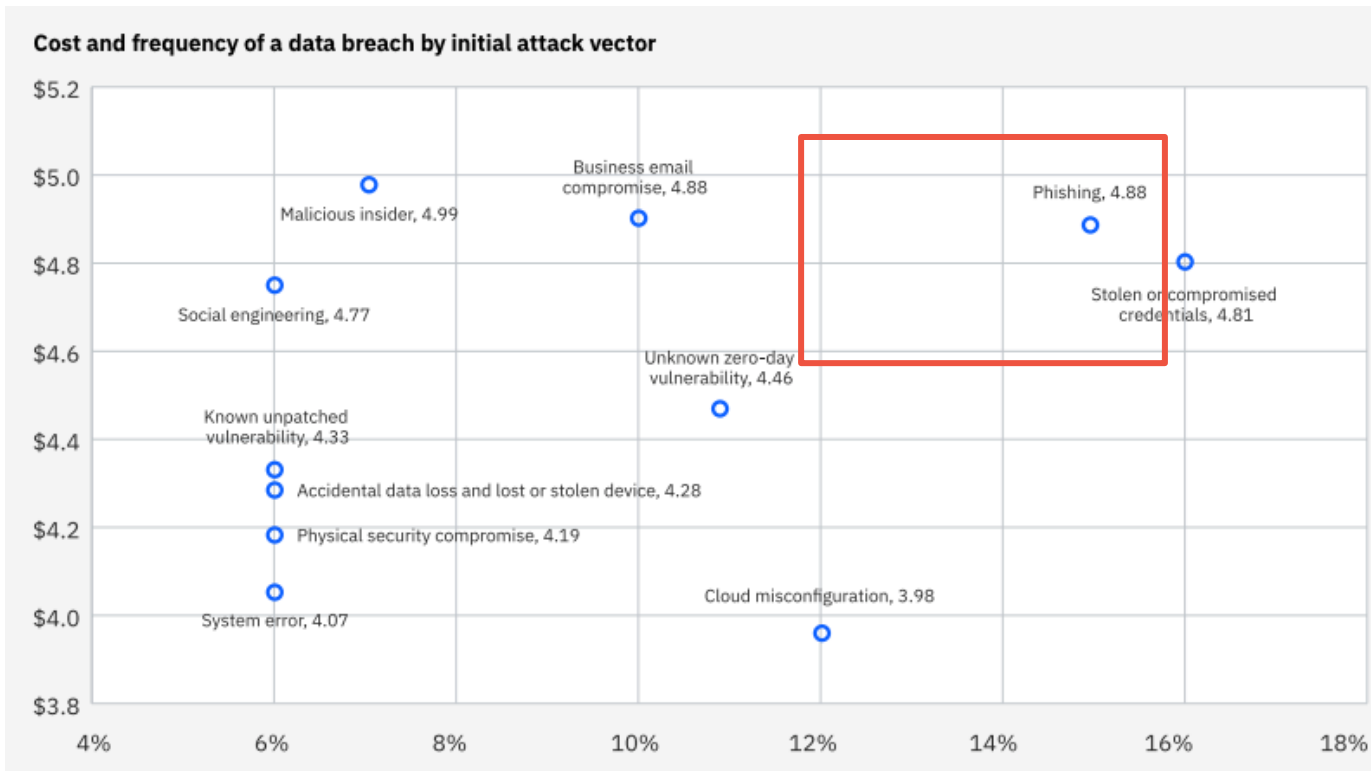
What are the bad actors
doing for 194 days?



Cost of a Data Breach



Cost and Frequency by Initial Attack Vector



Source: IBM Security Cost of a Data Breach Report 2024



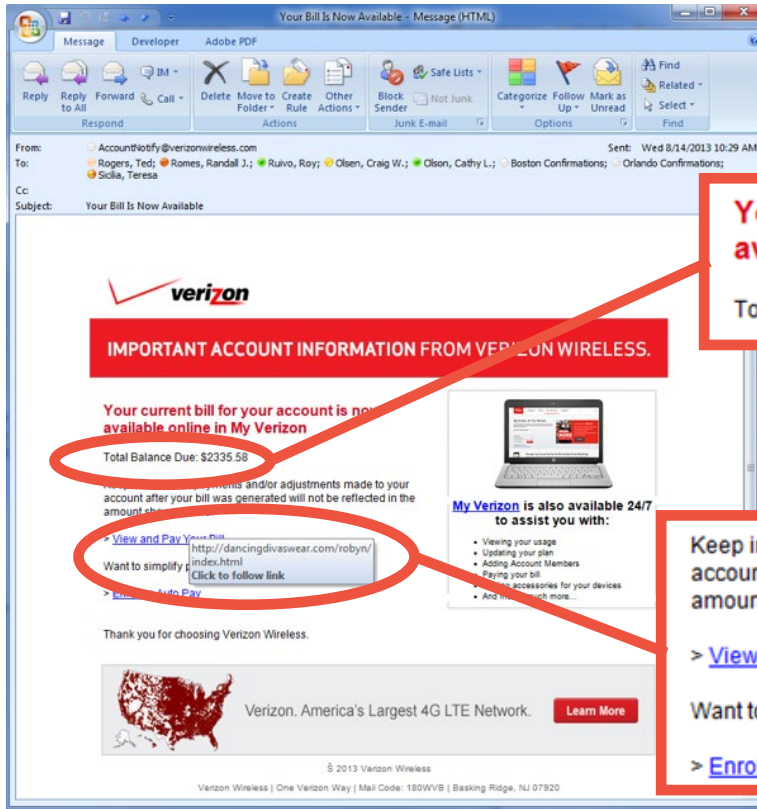


Email Phishing and Password Compromise

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

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Thank you for choosing Verizon Wireless.



Verizon. America's Largest 4G LTE Network.

[Learn More](#)

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

- Viewing your usage
- Updating your plan
- Adding Account Members
- Paying your bill
- Purchasing 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.

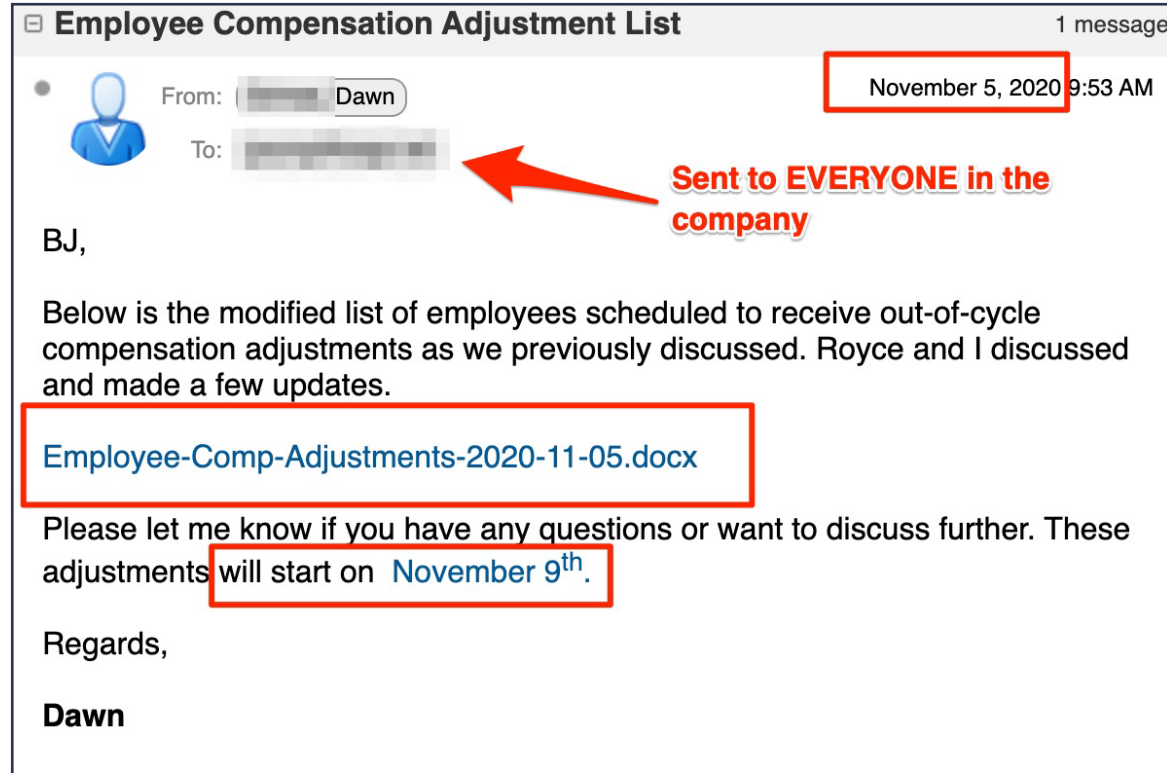
[View and Pay Your Bill](#)

Want to simplify

[Enroll in Auto Pay](#)

<http://dancingdivaswear.com/robyn/index.html>
Click to follow link

“Accidental” Email Example



Fw: Payment

DP ○ Dwayne Pearse <dwayne@vend0r.com> Friday, November 22, 2024 at 1:25 PM

To: ○ Andrew Johnson

Payment.pdf
1.2 MB

Download · Preview

⚠ This message is high priority.

We have an update in receiving payments, Via ACH. Kindly advice how we effect this change immediately.

Dwayne Pearse
dwayne@vendor.com
549-555-2232

From: Dwayne Pearse <dwayne@vendor.com>
Sent: Thursday, November 21, 2024 2:15 PM
To: Natalie Berger <william@vendor.com>; Barb Rogers <barbara@vendor.com>
Subject: FW: Payment

From: Andrew Johnson <bjohnson@company.com>
Date: Thursday, November 21, 2024 at 2:14 PM
To: Dwayne <dwayne@vendor.com>, Natalie Berger <william@vendor.com>
Subject: Payment

Good afternoon,

Attached is the backup for invoices paid from the company.

Andrew Johnson
Accounts Payable Supervisor

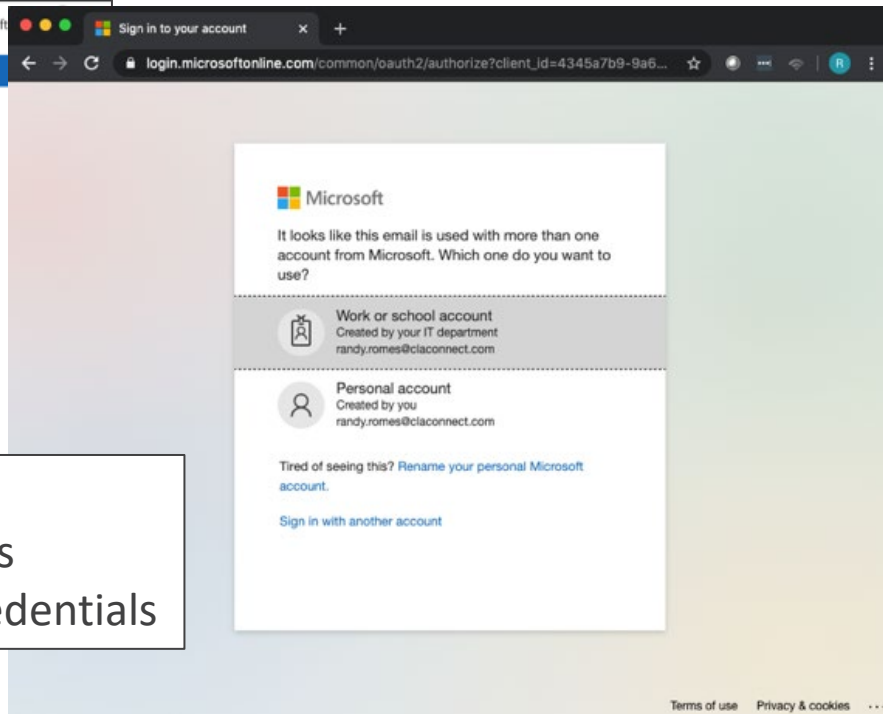
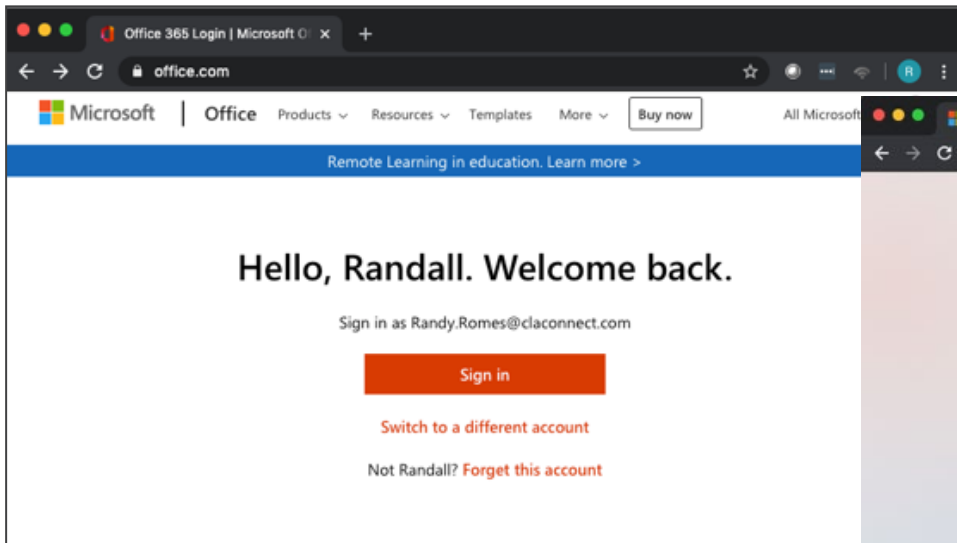
○ Dwayne Pearse <dwayne@vend0r.com>

Hackers purchase
look-alike domains

Hackers insert themselves into
legitimate email threads



Credential Harvesting








Attacks on Office365

- Password guessing attacks
- Phishing that harvests credentials



Is Your Password Strong?

Password 123		Unforgiveable
Summer25!		Terrible
N*7d348fm/12f		Painful
Wallet Painting lamp		Good
I bought the Chevy in 1992 from Jack Smith!		Best

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





Case Study

Data Loss



Overview

- Controller sent email to AP to process an invoice
- AP verified the legitimacy, identified request was fraudulent
 - Controller did *NOT* send it
- IT security team reviewed and changed password for user
- Four months later, board heard about incident and asked for independent investigation
 - Log retention for many systems was default (30 days)



Analysis

- Email that was sent to from controller to AP was sent using controller's actual email account

In addition, the email headers contained the “***X-MS-Exchange-Organization-AuthAs: Internal***” flag showing the message originating from the user's account and was authenticated.

Snippet of SMTP email headers from fraudulent email

X-MS-Exchange-Organization-MessageDirectionality: Originating

X-MS-Exchange-Organization-AuthSource: [REDACTED] prod.outlook.com

X-MS-Exchange-Organization-AuthAs: Internal

X-MS-Exchange-Organization-AuthMechanism: 04



Analysis

Additionally, the “Originating-IP” of 46.219.210.254 indicates the source IP address was from Ukraine:

X-MS-Exchange-Organization-AuthAs: Internal

X-MS-Exchange-Organization-AuthMechanism: 04

X-Originating-IP: [46.219.210.254]

X-MS-Exchange-Organization-Network-Message-Id:

ℓ

```
(user@server)-[~]  
$ whois 46.219.210.254  
% IANA WHOIS server  
% for more information on IANA, visit  
http://www.iana.org  
% This query returned 1 object  
# whois.ripe.net  
  
role: Freenet Network Coordination Center  
address: Freenet  
address: of 268, 17 Dragomanova st., Kyiv  
address: Ukraine (UA) 02068  
admin-c: FL4510-RIPE
```



Analysis

- Reviewing authentication logs showed the controller's account with several failed logins over a period of time
- Yellow rows indicate Saturday or Sunday

May	101
1-May	12
2-May	3
3-May	2
4-May	5
5-May	2
6-May	2
7-May	1
8-May	1
9-May	1
10-May	5
11-May	3
12-May	1
13-May	3
14-May	4
15-May	6
16-May	10
17-May	12
18-May	5
19-May	12
20-May	11

Analysis

- Authentication logs show the fraudster accessed email with an email client (e.g., Outlook)
- Email clients will synchronize all email, contacts, calendar, etc.
- Controller account had **8 year's** worth of email

Date (UTC)	User	Username	Application	IP address	Location	Status	Failure reason	Client app
[REDACTED]	[REDACTED]	[REDACTED]	Microsoft Office	199.116.115.139	Chicago, Illinois, US	Success	Other.	Mobile Apps and Desktop clients
[REDACTED]	[REDACTED]	[REDACTED]	Microsoft Office	199.116.115.143	Chicago, Illinois, US	Success	Other.	Mobile Apps and Desktop clients

Analysis

- Analysis of email showed controller had documents with users' social security numbers and credit card numbers

PII in Text			
Type	Values		
 Person name	0		
 Email Address	13,499		
 Credit Card Numbers	87,884		
 Social Security Numbers	51,071		

Preventative Measures / 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



Preventative Measures / Mitigating Controls

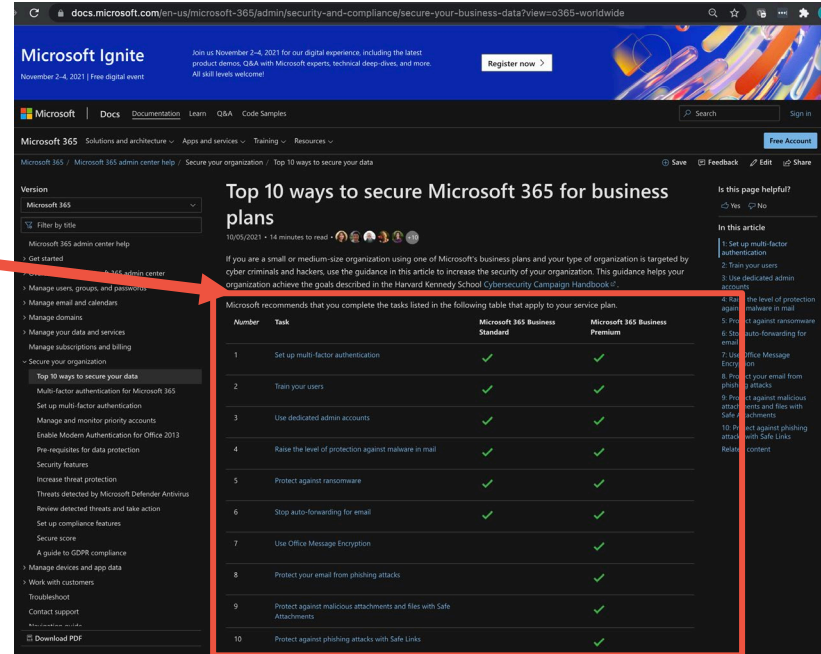
- Improve security awareness training
- Improve password requirements
- Enforce multi-factor authentication on all remote access
- Implement geo-restrictions to M365
- Block email from newly-created domains
- Enable/enhance email and log retention settings



Secure Office 365

NOT fully secure by default

- Enable/Turn On security features
- Harden (email) security
- Fine tune logging, monitoring and alerting
- Enforce retention periods
- Security configurations need to be periodically assessed
- Logging is based on license level



The screenshot shows a Microsoft Ignite article titled "Top 10 ways to secure Microsoft 365 for business plans". A red arrow points from the "Harden (email) security" bullet point to the article. A red box highlights a table that lists 10 security tasks and indicates which Microsoft 365 Business license levels (Standard, Premium) support each task.

Number	Task	Microsoft 365 Business Standard	Microsoft 365 Business Premium
1	Set up multi-factor authentication	✓	✓
2	Train your users	✓	✓
3	Use dedicated admin accounts	✓	✓
4	Raise the level of protection against malware in mail	✓	✓
5	Protect against ransomware	✓	✓
6	Stop auto-forwarding for email	✓	✓
7	Use Office Message Encryption		✓
8	Protect your email from phishing attacks		✓
9	Protect against malicious attachments and files with Safe Attachments		✓
10	Protect against phishing attacks with Safe Links		✓



Phishing Service Or Penetration Test?

- “We already use _____”
 - “IT tests our people every ____”
 - “Click through rate is ____”
 - “Failures are required to take training...”
 - “We report results to the board quarterly...”
- These are important...
- These services are best categorized as training and training effectiveness measurement tools.
- They are NOT penetration testing...
- **There is a “so what factor” that you may be missing...**





Be Prepared

“People, Rules, and Tools”



Incident Response, Disaster Recovery and Business Continuity



Inventory of assets and results of risk assessment are crucial

Hardware, software and critical data elements (“the crown jewels”)



Incident response planning and procedures are well defined

Playbooks

Standards based (eg. NIST or similar)



Business impact analysis with definition of recovery point objectives

Defines criticality and priority for restoration



Know how the vendors fit into and support the plan

Contractual SLAs

Practice the Plan

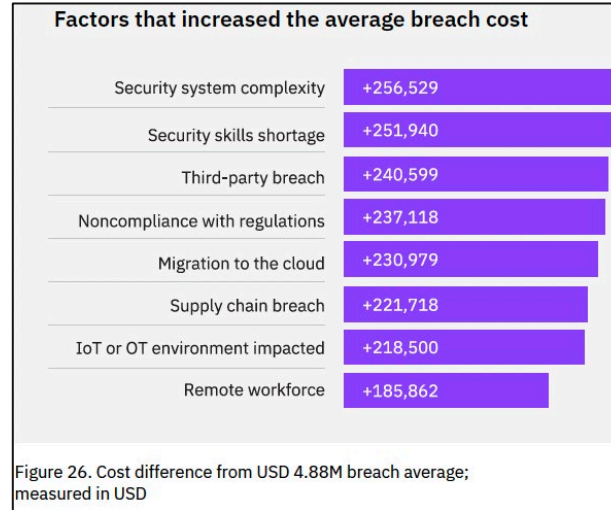


- IT and operations need to **PRACTICE** – prove they can restore in the heat of the moment
- Tabletop exercises – simulations where participants walk through the incident and response procedures
- Simulated adversarial breach exercises:
 - Red team penetration testing
 - Spear phishing tests and other social engineering tests

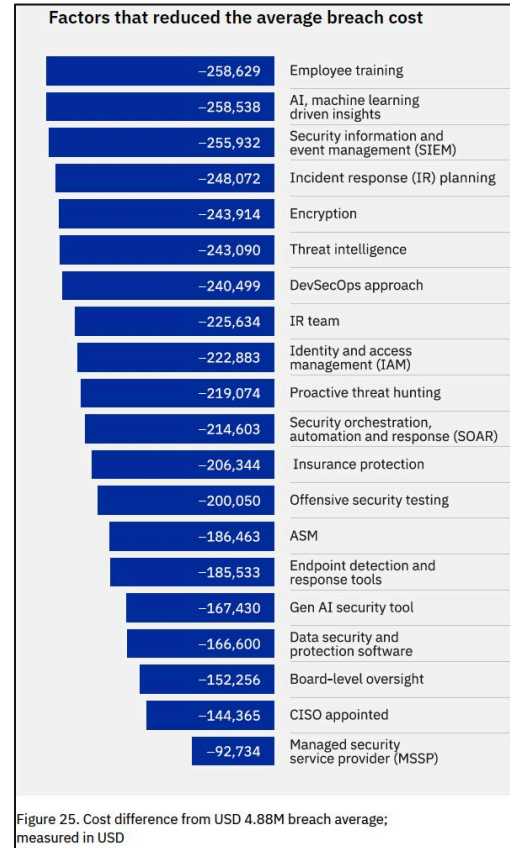
Maturity Leads to Incident Preparedness

Cost Savings

- Global Average cost is \$3.5M
- The impact of 28 factors on the average cost of a data breach



Source: IBM Security Cost of a Data Breach Report 2024



Prepare

Operate

Test

- Standards based operations and exception management
 - Daily operational DNA
- Regular/periodic risk assessment:
 - Daily business as usual
- Monitor and fine tune:
 - Continuous improvement
- **Practice and Test**
 - Audit your operations controls (against a framework)
 - Review Office 365 (O365) security (periodically)
 - Schedule IR tabletop and disaster recovery exercises
 - Test new systems and after significant change
- Governance - PROVE IT



Thank you!

Zoran Jovic

Manager – Cybersecurity

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Resources

- CLA cybersecurity services:
 - <https://www.claconnect.com/en/services/information-security>
- CLA digital services:
 - <https://godigital.claconnect.com/>
- IBM cost of a data breach
 - <https://www.ibm.com/reports/data-breach>
- CyberFlorida – FL SLG key requirements & resources
 - <https://cyberflorida.org/key-requirements-resources-for-cybersecurity-compliance/>
- Local government cybersecurity resource packet:
 - <https://dms-media.ccplatform.net/content/download/171486/file/Locals-Resource-Packet-2023v1.1.pdf>



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



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Understanding the Audit Process

Government Training Academy

August 13 & 14, 2025



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Learning Objectives

At the end of this session, you will be able to:

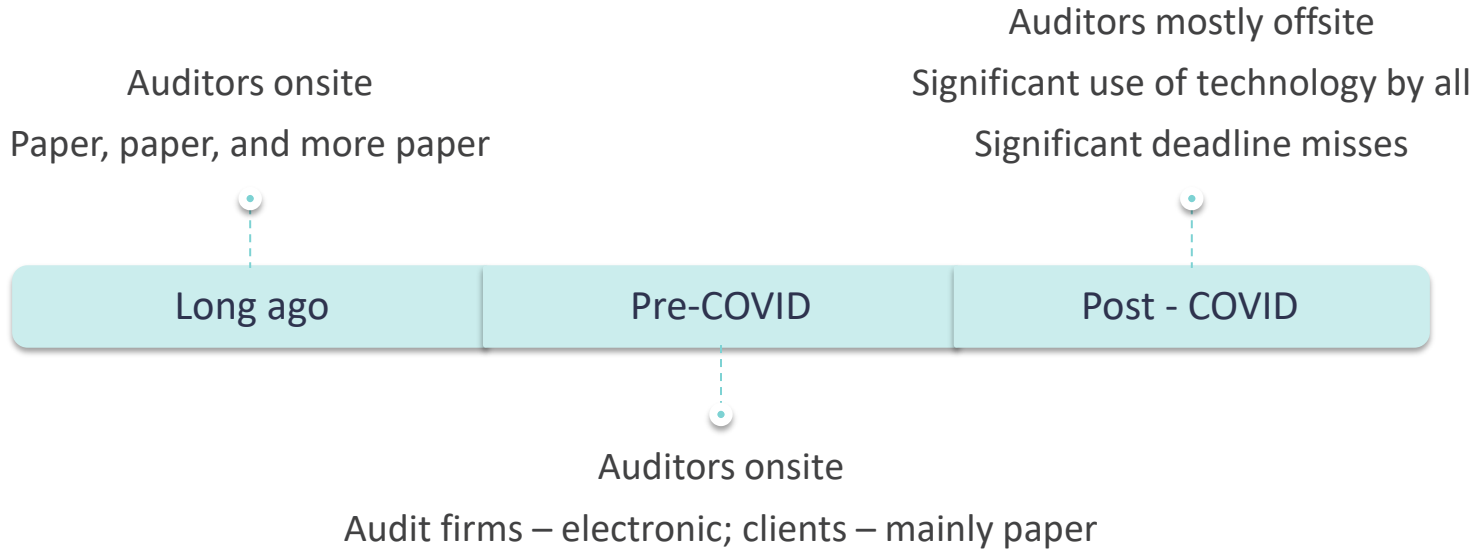
Outline the key stages of the audit process from initial planning and risk assessment to fieldwork, and follow-up

Recall practical tips for how to prepare for an audit

Identify effective communication strategies for interacting with auditors



Evolution of the Audit



The Audit Process





Phase I - Planning



Planning: Auditor's View

Prepare Statement of Work

Prepare workpaper listing for clients

Internal planning meetings are held to identify:

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

Calculate materiality thresholds



Understanding the Entity

- Understand the entity's operations and environment and IT
- Review organization's structure and key personnel
- Understand accounting system and significant account balances and classes of transaction
- Evaluate internal controls (COSO framework)
 - Control environment
 - Risk assessment
 - Information and communication
 - Monitoring activities
 - Control activities



Risk Assessment

- Risk based approach to focus audit effort where it's most needed
- Perform audit inquiries with management and key personnel
- Identify high inherent risk, control risk and fraud risk areas
- Consider fraud risk factors and assess the risk of material misstatement due to fraud or error



Materiality

- Risk driven (low, moderate, high)
- Set overall materiality based on benchmarks (e.g., revenues, assets, expenditures)
- Determine performance materiality (typically 75% of overall materiality) to reduce risk of undetected misstatements
- Establish individual significant items (ISI) and clearly trivial (CT) misstatements
- Reassess materiality throughout the audit if needed



Audit Strategy and Approach

- Develop the overall audit plan based on risk assessment and materiality
- Determine mix of control testing vs. substantive testing
- Plan interim vs. year-end procedures
- Assign appropriate staffing and determine use of specialist
- Element of unpredictability
- Align timing with clients to collaborate and meet client's deadlines



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



Communication and collaboration!

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

Entrance conferences
– come prepared with
the right people

Planning: Key to Success

Read and implement
new standards *early*

Establish internal
deadlines for your
team





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

- Assessment and testing of IT systems and related controls
- Conduct preliminary analytical procedures to identify unusual trends or fluctuations
- Review board minutes
- 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





Phase III – Substantive Testing

“Final fieldwork”



Substantive Testing



“Final
fieldwork”



Detailed
testing
over year
end
balances



Analytical
procedures
over
accounts



Manager
and
principal
review



Regular
status
meetings

Final Fieldwork

- Import Trial Balance and General Ledger and perform completeness
 - Send Confirmations at year end
 - Review account balances details
 - Make necessary selections based on assessment
-
- From the client –
 - Provide accurate schedules timely
 - Review before sending



Detail Testing over Year End Balances

- Evaluate Significant Account Balances
- Make selections over balances based on sampling
 - Use systematic, random, or haphazard sampling
- On site testing



Analytical Procedures over Accounts

- Provide audit evidence in support of specific assertions (e.g., completeness, accuracy).
- Reduce the need for detailed testing if the results are sufficiently precise and reliable.
- Be especially effective when expectations are based on independent, verifiable data.



Regular Status Meetings

- Status Meetings are Key
- Allow auditors and client to be on the same page
- Address issues or delays timely
- Keep audit timeline on track



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 ahead of field work



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





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



Current Audit Pitfalls

- Not updating policies and procedures
- Not assigning staff due dates
- Lack of review of audit deliverables (financials, reconciliations, schedules, etc.)
- Implementation of systems – do not rush implementations
- Unusual items during the year
- Last minute rush to the finish line
- Missing regulatory deadlines
 - Turnover and loss of institutional knowledge





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



Questions?



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BREAK





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Practical Applications of AI



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Learning Objectives

Recognize the basics of AI and its significance in modern professional environments

Describe emerging trends and potential advancements in AI technology, with a focus on generative AI in the public sector

Identify innovative approaches to effective AI governance in a rapidly evolving landscape

Identify multiple practical applications of AI and their impact on daily work tasks, including the enhancement of written communication, financial data management, and interpretation of industry-specific standards



Agenda Overview



Basic definitions



Pros and cons of AI in government finance



Practical applications of AI in the workplace



Case studies and examples

“You can’t *stop* the waves, but you can
learn to surf.”

— Jon Kabat-Zinn



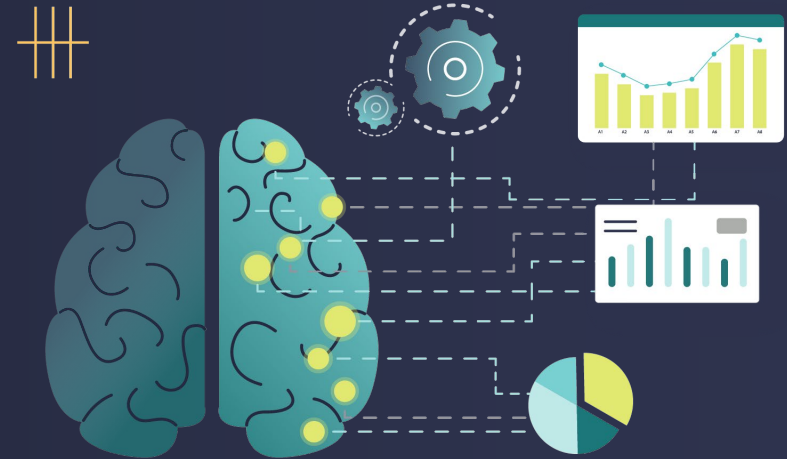
“Any sufficiently advanced technology is
equivalent to magic.”

— Arthur C. Clarke



AI Basics: What Is AI?

- **Artificial Intelligence (AI)** refers to the **simulation of human intelligence** in machines that are designed to **think, learn, and problem-solve**.
- It involves computer systems that can **process data, recognize patterns, and make decisions**, often mimicking cognitive functions like reasoning, perception, and language understanding.



Elements of Artificial Intelligence



Machine Learning

- Machine learning is a core component of AI, allowing systems to learn from data and improve over time without explicit programming.

Natural Language Processing

- Natural language processing enables machines to understand and interpret human language, facilitating seamless communication.

Robotics

- AI is integral to robotics, enabling machines to perform tasks that require human-like dexterity and decision-making.



AI Basics: Types of AI

These categories describe AI based on its ability to mimic human intelligence:

Narrow AI (weak AI)



- AI specialized in a specific task, like language translation or facial recognition.

General AI (strong AI)



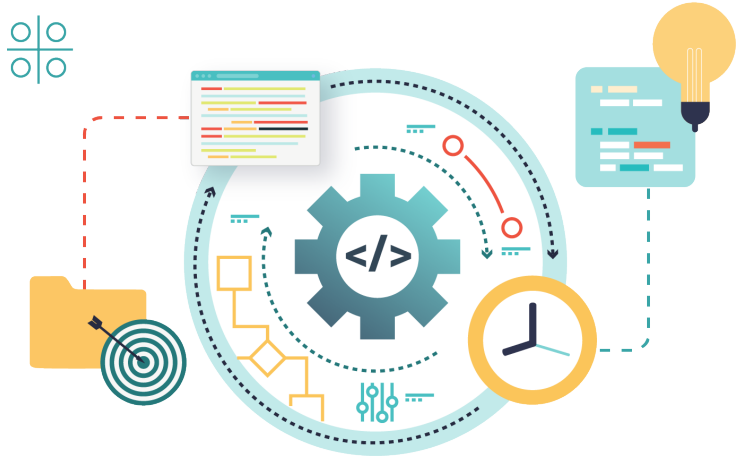
- AI capable of human-like reasoning across various domains, understanding, learning, and adapting like a human would.

Super AI



- Hypothetical AI that surpasses human intelligence in every aspect. This is purely theoretical right now and often discussed in sci-fi.

Historical Development of AI



Origins in the 1950s

- The journey of AI began in the 1950s with the creation of the first neural networks, laying the groundwork for future advancements.

Advancements in Professional Systems

- In the following decades, professional systems emerged as a major milestone, enabling machines to mimic human decision-making in specific domains.

Modern AI Technologies

- Today, sophisticated AI technologies such as machine learning and natural language processing are shaping various industries and daily life.



Pros and Cons of AI in Government Finance



Advantages of Using AI in Finance



Efficiency Enhancement

- AI automates routine financial tasks, allowing teams to focus on more strategic activities and improving overall operational efficiency.

Improved Accuracy

- AI enhances accuracy in data processing, reducing errors and ensuring reliable financial reporting and analysis.

Valuable Insights

- AI provides valuable insights through advanced analytics, aiding in informed decision-making within finance departments.



Artificial Intelligence Basics

Current uses of AI

Creativity and Content Creation

- Content creation
- Image and art generation
- Gaming and storytelling

Productivity and Personalization

- Chatbots and virtual assistants
- Code generation
- Personalized recommendations
- Education

Science and Innovation

- Healthcare
- Research applications



Applications of AI in the Workplace



Streamlining data entry and data analysis

AI can automate data entry, reducing time spent on repetitive tasks and enhancing accuracy in financial records. Development of predictive analytics for business insights, customer behavior analysis



Automation

Automated manufacturing, robotic process automation (RPA) for routine tasks. Automation of invoice processing speeds up payment cycles and decreases the likelihood of errors in transactions.



Enhanced reporting

AI enhances financial reporting by providing real-time insights and analytics, allowing for smarter decision-making.

Outside of the Work-Place

Create trip itineraries

Meal planning

Childcare coverage
logistics

Spousal argument
rebuttal tool



Challenges and Limitations



High implementation costs

Implementing AI technologies can be expensive, making it a significant barrier for many organizations.



Resistance to change

Organizations often face resistance from employees when shifting to AI systems, hindering successful adoption.



Data management needs

AI requires continuous management and quality of data, which can be a challenging aspect for businesses.

Ethical Considerations



Data Privacy Concerns

- AI technologies often require access to sensitive data, raising significant concerns about data privacy and security.

Bias in Algorithms

- The presence of bias in AI algorithms can lead to unfair outcomes, necessitating careful evaluation and adjustment.

Accountability in AI

- Determining accountability for AI decisions is crucial, especially when errors or harmful outcomes occur.

Common AI Fears



Job
displacement

Loss of privacy



Misinformation
and deepfakes

Security risks



Case Study: Pikesville High School

Incident Overview:	Principal Eric Eiswert of Pikesville High School was falsely accused of making racist and antisemitic comments through an AI-generated audio recording. The recording, which mimicked Eiswert's voice, included derogatory remarks about black students and antisemitic statements.
Motivation:	The AI-generated recording was created by the school's athletic director, Dazhon Darien, as retaliation against Eiswert for initiating an investigation into Darien's misuse of school funds.
Discovery:	The fraudulent nature of the recording was uncovered through an investigation, which revealed that Darien had manipulated recordings of Eiswert's voice to create the false audio clip.
Consequences:	As a result of the fabricated recording, Eiswert faced severe harassment, threats, and public ridicule. Despite passing a polygraph test proving the audio was fake, Eiswert was removed from his position as principal.

Successful AI Implementations



Government Agency Success

- Various government agencies showcase AI's potential in improving service delivery and operational processes.

Transformative AI Results

- The adoption of AI has led to significant improvements in efficiency, responsiveness, and decision-making.

Case Studies of AI

- Success stories help illustrate how AI can drive innovation and effectiveness in public sector operations.

Lessons Learned From AI Projects



Scalability Insights

- Understanding scalability is crucial for the successful implementation of AI projects, ensuring they can grow and adapt over time.

Stakeholder Engagement

- Effective stakeholder engagement is vital for gathering feedback and ensuring alignment throughout the AI project lifecycle.

Clear Objectives

- Establishing clear objectives at the outset of AI projects helps maintain focus and ensures that all efforts align with desired outcomes.

AI at CLA

At CLA we use AI to

- Facilitate project development
- Summarize meetings
- Proof-read emails
- Research standards
- Draft findings



Examples of Practical AI Prompts

1.

What does an average county need to consider when trying to implement GASB 101?

2.

Summarize GASB 101 and give an example of the proper disclosure

3.

Orange County has overstated its APRA revenue by \$20,000,000 in the general fund. Below is an example of how this error should be corrected in the financial statements and disclosed in the footnotes according to GASB 100

4.

Draft a finding in single audit format related to the revenue restatement

Additional Example Prompts



Conclusion

Opportunities of AI

- Integrating AI can enhance operational efficiency and decision-making for finance officers in government.

Challenges of AI

- Finance officers must navigate challenges such as data privacy and ethical implications when implementing AI.



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Lance Schmidt lance.schmidt@CLAconnect.com



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