
Footnotes

In this issue

Inside this Issue...

**Call for
Nominations**
(pg. 2)

**Internal
Controls**
(pg. 3)

Calendar
(pg. 6)

**CGFOA
Awards**
(pg.7)

CTAC Report
(pg. 9)

**Conference
Update**
(pg.10)

**And much
more
throughout
this issue of
Footnotes...**

Letter from the President...

Dear Members,

I write to you in this issue of Footnotes with a great deal of sadness, yet even more inspiration. Our colleague and friend, Wade Jensen was recently in an accident and has suffered a severe spinal cord injury. Wade happened to be out bicycling with other finance officers on the weekend, following a CGFOA event the prior day. Our colleagues helped him regain his breathing, and likely saved his life. Wade was immediately flown from the site of his accident to St. Anthony Hospital in Lakewood.

Over the years, I've found that our community of professionals truly care about one another. It takes time to notice this and understand what it means. Wade was conscious throughout his accident and can recall the details quite clearly. When he arrived at St. Anthony, he was awake and alone, and unable to move his body or sense any feeling beneath the level of his shoulders. Wade's immediate family does not live in Colorado, and it would be another day before his parents would be able to see him. Yet, by that afternoon he was visited by those riding with him, and his coworkers from the City of Aurora. His supervisor, Robin Peterson, stayed in his room all night, as Wade was required to stay awake to induce the healing of his spinal cord. Wade also suffered broken ribs.

As an employee of the City of Lakewood, I understand the pride the community has for its St. Anthony Hospital. I was involved in its development, I was present at the groundbreaking ceremony, and at the ribbon cutting. I've visited the hospital on business a number of times, and I've toured the Flight For Life helicopter control tower. It is an amazing facility. I hadn't ever visited a patient at the hospital, and I hadn't met Wade Jensen, until the Tuesday after his accident. Wade was smiling, alert and interested in meeting a few new people. He was talkative, too. I enjoyed meeting his parents, Owen and Darlene who had just arrived from Minnesota. Wade was keen for me to see his bicycle helmet, which was broken to bits. We talked about Wade's training as a lawyer and how he came to work for the Aurora finance department. I read aloud from Wade's mobile phone the various text messages from his friends and his colleagues at the City of Aurora. At that point, Wade could only move his shoulders, and his prognosis was unknown. I admired his courage, and his positive outlook. I was inspired. I asked Wade if I could write to you about him, and he agreed.

(continued on page 2)

CALL FOR NOMINATIONS

FOR COLORADO GOVERNMENT FINANCE OFFICERS ASSOCIATION BOARD OF DIRECTORS: VICE PRESIDENT, SECRETARY AND TWO DIRECTOR POSITIONS

As the Vice President of CGFOA Executive Board one of my tasks is to serve as Chair of the Nomination Committee. The executive board meets three times during the year (January, April, and July) and once at the annual conference. We are seeking candidates to run for Vice President, which is a three year commitment. The other positions, Secretary and Director, are two year commitments. We are seeking candidates from all over the State of Colorado that represent various sizes and types of governmental organizations that provide statewide geographic representation. We reimburse mileage for board meeting travel, so keep that in mind if you choose to run. Please visit the www.CGFOA.org website and select the About Us tab, click on the Officers tab to review the position descriptions for the open seats. The Nomination Committee distributes the ballots no less than 30 days prior to the annual business meeting which is held at the annual conference in November. In light of our commitment to have an election, we would really appreciate your willingness to give this a try. It is a great learning experience and as Treasurer for 3 terms and now Vice President I believe the experience was well worth it. Please call Judy Dahl at 970-344-6305 if you wish additional information. Thank you in advance for your willingness to run for the board. Please pass this notice on to anyone in your organization who might be interested in getting involved. The nomination petition is available here: [Nomination Application](#)

Letter from the President (continued)

Wade has moved over to Craig Hospital. He can now move one of his knees, and he has some new sensations in his limbs. I had heard about Craig Hospital over the years, and its many famous patients, but I confess that I was largely ignorant about Craig. In fact, for a time, I thought it was located in the town of Craig, Colorado (please laugh at me). Indeed, the Tent Colony of Brotherly Love was established by Mr. Frank Craig in 1907, in what is now Lakewood, Colorado. When Mr. Craig died of tuberculosis in 1914, it was renamed in his honor. The organization went on to move to Englewood, Colorado where it is now located and has been treating spinal cord injuries since 1956. Craig Hospital is known around the world and has treated patients from all 50 states. For the last 25 straight years, Craig has been named one of the Top 10 rehabilitation hospitals in the United States.

Colleagues, Wade is in need of support, friendship, and help with a few logistics. He enjoys meeting new people, so look him up at Craig. It would also be helpful if we could build a small kitty of gift cards so that Wade's regular visitors can track down a few of the small snacks and treats that Wade enjoys. If you can't drop by the hospital, things can be sent to Craig Hospital at 3425 South Clarkson Street, Room 411, Englewood, CO 80113. Gift cards to King Soopers, Jamba Juice, Mod Market, Moe's Barbeque, and Red Box are appreciated. If you can't get out to see Wade and want to send a gift card to the CGFOA office, we will make sure it gets to him. You can also follow Wade's progress via the Caring Bridge link below.

http://www.caringbridge.org/visit/wadejensen?tb=g_fb

In closing, I want to thank all of our members for your support of Wade, and his colleagues at Aurora.

Wade -- thank you for inspiring us all, and on behalf of the members: Get Well Soon!

Larry Dorr
CGFOA President
2015

The Importance of Internal Controls | Internal Audit in Governments

The following is the first part of a two-part series on Internal Controls and Internal Audit in Governments.

Part One: The Importance of Internal Controls in Governments

No one likes to talk about internal controls (IC). If it ever comes up in conversation, I'm usually the only one that gets excited. I write today to refresh the conversation and prompt governmental leaders to ask tough questions of their organizations.

Like many accounting matters, ICs are often an after-thought. Something we think of after something goes terribly wrong. That, or IC are relegated to something organizations do just before the annual audit instead of being an integral part of a system that operates every day of the year promoting accountability.

Why? ICs aren't exactly sexy. ICs can require the most "red tape" of all accounting functions and, frankly, are the least interesting. Furthermore, while many ICs are very simple many are simply misunderstood by employees who haven't received the training or aren't being led to see the greater importance of such small control tasks. The misunderstanding can be pervasive throughout the ranks – many senior finance officers and leaders believe the ICs of their organization are perfectly adequate – that is, until they experience a fraud.

In a perfect world governments could function similar to private enterprise, but too often the inherent nature of governments (i.e. elected officials, politics, etc.) causes them to operate in a somewhat dysfunctional manner. Without properly designed systems, processes, policies/procedures, and ICs; Finance Departments, County/City/Town Managers, elected officials, and other Departments tend to operate autonomously as silos rather than cohesively as one unit; and this is accepted as the norm in the governmental world. Rather, a properly designed government-wide framework of ICs can afford a government the ability to operate seamlessly and efficiently across all operating units in a fashion that identifies common (or intentional) errors in a timely manner.

In the private sector, part of the foundation of any successful enterprise is a framework of ICs (often called a Control Matrix). This framework outlines the manner in which transactions are identified, processed, recorded, and reported; and more importantly, what to do when something is awry. Governments should be no different; but more than any other sector the

A few questions to gauge your organization's internal controls (IC):

- Are ICs part of the culture of the organization; verbally affirmed on a regularly basis from the lowest levels to the tone at the top?
- Does your organization have its ICs documented, as recommended by the GFOA, in the form of policies, procedures, and/or a Control Matrix?
- Do members of your organization "own" their roles within the framework of ICs?
- Do individuals in the process know what is going on above and below their duties; and more importantly what to be on the lookout for?
- How effective are your ICs? When was the last time they were tested for design and operating effectiveness as part of an external or internal audit?
- Have members of your organization been promoted, turned over, or had their roles/responsibilities change? If so, were the controls surrounding their old position appropriately altered or revised for the new changes to ensure adequate checks and balances?
- Are employees receiving appropriate ongoing training in IC?
- Have you experienced a fraud recently? Were significant gaps in IC identified? And, if so, would the controls have prevented or limited the size of the fraud?

(continued)

culture is that governmental employees already feel like they are *doing more with less* and ICs are viewed as red tape and less critical functions. This culture of *undervaluing internal controls* seems a bit of a tragedy – the Association of Certified Fraud Examiners (ACFE) reports “Lack of Internal Controls” and “Lack of Management Review (an internal control itself)” as the two most frequent contributing factors leading to frauds, representing 52% of all fraud cases.

Generally speaking, ICs are still relatively new (COSO was only established in 1992) to both private and public sectors but, whereas the for-profit private sectors have identified the value of ICs (both operationally and thru fraud prevention), many governments (particularly small and medium sized governments) have yet to catch on choosing instead to accept the status quo. It is this acceptance that should be challenged and periodically re-evaluated by all finance officers and government leaders in order to best manage and protect taxpayer resources.

The GFOA advocates also the importance of IC and internal auditors. Their Code of Professional Ethics requires of finance officers that they “not knowingly sign, subscribe to, or permit the issuance of any statement or report which contains any misstatement or omits any material fact”. The GFOA further implies that this requirement presumes an organization should have a sound framework of risk-based ICs (operations, financial reporting, compliance) to afford a reasonable basis to assert that the information they provide can be relied upon.

(<http://www.gfoa.org/getting-management-involved-internal-control>)

As with many financial things, the question of cost versus benefit comes into play with IC. Will the cost of an additional control over accounts payable actually save cold hard cash, or just further frustrate the busy finance officer? The answer is often “no”. But, while this may be true in the acute sense, when the proposed control fills a gap in a network of controls addressing an identified risk and taken in context of an organization-shaking fraud, the cost is significantly less. The Association of Certified Fraud Examiners (ACFE) reports in 2014 that the median fraud is \$145,000 – with 22% of these being over \$1 million, and 18 months being the median duration of the fraud scheme. To highlight this sense of frustration of the busy finance officer, I often receive push back from finance officers on recommendations to improve IC. It usually goes like this, “why should I review this additional report?” To those who haven’t experienced the value of quality ICs, taking an additional 15 minutes to perform a review of changes to the vendor master file on a monthly basis may seem like a monumental task. However, it may be just what the organization needs to shore up an identified risk over accounts payable and cash disbursement process – and those 15 minutes per month are pennies on the dollar in terms of a medium or large fraud.

Human Resources: The success of any organization is with its employees. This alone justifies extra care in the hiring process to ensure employees have the requisite skills to follow and/or implement proper ICs. And, while trusting employees is paramount – trust is not an internal control! Reinforcing these skills with ongoing training and adapting to changing trends in software, IC, and organizational behavior and continually sets the tone and underscores government-wide accountability.

- Does your organization have internal audit functionality (either through an “in house” independent internal auditor, an outsourced internal auditor – not to be confused with your external auditor, or assigning these responsibilities to regular employees)?
- How many people have the access and authority to make changes within your accounting software? Do you have any “super-users” and how are the risks associated with this mitigated?
- How strong is the relationship between the Finance Department and the Treasurer’s office?
- Have you had Single Audit compliance findings in recent years? Does your organization have a strong grant administration process to ensure that federal funds are being spent in accordance with grant awards? Is the grant administration process pervasive throughout all departments receiving awards?
- When was the last time your organization underwent a risk assessment and are ICs tailored to these risks?
- Are duties appropriately segregated – especially surrounding cash handling functions? Are duties regularly rotated?
- To what extent is your organization utilizing its software to continuously monitor (CM) or continuously audit (CA) transactions to improve operations, compliance, and financial reporting?

Communication: Often, lack of communication and personal conflicts between various departments or elected officials causes one or more to become possessive of critical information. The acceptance of poor inter-department communication leads to a lack of transparency and ultimately can expose the organization to unnecessary risk.

Information Technology: With today's advanced ERP & CRM software, many ICs can be designed and put into place behind the scenes which operates continuously – continuous monitoring (CM) and continuous auditing (CA). However, information technology (IT) controls can be limited for two reasons: first, due to most software being developed for private enterprise, much of the software offerings used in today's governments either miss the nuances unique to governments or predate modernly designed IT controls; and secondly, the individuals responsible for maintaining such controls sometimes lack training to properly establish such controls. For example, it is not uncommon to see an organization where nearly everyone in the government (top to bottom) with access to the enterprise accounting software also is a "super-user" with access to generate, transact, reconcile, and approve a transaction – a major IT control deficiency. While advanced software can be a significant outlay, the most effective governments are able to link the costs to operational results and reduction of risks.

In summary, ICs are an active, every day, organization-wide, responsibility of governments (not the auditors) that should not be reserved just for the annual audit. ICs are more than just fraud prevention; ICs can be part of an overall systematic approach to streamline daily operations and an effective management tool for governmental leaders.

Look for Part Two, The Importance of Internal Audit in Governments, in the October CGFOA Footnotes of this two-part series on Internal Controls and Internal Audit in Governments.

Andrew Larson, CPA, a veteran internal control auditor and CAFR Reviewer, writes from Eagle-Vail, Colorado and his firm, CFO Systems, provides Fractional CFO & Controller services to organizations across Colorado and the Midwest. If you've found this article useful or for a free initial evaluation of your organization's internal controls, contact him at alarson@cfosystemsllc.com. <https://www.linkedin.com/pub/andrew-larson-cpa/14/b11/ba0>

Learn what employees want from their leaders

To be a capable leader, you have to understand what employees want from you and your organization. Your workforce may not tell you out loud, but you'll do a better job of managing people if you address these basic needs:

- **"I want to feel important."** No one wants to feel like a number. Get to know your employees as people; find out what makes each one unique and show them you're paying attention to their individuality.
- **"I need encouragement."** Even the best employees continue to flourish and grow with positive feedback. Let them know what they're doing right and how they can keep performing at a high level. They'll notice and keep up their efforts.
- **"I want to believe in you."** Employees want to know they can trust you—your knowledge, your expertise, and your word. Show your commitment to helping them succeed and grow by listening, answering questions honestly, and keeping your promises.
- **"I want to succeed."** Most employees want to do a good job, even if they don't necessarily want to advance to upper management. Explain your expectations clearly, and give them the training and support they need so they know you're invested in their success.
- **"I want to be motivated."** Yes, motivation springs from inside, but employees want to be told why they should perform a task or complete a project in terms that apply to their needs. Emphasize the job's value to the organization, as well as the benefits the employee will enjoy, to unleash their enthusiasm and commitment.

September, 2015



National Wildlife Day, 9/4/15 Bringing awareness of endangered animals everywhere

Labor Day, 9/7/15 A national holiday celebrating workers and the American labor movement.

International Literacy Day, 9/8/15 A day to raise awareness and concern for literacy problems in communities around the world.

9/14/15: *The Cost of Noncompliance – It Doesn't Have To Be Taxing!*, Montrose, CO

Rosh Hashanah, 9/14/15 A celebration of the Jewish New Year.

9/15/15: *Budget 201*, Montrose, CO

Get Ready Day, 9/15/15 Sponsored by the American Public Health Association to help families and communities prepare for dangers like disease, natural disasters, and other emergencies.

9/17/15: *Intermediate Governmental Accounting*, Salida, CO

Talk Like a Pirate Day, 9/19/15 Arr, matey! Hoist the mainsail, and spend the day channeling your inner buccaneer!

9/21/15: *The Cost of Noncompliance – It Doesn't Have To Be Taxing!*, Castle Rock, CO

9/23/15: *What's Not in Your AP Wallet*, Westminster, CO

Yom Kippur, 9/23/15 The Day of Atonement is one of two Jewish High Holy Days. The purpose of Yom Kippur is to bring about reconciliation between people and between individuals and God.

October, 2015

Columbus Day, 10/12/15 A U.S. holiday that commemorates the landing of Christopher Columbus in the New World on October 12, 1492.

10/15/15: *GASB 67 & 68 Implementation and Calculations*, Golden, CO

10/19/15: *1099 Contractor vs. Employees*, Webcast

CGFOA Awards

THANK YOU!

A very special thank you to CGFOA members who have taught classes over the past few months. Our educational program simply could not exist without these folks:

Tyra Litzau, Anton Collins Mitchell LLP

Shawn Sonnkalb, CliftonLarson Allen

Jake Houlihan, CliftonLarsonAllen

Allison Slife, CliftonLarsonAllen

Paul Niedermuller, CliftonLarsonAllen

Jarrod Biggs, Colorado Dept. of Local Affairs (***Congratulations to Jarrod, whose wife gave birth to twins late last week!***)

Crystal Dorsey, Colorado Dept. of Local Affairs

Chris Akers, Department of Local Affairs State Demography Office

Peggy Bunzli, City of Boulder

Karen Main, Innovations in Training

Andrea Iverson, Town of Parker

Doug Schellinger, City and County of Denver

Lindsey Stapay, NW Colorado SBDC

Jeff Edwards, City of Aurora

Jim Marty, CPA

Dawn Jones, CliftonLarsonAllen

Did You Know...

CGFOA has two college scholarships available. The deadline for each scholarship is September 30, 2015.

The George Nielsen Scholarship is worth \$2,500 and is offered to an employee of a local government or other public entity who is enrolled or plans to enroll in a graduate or undergraduate program in public administration, finance, business administration or a related field.

The Careers and Outreach Scholarship is offered to an individual enrolled either full or part-time entering at least the junior year of undergraduate or graduate study in an accredited Colorado college or university preparing for a career in state and local government finance.

Scholarship applications are online here: <http://www.cgfoa.org/Applications/CollegeScholarships.aspx>

Each year the Colorado Government Finance Officers Association recognizes the achievements of its members by presenting awards for Significant Contributions at the annual conference. The Significant Contribution award is intended to recognize projects or programs that are original and represent a significant contribution to the field of government finance. These should be projects or programs that would benefit other organizations if implemented. If your organization has developed a project or program that you feel qualifies as a Significant Contribution in the field of government finance please submit a copy of the program along with the application form for consideration. The categories eligible for awards are: 1: Budget and Financial Planning, 2: Capital Financing and Debt Administration, 3:

Accounting, Auditing and Financial Reporting, 4: Cash Management and Investments, 5: Pensions and Benefits, 6: Financial Management, 7: Application of New Technologies.

A separate award is also given each year for the Finance Officer of the Year. This award is made to a Finance Officer who through their actions has made outstanding contributions that further the goals of CGFOA. The general criteria for the award is as follows, 1: Extensive involvement in furthering the role of the Finance Officer in their own organization, 2: Significant accomplishments in their role as a Finance officer for their own organization including significant efforts, project reports, policies and procedures, automated systems or technology, 3: Extensive involvement or leadership in the CGFOA, 4: Involvement or leadership at a national level through GFOA, GASB, or AICPA, 5: Significant efforts related to state legislative matters, implementing new state constitutional or statutory requirements, or lobbying efforts consistent with the goals of the CGFOA when appropriate.

Please be thinking about projects or programs in your entity that represent a contribution to the field of government finance, that perhaps could be implemented by another organization. Also keep in mind the Finance Officer of the Year Award – is your manager or supervisor someone that continues to make outstanding contributions to your organization as well as being involved at a significant level within CGFOA? They are a good candidate for Finance Officer of the Year.

Award nomination forms are available online and may be submitted at any time to Awards Chair, Stephanie Novello (snovello@cityofgolden.net). The deadline is October 1, so now is the time to gather information and submit the your nomination for Finance Officer of the Year and Significant Contribution Awards.

Do you have problems receiving email form CGFOA?

Emails from RegOnline (our online registration system) may not be getting through to you. Confirmations, handouts, CPE certificates, footnotes, and everything CGFOA emails, is sent through RegOnline. Some email systems block RegOnline (particularly governments) because the email is sent from a RegOnline server, but it says that it is coming from the CGFOA email address (administrator@cgfoa.org). When this happens emails may appear in the spam/junk mail box, or may be blocked from an email system automatically. If you have not received emails when registering, or not received event updates from CGFOA, or if you suspect your emails are being blocked, you will need to have RegOnline added to your email system’s white list. This can be done by IP Address or Domain Name.

By Domain Name: *.regonline.com (if the mail server accepts wildcards)

By IP Address: 4.26.22.135 4.26.22.136 4.26.22.158 4.26.22.159 4.26.22.170

4.26.22.171 4.26.22.172 4.26.22.173



CTAC has enjoyed 3 successful workshops so far in 2015. The most recent was hosted by Leslie Fischer in Breckenridge, Colorado. It is time to think about 2016. Perhaps it is your turn to step up as CTAC Chair and lead this dynamic group next year.

The CTAC Education Committee does a fabulous job with the agendas for these meetings. CTAC is always looking for new and innovative education opportunities and new Education Committee members. If you have any suggestions or a desire to participate in planning the meetings, contact Jeff Edwards and get involved - you won't regret it. Just as important, getting involved in the CTAC education committee meetings and workshop planning is FUN!

CTAC co-chair, Tracy Martinez, has moved on to more exciting things for her and her family and has taken up residence in the New England area to be closer to family. Tracy served as the co-chair for the past two years and was key in making the CTAC meetings a success. If you or someone you know has a desire to serve as a chair or co-chair or have questions about the role and responsibilities of those positions, contact Jeff Edwards.

Merci

CGFOA works with many communities to provide free locations in which we hold our educational sessions. The host sites play a very important role in the success of our educational program. Thank you to:

The City of Westminster
Boulder County Sheriff's Office
Douglas County Fairground Event Center
The City of Castle Rock
Salida SteamPlant
Montrose Pavilion
Montrose County Schools
The Town of Breckenridge
The City of Glenwood Springs
The City of Wheat Ridge
The City of Arvada
Summit County
The City of Grand Junction
The City of Golden



PO Box 620217
 Littleton, CO 80162-0217
www.cgfoa.org
administrator@cgfoa.org
 Phone: 303-922-4647
 Toll Free: 888-922-4647
 Fax: 303-922-5295

Footnotes is a publication of the Colorado Government Finance Officers Association

The information and opinions herein are obtained from sources believed to be reliable, but CGFOA makes no guarantee of accuracy and completeness. Opinions, forecasts and recommendations are offered by individuals and do not represent official CGFOA policy positions. The publisher and editor specifically disclaim any liability for loss or risk incurred as a consequence of the use and application, either directly or indirectly, of any advice or information presented herein.

Stash some cash

Looking for ways to save a little money? Here are a few quick ideas that don't require very much thought or effort:

- Empty your pockets. Stash all loose change in a jar or piggy bank. You'll probably bank more than a dollar a day.
- Use your coupons. Remember to use coupons only for the things you would normally buy. Take the money you saved and stash it away. This could add up to almost \$2 a day.
- Stash a dollar a wash. Whenever you do a load of laundry, put a dollar in a jar. Use the accumulated cash for laundry detergent and utility bills.

Persistence of Vision

November 17 - 20, 2015

The 2015 CGFOA/CMCA/Region VIII Conference that will be held in Loveland, Colorado is just 3 months away! From the Tuesday Opening Event at the Budweiser Event Center to a large variety of pre-conference sessions and a comprehensive program that includes more than 50 educational options, this is sure to be one of the best conferences ever!

We want to have some fun with our new emphasis on being a greener conference, so the Thursday Night Banquet theme is "It isn't easy being green!" As always, dressing the part allows you to let another side of yourself shine! Kermit, Sesame Street, and the Muppets come to mind as does recycling bins or simply a green tie, shirt, or dress!

Conference registration will open the first week of September. Some important things to keep in mind:

- ✦ Breakfast is included with your hotel reservation at the Embassy Suites. Therefore the conference will not provide breakfast as part of the conference meals.
- ✦ Most session seating will be theatre style this year. Additionally, the back third of each room will be standing room only and no additional chairs will be available for session rooms. Be sure to get to sessions on time to ensure you have a seat!
- ✦ There will be no session handouts. Speakers have been asked to submit powerpoint presentations and handouts by November 1. We will do our best to ensure those items are posted on the Conference web page so that you can access them during the conference.
- ✦ We have added options for a Wednesday night dinner. In addition to the many events hosted by our sponsors, we will have a dinner event at The Summit for those who want to join us and Region VIII will host a dinner as well.

Keep an eye on this page each issue of Footnotes for regular updates on the Annual Conference.