

Colorado Fiscal Managers' Association

CFMA 2007-2008 Officers

Tom Kingsolver - President

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E-MAIL ADDRESS FOR THE
OFFICERS AND COMMITTEE
CHAIRS CAN BE FOUND ON THE
CFMA WEBSITE:

[HTTP://WWW.STATE.CO.US/CFMA/HOME
.HTM](http://www.state.co.us/cfma/home.htm)

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President's Corner *Tom Kingsolver*

In March 2006, the Auditing Standards Board of the AICPA issued 8 new Statements on Auditing Standards (SAS). These are SAS nos. 104 to 111. These new statements address audit risk and call for a more in-depth understanding on an entity and its control environment. They become effective for periods beginning December 15, 2006 and later. These statements (particularly SAS 109) will require auditors to do a more rigorous assessment of the risks of material misstatements. They also require that audit risks be evaluated entity wide to include not only

financial information and compliance but also the effectiveness and efficiency of operations. The information technology areas of an entity will also receive a more in-depth look. If you have never performed an internal control review or risk assessment the GAO has an internal control management and evaluation tool available here <http://www.gao.gov/new.items/d011008g.pdf> that you may find helpful (yes, I know it's 76 pages long but I don't believe that anyone ever told you that your job was going to be easy).

Here are some brief notes on SAS 104 to 111:

SAS 104 expands the definition of reasonable assurance. **SAS 105** expands the audit work needed to afford a reasonable basis for an opinion regarding a financial audit. **SAS 106** clarifies the requirement for sufficient audit evidence. **SAS 107** provides guidance on the consideration of risk and materiality. **SAS 108** provides requirements for the auditor to establish an understanding with the auditee for each engagement.

...continued on page two

Top Ten

Bill Schlaufman

We are all looking forward to a great CFMA Spring Seminar in April in Colorado Springs. In fact, there were so many fantastic breakout sessions that there wasn't enough time slots available to present them all. Here are some sessions that will not be presented at the Spring Seminar due to time constraints.

Top ten CFMA conference breakout sessions that won't be presented:

10. The Kingsolver CFMA Presidency: A retrospective.

9. How the CU System will take over the world.

8. Fun things to do when it's 40 below in Gunnison.

7. Why Higher Ed can do whatever we want and get away with it.

6. Sarbanes Oxley: It doesn't apply to us, so we don't care.

5. Travel Europe on the \$15 per day incidental charge.

4. History of the State Controller's Exhibits, 1966 to present.

3. How State Government should be expanded - Presented by D. Bruce.

2. A complete history of all improvements ever made

to COFRS: 1989 to 1989.

1. Identity theft: How to steal the identity of someone to hide the fact that you're a State employee.



President's Corner continued from page one



SAS 109 requires the auditor to understand risk at an entity wide level and to design and perform appropriate audit procedures. This means that audit programs and internal control reviews must be specifically tailored to each audit client. It also requires auditors to incorporate an analysis of general and application controls related to IT accounting applications. **SAS 110** provides guidance on the sufficiency and evaluation of audit evidence obtained. **SAS 111** updates information on statistical sampling.

Things have become more complicated since the early days of auditing standards. If you look at the Statement on Auditing Procedure No. 33 issued in 1963, you can see how many things have changed over the years while the basics remain the same. Consider this statement from SAP 33, *"reliance on the prevention and detection of fraud should be placed principally upon an adequate accounting system with appropriate internal controls"*. Even though it was superseded long ago, SAP 33 holds a special place for me since my father was one of the authors. Here is a brief history of auditing standards for those of you who are interested.

Prior auditing standards and authorities

The American Institute of Certified Public Accountants has issued guidance to accountants and auditors since 1917, when, at the behest of the U.S. Federal Trade Commission and auspices of the Federal Reserve Board, it issued a series of pamphlets to the accounting community in regard to preparing financial statements and auditing (then referred to as "verification" and later "examination"). Verification of Financial Statements, the first pamphlet dedicated exclusively to providing guidance for audits, was issued in 1929. With its opening paragraph, the guidance provided one of the most fundamental principles in auditing, stating that "the responsibility for the extent of the (audit) work required must be

Statements by Independent Public Accountants, which contained more detailed guidance on performing audit procedures for audits of small and mid-sized companies, while still emphasizing the need to perform the audit based on the nature of the client, its size, and its internal control structure, among other attributes.

On January 30, 1939 the Committee on Auditing Procedure was formed by the AICPA to evaluate, discuss, and issue guidance exclusively on auditing-related matters. This Committee is considered the antecessor of the Auditing Standards Board, and was the first to issue Statements on auditing standards and principles to the public accounting community. In 1941 it issued a pamphlet titled Statements on Auditing Procedure, which discussed the auditor's responsibility in applying judgment in audits. It was followed by a series of numbered pronouncements called Statements on Auditing Procedures, or SAP (the antecessors of Statements on Auditing Standards), issued between 1939 up to the early 1970s for a total of 54 SAP pronouncements. During that time, the Securities Exchange Commission required public accountants to include a representation in their independent audit reports that the audit was performed in compliance with generally accepted auditing standards, and the Committee issued a booklet titled Generally Accepted Auditing Standards—Their Significance and Scope to adopt the SEC's requirement. In 1963, the Committee issued Statement on Auditing Procedure No. 33 to consolidate and replace various pronouncements issued between 1949 and 1963, including pamphlets and statements.

In 1972, the AICPA implemented significant changes to its standard-setting practices by consolidating all auditing pronouncements up to that date

under Statements on Auditing Standards (SAS), and gave the Committee the title of senior technical committee on auditing matters while changing its name to Auditing Standards Executive Committee. From 1972 through 1978 the Executive Committee issued SAS as the authoritative guidelines and rules for auditing, issuing a total of 23 SAS.

The spring conference planning committee is attempting to bring in a speaker to the spring conference to talk about SAS 109 and a speaker to provide practical guidance for performing risk assessments for your agency or department. Other topics we are working on for the spring conference include succession planning, fraud/forensic accounting, Sarbanes Oxley and its future impact on governments, contracts and fiscal rules, pollution remediation, higher education tax issues, debt issuance for higher education and an update on PERA. Mark your calendars now for April 16th, 17th and 18th as this will be a great conference at an outstanding resort for a very reasonable price.

If your department or agency needs temporary help you might want to consider an internship for a college student. Internships can be paid or unpaid (volunteer or college credit only). I think this is a great way to get to know future candidates for employment and gives us, as employers, an opportunity to market a career in state government. It's also a good way for students to learn about opportunities in the state and to gain valuable work experience.

As of January 1st, we will no longer be providing a CPE summary report for members. Please see the "Members" page on the web site for further details. <http://www.state.co.us/cfma/membership/join%20cfma.htm>

Be sure to get your reservations for the January luncheon to be held at the history museum. Also, it is not too soon to get your room reservations at the Cheyenne Mountain Resort for the Spring Conference.

Bean Counter's Underground Press

Alan Boisvert



"The key to realizing a dream is to focus not on success but significance - and then even the small steps and little victories along your path will take on greater meaning."

~ Oprah Winfrey

I try to make my commentary as timely as I can and to speak to the most important issue of the day. Right now, I'm uncertain as to whether the most important issue is the continued meltdown in the Middle East and Pakistan, global warming, the decline of the dollar, immigration, the 2008 election, smoking indoors, or the fight between GFOA and GASB. However, with the recent turn on a dime by the SEC in allowing foreign companies to file their statements using international accounting standards, and not reconcile them to GAAP has settled the issue for me, it's GFOA vs. GASB in a grudge match.

First, some background. The State chose not to follow FASB after November 30, 1989, according to the State's 2006 CAFR. (I couldn't find my 2007 CAFR, must be lost in the mail somewhere). So, every time FASB comes out with a cool pronouncement, we can't follow it. So then, two years go by and GASB comes out with the same statement as FASB only tweaked for government. Check out GASB 42, GASB 51, OPEB, etc. So, GFOA thinks GASB should have quit at GASB 34, and if they are just going to do a copycat version of FASB, well, just let FASB make standards for governments as well as non-profits. This all came to a boil at Snowmass at the November CGFOA conference where David Bean talked about how we really need GASB, and the President of GFOA did a luncheon speech about how we don't need GASB.



Then the SEC said foreign companies can file their statements using IAS, and they recommended that US companies think about using IAS. GFOA then questioned whether FASB's days are now numbered. Well, if FASB's no longer needed, then they can't replace GASB. So, which is it, get rid of GASB, keep FASB, or adopt IAS, and get rid of FASB and keep GASB.

Yes, your head is spinning, and you're thinking "who gives a hoot?" Or, you're thinking how great it would be to be stuck in an elevator with David McDermott so we could discuss whether it is the end of the road for GASB, FASB, or Michael Vick. I think it is totally up in the air whether he will play again, Michael, not David. David's a sure thing.

Keep in mind that the SEC would like more control over government reporting, especially when it comes to issuing debt. Right now governments only come under SEC oversight when fraud is at issue, which is, thank goodness, seldom.

I'm open to any discussion of GASB vs. FASB, US GAAP vs. IAS, desperate housewives, and the NFL playoffs. These are things, I, a humble accountant, can understand. Those other issues I mentioned in the first paragraph, I would just leave them up to the State Controller's Office because I know they always have an answer for everything, and if they don't have one now, they will just get back to you later with one.

And remember, please vote for only one.

- FASB
- GASB
- Patriots
- Colts

"The opinions expressed here in are those of the author and do not necessarily represent the opinion of the Colorado Fiscal Manager's Association, its board, or its members."

Controller's Corner



What's Happening?

New Staff at OSC

On December 17, Jenine Burrell started in Central Payroll as the CHOP/front desk person. Jenine comes to our office from the City of Rocky Ford where she gained extensive accounting and customer service skills. Her family is relocating to Denver and we are glad to have her join us!

Comprehensive Annual Financial Report

The statewide audit has concluded with the issuance of an unqualified or "clean" audit opinion for Fiscal Year 2007. The Comprehensive Annual Financial Report is now available on the State Controller's Office website at: <http://www.colorado.gov/dpa/dfp/sco/CAFR/cafr.htm>

Post Closing Audit Adjustments

The Reporting and Analysis section has distributed diagnostic reports showing the Exhibit H entries that were posted to the statewide financial statements and require follow-up entries in FY07-08. We are asking that all required journal entries be entered and approved in COFRS prior to Period 6 close (1/11/08).

Tax Time!

With the close of another year comes the start of another tax season. Central Payroll staff has been working very diligently to produce employee W-2 statements. You should expect to receive your statement between now and the end of the month. Depending on your department, your statement may be mailed or may be

By the Field Accounting Services Team, State Controller's Office

Quarterly Reporting

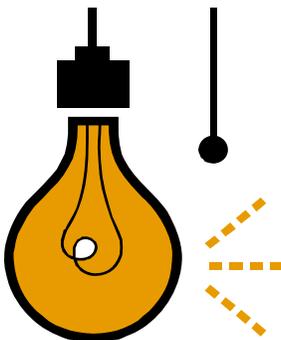
Second quarter close is quickly approaching. Timely and accurate financial reporting is vital for the proper functioning of state government. Pages 287-290 in the MA Conferencedistributed with your paystub. If you have questions, please contact your department's payroll officer. The Central Accounting and Operations Section has also been very busy producing 1099s for the state's vendors. These will also be distributed by the end of January.

Fiscal Procedures Manual

Throughout January and February FAST will coordinate the annual update of the Fiscal Procedures Manual. Please feel free to contact your FAST member with suggestions for changes. It is anticipated that the manual will be available near the end of March. **Also, please verify ALL of your Agency's contact information in Appendix A of the Fiscal Procedures Manual.** The web address is: (http://www.colorado.gov/dpa/dfp/sco/FiscalProcedures/FY06-07/a_1.pdf). If any changes (names, phone/ fax numbers, addresses) are needed, they can be made at <http://www.colorado.gov/dpa/dfp/sco/contacts/fiscalcontacts.htm>.

Fiscal Procedures Manual define the policies, guidelines and procedures for preparing quarterly financial reports. Agencies should make every effort to correct all abnormal account balances, out-of-balance conditions, underearning of revenue, or overexpenditures identified in the diagnostic reports generated by the OSC. Once December closes, agencies have until the 25th of January to review the final 2nd quarter close diagnostic reports and where applicable, provide a variance disclosure statement to the Office of the State Controller. Any questions call your FAST specialist.

From the "Thought You Should Know" Category



Fed's Consolidating Federal Reporting Forms

In the **Federal Register's** Vol. 72, No. 235 / Friday, December 7, 2007 issue it is requesting FINAL comments concerning the Office of Management and Budget's (OMB) establishing the government-wide Federal Financial Report (*FFR*). The *FFR* provides a standard format from which agencies can determine data elements that recipients must complete to report on the cash management and financial status of single or

multiple awards. Consistent with government-wide grant streamlining objectives, the *FFR* will result in the use of standard reporting period end dates and due dates for the submission of cash management and financial information. This establishment of the government-wide *FFR* requires amendments to OMB Circulars A-110 (2 CFR part 215) and A-102. Those amendments will be published under a separate notice. We also recognize that a transition period will be necessary to provide agencies and

grantees with time to adapt their processes to the new form and phase-out the use of old ones. When the *FFR* is approved by OMB, the **SF-269, SF-269A, SF-272 and SF-272A** may continue to be accepted by agencies until September 30, 2008. Federal agencies must determine the earliest practical time that their recipients will transition to using the *FFR* on or before September 30, 2008.

FAST sent an email on 12/13/07 to all Controllers notifying them of the above. This is the **last**

Controller's Corner ...continued

chance to comment before the form and instructions are finalized. If you did not receive the notification and want to comment you can direct your comments to Marguerite Pridgen, Office of Federal Financial Management, Office of Management and Budget, 725 17th Street, NW., Washington, DC 20503; telephone 202-395-7844; fax 202-395-3952; e-mail mpridgen@omb.eop.gov **no later than JANUARY 08, 2008.** Electronic submissions are encouraged due to mail delays.



Colorado State Symbols



Nickname: Centennial State

Animal: Rocky Mtn. Big Horn Sheep

Bird: Lark Bunting

Fish: Greenback Cutthroat Trout

Flower: White & Lavender Columbine

Fossil: Stegosaurus

Gem: Aquamarine

Grass: Blue Grama Grass

Insect: Colo. Hairstreak Butterfly

Tree: Colorado Blue Spruce

Mineral: Rhodochrosite

Rock: Yule Marble

For a complete listing and more information go to

<http://www.colorado.gov/dpa/doit/archives>

CFMA SPRING CONFERENCE

MARK YOUR CALENDARS NOW!!!!

2008 SPRING CONFERENCE

APRIL 16, 17, & 18

CHEYENNE MOUNTAIN RESORT

COLORADO SPRINGS, COLORADO

Keynote speaker on Thursday, April 17th will be Governor Bill Ritter

Conference fee will be \$100 (\$125 for late registration).

Go to <http://www.state.co.us/cfma/Seminars/seminars.htm> for more information

CFMA LUNCHEON DATES/LOCALE

We are still confirming dates for the remainder of the year. See the web site for more info.

Mar. 20, 2008 TBA
Apr. 17, 2008 TBA
May 22, 2008 TBA
Jun. 19, 2008 TBA

Here is a list of the luncheon dates; speakers will be added as they are confirmed. Most luncheons are on Thursday except for Nov. 28 and Feb. 20, which are Wednesdays. The location will continue at the Beef Palace except for January 17, 2008 which will be held at the Historical Society.

Your lunch reservations should still be made using the Internet. Visit the CFMA luncheons web page (see link below) and click on the "Place Setting." You can register each month or sign up for all the lunches in one visit.

Oct. 17, 2007 Cherry Mallard
Nov. 28, 2007 Dylan Ikenouye
Jan. 17, 2008 TBA
Feb. 20, 2008 TBA



JANUARY LUNCHEON

Place: Historical Society – Serving Boxed Lunches*

Time: January 17, 2008, 11:45am -1:30pm

Speaker: Elisa Phelps, Director of Collections & Angelica Docog, Director of Interpretive Services

Please register by **12 PM on MONDAY, JANUARY 14TH.** If you need to cancel after you register, please email Dottie Relaford before noon on the Wednesday before the lunch

dottie.relaford@state.co.us

<http://www.state.co.us/cfma/Luncheons/lunch.htm>

*The box lunches include a sandwich (turkey, roast beef, ham or veggie), homemade chips, and a brownie. The beverages will be water, ice tea or coffee.

About Our Organization

CFMA is run by state employees elected by the membership. The Executive Board consists of the following four elected executive officers: President, Vice-President, Secretary, and Treasurer. Per CFMA's by-laws, all the officers are

elected for a one year term. The President and Vice-President can not succeed themselves in the same office. The Secretary and Treasurer can succeed themselves in office, but can serve no more than two consecutive terms.

At the discretion of the Executive Board, committees can be formed to assist in carrying out CFMA's goals and objectives. Participation on these committees comes from active CFMA members.

"Attend three CFMA luncheons this year and get the 4th lunch free!" – CFMA Board

CFMA's very popular buy three get one free lunch program is in place for the upcoming year. If you attend all eight lunches this year, CFMA will pay for two of them. To assist in the record Keeping process, please register each month using the Web site registration and be sure to use the same name. For example, Roger Cusworth and Roger A Cusworth are treated as two people in the database used to track free lunches. You also need to be sure you check in each time you attend a luncheon.

In case you are wondering, your attendance from last year does not carry over to this year.



We're on the Web!

See us at:

<http://www.state.co.us/cfma/home.htm>