

Georgia Fiscal Management Council



About Us

The Georgia Fiscal Management Council (FMC), a nonprofit organization, began in 1968 as the Fiscal Officers' Council. The Council promotes efficient management of State government resources in a variety of ways. The Council serves its members by encouraging professional development and by providing quality educational programs through monthly meetings and a three-day annual training conference.

JANUARY – APRIL

2022

NEWSLETTER

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Promoting Increased Knowledge in Governmental Financial Procedures and Practices



INTEGRITY IN THE WORKPLACE



Lisa Walker, Chief Financial Officer

By Lisa Walker, President, Georgia Fiscal Management Council

Many organizations are known by their image and/or branding. The question is, how does that come about? To attain to the level of excellence companies strive for, it takes having a high level of integrity in order to get there. Organizations with high levels of integrity have a workforce that is satisfied, stable within, has increased workflow, and experiences growth.

Integrity is the essence of being honest, punctual, sincere and being able to accept accountability for one's actions. To sum it up, integrity is the moral and ethical principles that a person conducts themselves in both their

professional and personal life. It is the foundation that helps guide people to success within their careers and organizations. It is the practice of doing the right thing through your words and actions when no one is watching. It is based on values without the intent of personal gain. It plays a part in making organizations be their best. Their best is building and maintaining trust among their employees and customers. Without trust in an organization, employees and customers will leave and eventually cause the organization to become short staffed and suffer in their performance and operations.

Why is integrity at work so important? People with integrity display strong ethical and moral values and will uphold them regardless of the situation. This is essential with establishing work relationships that are built on trust and is a characteristic that employers look for in employees. Employees with integrity have a self-awareness that allows them to be accountable, truthful and reliable and easier to work with. As finance professionals, integrity is a trait that is looked for more than any other based on the scope of work each person is given to fulfill related to making a decision that will impact an organization financially and operationally.

This does not only fall on employees but leadership as well. Leadership must be the ones to embrace integrity and set the example for everyone to follow. If not, it gives permission for everyone to act in a manner that lacks integrity. Leaders must openly talk about integrity and establish it as part of the workplace culture.

In the finance world, sometimes fear runs high, and leadership amplifies the situation which thrust everyone into an "integrity" moment. Leadership must be careful about setting targets that are not attainable and mindful of using strong language in motivating employees to meet certain goals. This causes pressure points to be placed on staff/employees to perform to a level of grandiose expectations which creates the

“integrity” moments. Employees look for trust, honesty, confidence, understanding and the ability to communicate from their leaders. Leaders must set the tone and example for employees so that they are in a psychological safe environment to work, speak up and be successful.

Within the public sector, especially state government, usually there are standard codes of ethics established. Integrity ties into the code of ethics at all organizations. Leaders should establish internal policies for their organizations for their staff to follow. When leaders want to establish a cultural environment based on integrity, they should establish a code of ethics for the workplace that was developed by getting input from a diverse group of employees and based on values of the organization. It is best not to construct the ethics code based on a bunch of rules but based on what the expected behavior should be when confronted with certain issues and decisions to make. Once that is done, leaders should talk about integrity regularly related to its importance. When integrity is talked about regularly from leadership and followed through by example, it sets the tone and makes a lasting impression.

Leaders should encourage employees to report violations of ethics even when it involves members of leadership. Organizations that want integrity as part of the workplace culture must make reporting of such events easy and without retaliation. It should be a process that once investigated and substantiated, consequences are given to those who are violators. Immunity is not an option nor should be. A culture of nothing happens erodes trust and discourages employees from reporting such issues. The key is that leadership needs to have a clear understanding that integrity, as it relates to standards of conduct/ethics, does not need to be a once-a-year reminder to ensure that a box has been checked but repetitive to the point of creating an environment in which ethics is talked about and practiced on a day-to-day basis until it is woven into the fabric of the culture you are trying to create. It will be one of the most powerful assets any organization could have.

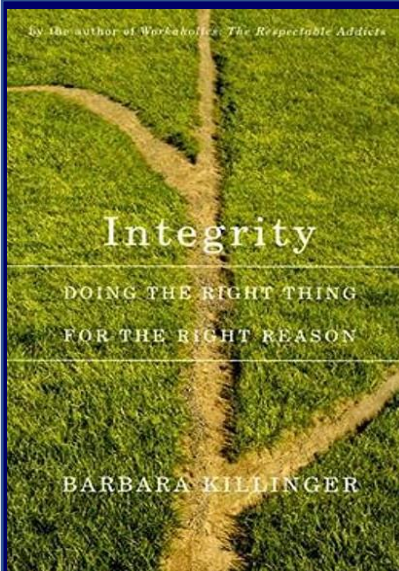
Once a workplace culture of integrity is established, there should be no exceptions to honesty, accountability, reliability and success. It is a state of mind to have these types of values and not an option. Usually, any compromise of integrity starts small, and it continues to increase and eventually leads to a continual decline until things crash. People who compromise their integrity can easily be identified because they display certain characteristics. Those characteristics are self-focused (it's all about you), tend to hide things (not transparent/lying), do not keep their word (fail to do what they say they will do), and make too many decisional compromises. In contrast to those who lack integrity, leaders with integrity also have key characteristics that stick out. These are people who don't lie, they don't steal from the organization/company (embezzle, commit fraud), they follow through on their word (what they say they are going to do, they follow through on their commitment /promise), they hold themselves accountable and there is one key characteristic that is seldom mentioned, they are assertive. Being assertive is sometimes frowned upon, however, assertiveness in a leader with integrity means that the person runs toward the problem not

away from it. They are not passive-aggressive or conflict-avoidant. They cut through the conflict by listening to gain understanding in order to bring about a faster resolution to the problem instead of letting it linger. This is the type of leader that stands out and should be sought after.

The true measure of integrity, especially in leadership, is when you can do the right thing although it might not be the most popular and sometimes displeases others. It is not the process of pleasing others but the goal of being true to yourself with a level of integrity built on trust, influence, doing what you say you were going to do and the power of creating a habit of continuously doing the right thing.

Integrity is a way of living. It must be continuously practiced throughout your lifetime. When you practice it daily, others will see it and it will be contagious. Your integrity is in your name when people hear it, and it is the reputation that follows you wherever you go. When it is the essence of who you are, you will become known as a person of good character and people will want to be in your presence and follow your example.

BOOK RECOMMENDATIONS

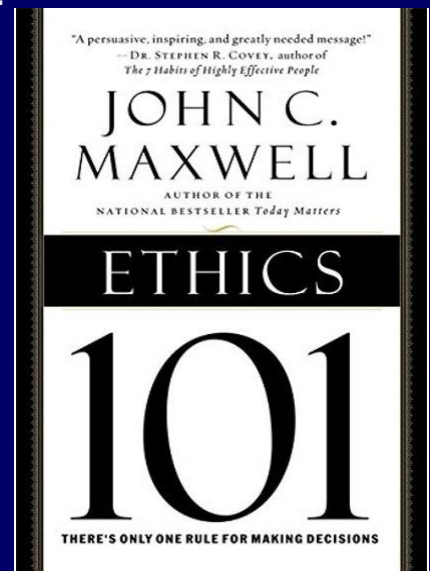


Barbara Killinger

Integrity: Doing the Right Thing for the Right Reason
Drawing on her clinical practice and pioneering efforts in workaholism Dr Killinger describes the personality traits and psychological, philosophical, historical, and familial influences that help develop and maintain integrity. Killinger concludes that integrity is not possible without compassion and makes it clear that doing the right thing includes doing it for the right reason.

John C Maxwell

Ethics 101 : What Every Leader Needs to Know
Bestselling author John C. Maxwell shows you how the Golden Rule works everywhere, and how, especially in business, it brings amazing dividends.



OVERVIEW OF SAS 134 THROUGH 140



By Randy Pearman, Jess Parent, and Kristina Turner

"The creation of a thousand forests is in one acorn." –
Ralph Waldo Emerson

The Statements on Auditing Standards (SASs) Nos. 134 through 140 deal primarily with substantial changes to the auditor's report. They are composed as, and intended to be implemented as, a group.

SASs 134 – 140 will be implemented for periods ending on or after December 15, 2021. Early implementation is permitted and encouraged. All these SASs should be implemented simultaneously as they are related. In April of 2020 the Auditing Standards Board (ASB) of the American Institute of Certified Public Accountants (AICPA) decided to delay the implementation of this group by one year. The implementation had originally been scheduled for December 2020, but the Board was concerned over the impact of the COVID-19 pandemic on the ability of CPA firms and their clients to effectively and efficiently engage the implementation process.

In this article we will enjoy a brief overview of the SAS 134 – 140 suite. Detailed review of the new Statements on Auditing Standards by users is encouraged in order for the reader to gain a thorough working understanding of the subject matter.

For purposes of this article we will use the definition of "related parties" as found in GASB 62 paragraph 57 - *A government's related organizations, joint ventures, and jointly governed organizations, as defined in Statement No. 14, The Financial Reporting Entity, as amended; elected and appointed officials of the government; its management; members of the immediate families of elected or appointed officials of the government and its management; and other parties with which the government may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties (for example, through imposition of will as discussed in Statement 14, as amended) or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.*

For the purposes of this article, we will use the definition of "significant unusual transaction" as found in SAS 135, - *Significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual due to their timing, size, or nature.*

SAS No. 134 – Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements

SAS number 134 addresses the auditor's responsibility to form an opinion on the financial statements based on sufficient appropriate evidence. It discusses communicating key audit matters (KAM) in the independent auditor's report. This reporting of key audit matters is intended to provide greater transparency regarding the audit. In addition, modifications to the opinion in the auditor's report are reviewed. These modifications include a qualified opinion, an adverse opinion, and a disclaimer of opinion. Finally, Emphasis-of-Matter (EOM) paragraphs and Other-Matter paragraphs are discussed.

The requirements for the auditor to include these paragraphs and the form of the paragraphs are detailed as well.

Things to Consider: This SAS will have minimal impact to audit clients. Its focus is primarily an auditor function.

SAS No. 135 – Omnibus Statement on Auditing Standards - 2019

This standard is intended to more closely align Auditing Standards Board (ASB) guidance with the Public Company Accounting Oversight Board (PCAOB).

This standard addresses the auditor's responsibilities in agreeing upon the terms of the audit engagement with management and, when appropriate, those charged with governance (TCWG). Certain preconditions are established for an audit, for which management and, when appropriate TCWG are responsible. It establishes whether preconditions are present (i.e., acceptable financial reporting framework exists, and management acknowledges and accepts its responsibility for financial statement presentation), whether the internal control system is in place, whether the auditor is provided with access to all information and confirms that a common understanding exists of the terms of the audit.

SAS 135 addresses the auditor's responsibilities relating to fraud in an audit of financial statements. This responsibility rests primarily with TCWG and management. The auditor is responsible for obtaining reasonable assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

SAS 135 provides the overarching framework for the auditor's communication with TCWG and identifies some specific matters to be communicated. The SAS addresses the auditor's responsibility to communicate to TCWG and management, deficiencies in internal control that the auditor has identified. However, no additional responsibilities on the auditor are imposed regarding obtaining an understanding of the internal control system.

The auditor is required to obtain an understanding of the entity and its environment and assessing the risk of material misstatement. The auditor is required to perform risk assessment procedures (inquiry of management, analytical procedures, observation, and inspection).

In response to the understanding of risk of material misstatement the auditor must design and perform audit procedures to obtain sufficient appropriate evidence to support an opinion.

The auditor must obtain sufficient appropriate evidence regarding whether opening balances contain misstatements, appropriate accounting policies are reflected in the opening balances, and changes to accounting policies have been accounted for and disclosed.

SAS 135 addresses the auditor's responsibility to understand the entity's related party relationships and ensure that appropriate accounting and disclosure measures are taken. Going forward, auditors will inquire about related party and significant unusual transactions not approved and authorized according to established policies and procedures. In addition, they will inquire about related party and significant unusual transactions for which exceptions to policies and procedures were granted and the reasons for granting those exceptions.

This SAS addresses the auditor's, and predecessor auditor's, responsibilities regarding subsequent events; those that provide evidence of conditions that existed at the date of the financial statements and those that provide evidence of conditions that arose after the date of the financial statements.

Generally accepted auditing standards apply to group audits (e.g., Annual Comprehensive Financial Report). SAS 135 also addresses special considerations that apply to group audits. The group engagement partner is required to be satisfied that those performing the audit engagement collectively possess the appropriate competence and capabilities.

Auditor's responsibilities when engaged to review interim financial information is an important topic covered as well. Remember, in these situations the auditor is not performing an audit. The objective of the auditor when doing this work is to obtain a basis for reporting whether the auditor is aware of any material modifications that should be made to the interim financial information for it to be in accordance with the applicable financial reporting framework through performing limited procedures.

This standard establishes requirements and provides guidance that applies only when an auditor is engaged to perform an audit of internal control over financial reporting (ICFR) that is integrated with an audit of financial statements (*integrated audit*). The auditor is to obtain reasonable assurance about whether material weaknesses exist as of the date specified in management's assessment about the effectiveness of ICFR and express an opinion on the effectiveness of ICFR in a written report.

Things to Consider: An audit client should have current documented policies and procedures (P&P) regarding the appropriate approval and disclosure of related party and significant unusual transactions. The P&P should explain restrictions on related party and significant unusual transactions, the process for gaining approval for these transactions, any documentation requirements for this approval, and documentation of the business purpose for the transactions.

SAS No. 137 – The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports

SAS 137 addresses the auditor’s responsibilities relating to other information, whether financial or nonfinancial information (other than financial statements and the auditor’s report thereon), included in an entity’s annual report. An entity’s annual report may be a single document or a combination of documents that serve the same purpose. The auditor’s opinion on the financial statements does not cover the other information, nor is the auditor required to obtain audit evidence beyond that required to form an opinion on the financial statements.

Things to Consider: This SAS will have minimal impact to audit clients. Its focus is primarily an auditor function.

SAS No. 138 – Amendments to the Description of the Concept of Materiality

SAS No. 138 amends various AU-C sections in AICPA *Professional Standards*, to align the materiality concepts discussed in AICPA *Professional Standards* with the description of materiality used by the Public Company Accounting Oversight Board (PCAOB), the Securities Exchange Commission (SEC), and the Financial Accounting Standards Board (FASB). The FASB believes it is in the public interest to eliminate inconsistencies between AICPA Professional Standards and the description of materiality used by the U.S. judicial system and other U.S. standard setters and regulators.

SAS 138 addresses overall auditor’s responsibilities when conducting an audit of financial statements in accordance with Generally Accepted Auditing Standards (GAAS). It sets out overall objectives for the auditor and explains the nature and scope of an audit designed to meet those objectives. It also explains the scope, authority, and structure of GAAS.

This SAS addresses the auditor’s responsibility to apply the concept of materiality in planning and performing an audit. In addition, it addresses the auditor’s responsibility to evaluate the effect of identified misstatements on the audit and the effect of uncorrected misstatements, if any, on the financial statements.

SAS 138 addresses special considerations that apply to group audits, in particular those that involve component auditors.

This SAS addresses the auditor’s responsibility to form an opinion on the financial statements. It also addresses the form and content of the auditor’s report issued as a result of an audit of financial statements. This applies to an audit of a complete set of general purpose financial statements and is written in that context. The objectives of the auditor are to form an opinion on the financial statements based on an evaluation of the audit evidence and to express that opinion in a written report..

Finally, SAS 138 discusses the auditor’s responsibility to form an opinion on the financial

statements of employee benefit plans (EBPs) subject to the Employee Retirement Income Security Act of 1974 (ERISA). It also addresses the form and content of the auditor's report issued as a result of an audit of ERISA plan financial statements.

Things to Consider: This SAS will have minimal impact to audit clients. Its focus is primarily an auditor function.

SAS No. 139 – Amendments to AU-C Sections 800, 805, and 810 to Incorporate Auditor Reporting Changes from SAS No. 134

SAS No. 139 aligns AU-C sections 800, *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, 805, *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*, and 810, *Engagements to Report on Summary Financial Statements*, with the reporting provisions of SAS No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*, and other recently issued SASs. These revised auditor's reports involving special purpose accounting frameworks and other unique reporting scenarios provide additional transparency into the basis for the auditor's opinion and the responsibilities of both entity management and auditors.

SAS 139 addresses special considerations in the application of AU-C sections 200 through 700 as applied to audits of financial statements. These special considerations include issues that are relevant to the acceptance of the engagement, the planning and performance of the engagement, and forming an opinion and reporting on the financial statements. SAS 139 does not purport to address all special considerations that may be relevant in the circumstance.

This SAS also addresses special considerations in the application of AU-C 200 through 700 to an audit of a single financial statement or a specific element, account, or item of a financial statement. The special considerations addressed here are largely the same as those in the previous paragraph.

SAS 139 also addresses the auditor's responsibilities relating to an engagement to report separately on summary financial statements derived from financial statements audited in accordance with GAAS by the same auditor. In such an engagement, the auditor forms an opinion about whether the summary financial statements are consistent, in all material respects, with the audited financial statements from which they have been derived. This section does not apply to condensed financial statements or summarized financial information presented as comparative information.

Things to Consider: This SAS will have minimal impact to audit clients. Its focus is primarily an auditor function.

SAS No. 140 – Amendments to AU-C Sections 725, 730, 930, 935, and 940 to Incorporate Auditor Reporting Changes from SAS Nos. 134 and 137

SAS No. 140 completes the ASB's yearlong effort to conform GAAS with the reporting provisions of SAS No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*, and other recently issued SASs. In addition, certain other AU-C sections in AICPA *Professional Standards* have been amended to reflect practice issues that have arisen since the most recent revisions to these AU-C sections, and AU-C Section 935, *Compliance Audits*, has also been amended to be consistent with current governmental requirements.

SAS 140 addresses the auditor's responsibility to report on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. This report on supplementary information is not considered necessary for the financial statements to be fairly presented.

Also addressed in this SAS is the auditor's responsibility with respect to information that a designated accounting standard setter requires to accompany an entity's basic financial statements. In the absence of any separate requirement, the auditor's opinion on the basic financial statements does not cover required supplementary information.

This SAS also discusses circumstances in which an auditor practicing in the United States is engaged to report on financial statements that have been prepared in accordance with a financial reporting framework generally accepted in another country, not adopted by an appropriate body in the United States, when such statements are intended for use outside the United States. This SAS does not preclude the use of those statements within the United States. The objective of the auditor in this circumstance is to address the special considerations relevant to the acceptance of the engagement, the planning and performance of the engagement, and forming an opinion and reporting on the financial statements.

SAS 140 also discusses comfort letters to specific parties. Auditors are not required by GAAS to accept an engagement to issue a comfort letter. Comfort letters developed as a response to underwriters' request for assurance of financial stability. A comfort letter may include the independence of the auditor, whether the financial statements comply regarding form with the 1933 Act, unaudited financial statements, other financial information, and negative assurance about whether nonfinancial information complies with Regulation S-K.

This SAS addresses the auditor's responsibilities when engaged to review interim financial information under specific conditions. The objective of the auditor in these circumstances is to review the interim financial information to determine whether any material modifications should be made to the interim financial information for it to be in accordance with the applicable framework.

Governments frequently establish governmental audit requirements for entities to undergo an audit of their compliance with applicable compliance requirements. This SAS is applicable when an auditor is engaged to perform a compliance audit with GAAS, under *Government Auditing Standards* (GAS), and a governmental audit requiring an opinion on compliance. The auditor's objective here is to make a determination whether the entity materially complied with requirements and identify requirements supplementary to GAAS and GAS and perform those requirements.

SAS 140 also establishes requirements and provides guidance that applies only when an auditor is engaged to perform an audit of internal control over financial reporting (ICFR) that is integrated with an audit of financial statements (*integrated audit*). GAAS can be adapted to apply to an audit of ICFR that is integrated with an audit of financial statements. The auditor's objectives here are to obtain reasonable assurance about whether a material weakness exists in the ICFR and express an opinion on the effectiveness of ICFR.

Things to Consider: This SAS will have minimal impact to audit clients. Its focus is primarily an auditor function.

SAS No. 141 – Amendments to the Effective Dates of SAS Nos. 134 – 140

SAS No. 141 delays by one year the effective dates of SAS Nos. 134 – 140 (which, among other things, substantially changes the auditor's report) from December 15, 2020 to December 15, 2021, and also permits early implementation of this suite of standards.

This new suite of standards issued by the AICPA provides a fresh updated approach to auditor reporting on financial statements. Thanks to these updates financial statement users can look forward to greater understanding of the information provided to them by auditors and auditors can have confidence that the information they provide is more closely aligned with user needs. More SAS updates will be available soon.



TRAINING & EDUCATION



**Carl Vinson
Institute of Government**
UNIVERSITY OF GEORGIA

The Carl Vinson Institute has several financial training classes still available for registration this fiscal year.

- **Budget Administration:** March 22-23 (Face-to-face classroom)
- **Purchasing Basics in Georgia State Government:** March 30 (Virtual live)
- **Debt Administration:** April 12-13 (Virtual live)
- **Internal Control:** May 17-18 (Virtual live)
- **Grant Writing:** May 26 (Virtual live)
- **Revenue Administration:** June 14-15 (Face-to-face classroom)

You can find more information and register online using this link: <https://t.uga.edu/68m>

If you need additional assistance, you can contact our new state programs coordinator, Jasmine Jackson, at (678) 985-6813 or jasmine.jackson@uga.edu.

TRAINING & EDUCATION



**Carl Vinson
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By David Lakly

The Vinson Institute is proud to recognize recent recipients of the Budget and Financial Management Certification. This program offers an overview of the state's budget and fiscal management cycle, and it covers important information on many topics, including budget and accounting, revenue and debt, and purchasing and internal controls. Students must complete eight classes – and exams! - comprised of 78 total training hours. Students leave this program ready to meet the challenge of working in an ever-changing environment, equipped with knowledge and resources to keep Georgia the best state in the country. Please join me in congratulating:

Congratulations!

*Modesta Akumengalame
Robert Aycock
DeChanda Brown-Jackson
Daria Chryssochoos
Leslie Collins
Rosa Cotton
Matthew Couper
Melissa Downs
Brandon Gomez
Laura Greathouse
Inez Greggs
Melody Harper
David Hartman
Christopher Lampley*

*Jenny Lee
Natasha Morgan
Leona Rittenhouse
Tiffanie Robinson
Leslie Rosser
Carlethia Rushin
Kori Russell
Afia Smith
Jonathan St. Louis
Trina Swann
Samantha White
Greg Williams
Hilroy Wilson*

FINANCIAL FUNNIES



MADOFF IN JAIL



"Before I begin, I'd just like to make it known that I didn't volunteer to do this presentation."



"So far, so good — I've got our budget all balanced except for food, clothing, and shelter!"

Georgia Fiscal Management Council

Join Today

Membership to the Georgia Fiscal Management Council is open to any State employee engaged in a function related to fiscal operation and/or management. If you would like to join, please complete an [application form](#).

Benefits of being an FMC Member

- **Professional Development.** An FMC membership gives you access to up-to-date information on fiscal matters. When a change in methodology, policy or procedure is required, FMC usually hears about it first.
- **Mentorship.** FMC is made up of many leaders across the state of Georgia. These leaders are seasoned professionals and career state government employees. The depth of knowledge is vast and they provide a strong support system within the fiscal community.
- **Leadership Development.** An FMC membership gives you access to an organization where the possibilities of participation is unlimited! Build your leadership skills by serving/chairing on a committee or leading an effort.
- **Networking.** Being a member of FMC allows you to mix and mingle with others in the fiscal community within the state of Georgia. You can establish relationships with other FMC members who share common professional interests and similar business concerns.
- **Jobs.** Most fiscal officers in FMC share open job or vacancy announcements with FMC since it represents the state's fiscal community.

Council Leadership

| | |
|-----------------|-----------------|
| Lisa Walker | President |
| Cindy Jones | President-Elect |
| Janet Arsenault | Past President |
| Chad Dabella | Treasurer |
| Alicia Hautala | Secretary |

Contact Us

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Council Committees

Meeting & Events (Chair: Lisa Walker)

Membership (Chair: [Barbara Kaumeyer](#))

Newsletter (Chair: [Carla Morris](#))

Program and Professional Development (Chair: [Dave Lakly](#))

Scholarship (Chair: [Teresa Loggins](#))

Sponsorship (Chair: [Kenley Finlayson](#))

Website (Chair: [Kenley Finlayson](#))