



Lessons Learned The Hard Way *(and how to apply them)*

Joseph Howell

Co-Founder & EVP, Workiva

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Who Is This Guy?

Former CFO- both public & private companies

Originally studied to be public administrator

Co-founder of Workiva

Co-founder of two professional organizations

Author & speaker- accounting & auditing issues



What's Workiva?

Software company... all in the Cloud

Product called Wdesk

Does to desk-top software as...

- Excel did to accounting paper & calculators
- Word did to typewriters

Extremely rapid adoption by private sector

Growing use by state & local governments



How's Wdesk Different?

All in the Cloud

Single source of truth

Benefits...

- Reduce time to complete work
- Improve quality of work
- More secure
- Significant financial ROI

Downside...

- It's not free



Is This A Sales Pitch?

- Nope
- Focus on issues
- Only if relevant & in context
- Only if YOU are interested



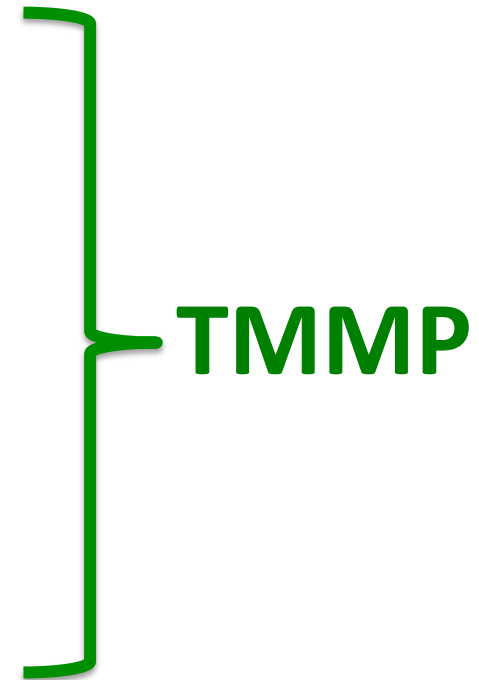
Purpose

1. What happened?
2. Why is it important?
3. How is it relevant to YOU?
4. What should you do about it?



Agenda

1. 2016 NASACT Survey
2. XBRL (DATA Act)
3. Internal controls
4. Cloud computing



99%



$$1 - \frac{(10,000^{.99})}{10,000} = 8.8\%$$

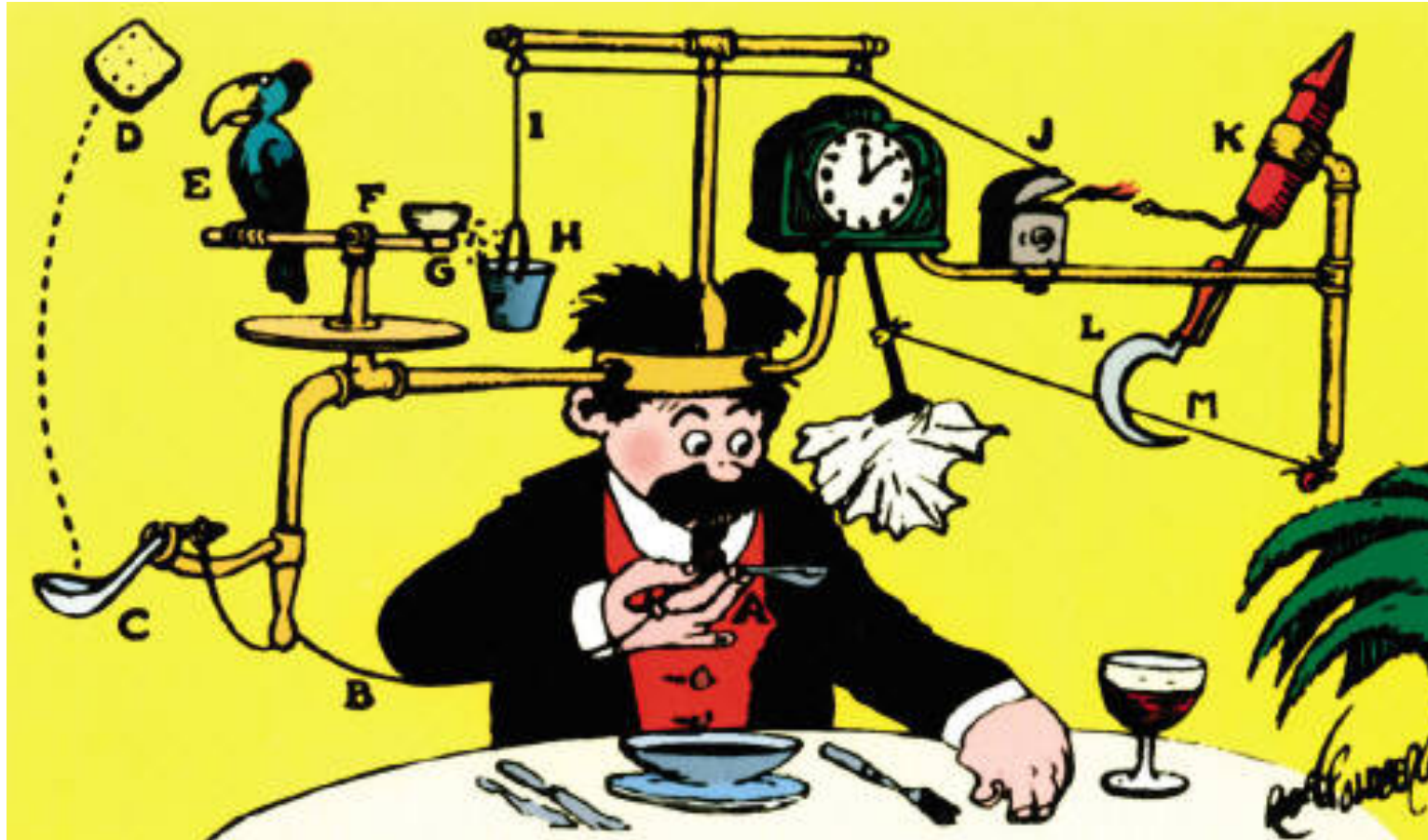


$$1 - \frac{(10,000^{.99})}{10,000} = 8.8\%$$

$$1 - \frac{(1,000^{.99})}{1,000} = 6.6\%$$



Too Many Moving Parts



Too Many Moving Parts

- Disconnected facts and documents
- Multiple sources with different information
- Multiple authors
- Multiple versions



2016 NASACT Survey of State Comptrollers and Their CAFR Processes



2016 NASACT Survey

Purpose of survey—

- ① Assist states in diagnosing challenges associated with CAFR preparation
- ② Identify trends among technology tools that have either helped or failed to assist
- ③ Understand the need for a repeatable and sustainable process that can support staff changes



2016 NASACT Survey

Concerns—

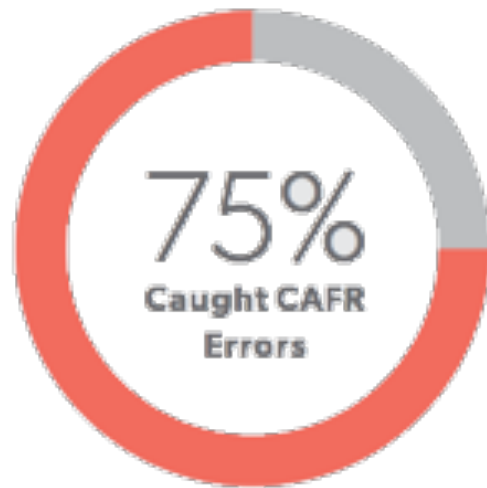
- Staff turnover, manual work, and technology
- Manual work and staff with effective skill sets
- Timeliness of audited component unit information
- Waiting for updates from others
- Compliance with requirements & GASB standards



2016 NASACT Survey



2016 NASACT Survey



It is a valid concern:

75% of respondents have caught errors in the CAFR prior to it being published, and nearly 43% have caught errors in the CAFR after it was published.

2016 NASACT Survey

Errors—

- Manual input errors, formatting, grammar, inaccurate data
- Adjustments made to component unit financial statements after drafts have been submitted
- Error in fund roll-up



2016 NASACT Survey

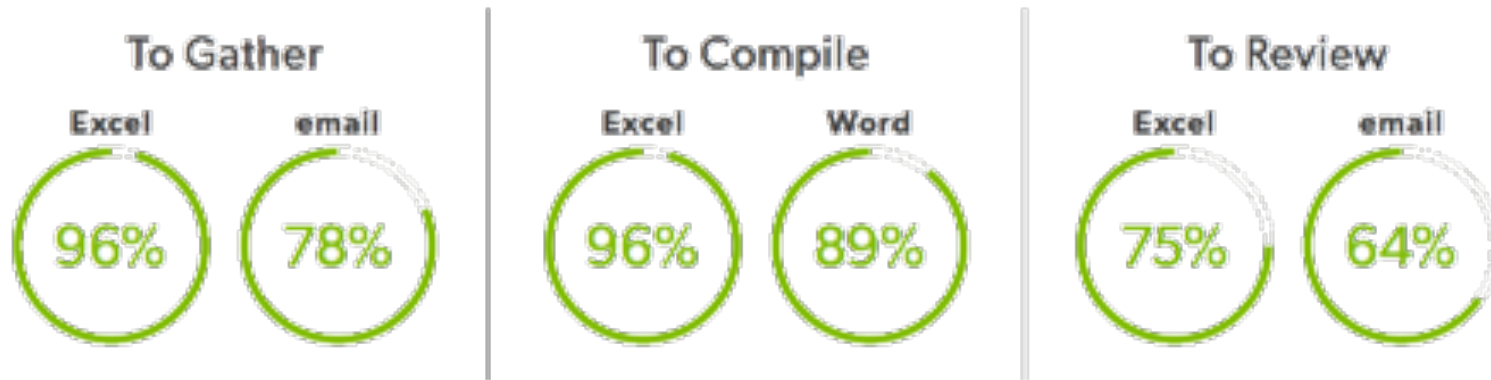
Errors (*continued*)—

- New or revised numbers from component units or agencies
- Incorrect information included in component unit report, subsequently duplicated in CAFR—minor typographical and formatting errors
- An agency reporting that they have been erroneously reporting a capital asset that did not belong to the agency



2016 NASACT Survey

The most used tools were as follows:



2016 NASACT Survey

Problems—

- Capturing data updates (tic and tie)
- Consolidating sections of the report
- Formatting tables
- Gathering comments
- Controlling versions of documents
- Rounding numbers



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2016 NASACT Survey

TMMP Wish List—

- ▶ A single system to obtain, compile, reconcile, and organize information in the CAFR that can be accessed by all agencies to provide applicable information to the CFO
- ▶ Data in tables, text, etc., linked to the financial statements and updated automatically as statements are updated
- ▶ A single point system that would allow us to compile the necessary reports for the CAFR



2016 NASACT Survey

TMMP Wish List (*continued*)—

✔ [We would like] the ability to receive audited statements and information from component units in time to publish a report within 90 days

✔ [We would like] more collaboration with auditors on interim work during CAFR preparation



2016 NASACT Survey

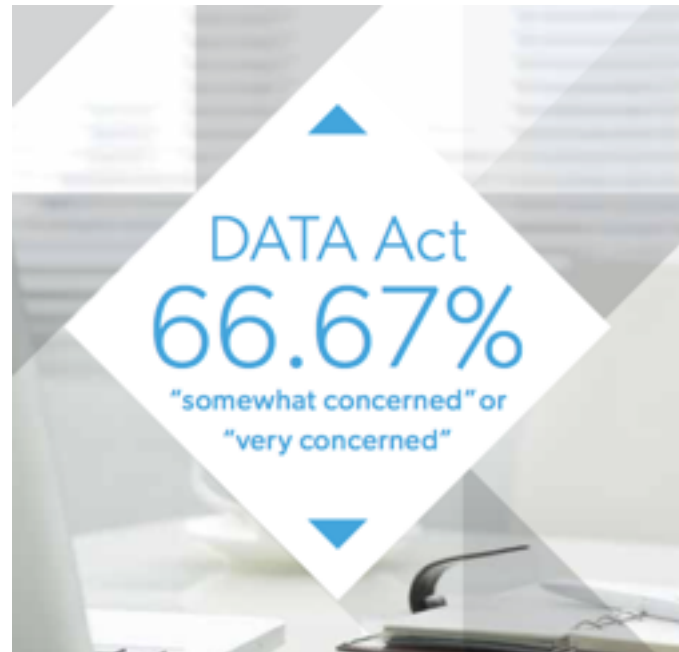
Potential Solutions—

One of the top solutions talked about by survey respondents was a technology platform that is better suited for the CAFR process. Cloud-based platforms fit this need. These reporting platforms can function as comprehensive solutions for government financial reporting.

The benefits of working in the cloud are numerous. One important benefit is being able to easily share and collaborate on important documents—eliminating much of the manual effort of gathering and aggregating data. A collaborative workspace gives teams the ability to work across agencies and auditors in real time.



2016 NASACT Survey



XBRL & The DATA Act

- President Barack Obama signed the Digital Accountability and Transparency Act (DATA Act), Public Law No. 113-101 on On May 9, 2014
- Passed unanimously by both the House of Representatives and the Senate.



XBRL & The DATA Act



XBRL & The DATA Act

Making Sense of the Grant Reporting Process

Sub-awardees give their reporting data to **prime** **awardees**.



Prime awardees submit all required data via **FSRS**.



Federal grant-making agencies publish program data on **USASpending.gov**.



XBRL & The DATA Act

Timing?



When was the last time...?



Try to search....

cash 2 of 116 ^ v x

	As of December 31, 2011	As of March 31, 2012 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,983	\$ 23,108
Marketable securities	34,643	26,208
Total cash, cash equivalents, and marketable securities (including securities loaned of \$2,778 and \$2,869)	44,626	49,316
Accounts receivable, net of allowance of \$133 and \$147	5,427	5,163
Receivable under reverse repurchase agreements	745	550
Deferred income taxes, net	215	51
Prepaid revenue share, expenses and other assets	1,745	1,779
Total current assets	52,758	56,859
Prepaid revenue share, expenses and other assets, non-current	499	664
Non-marketable equity securities	790	880
Property and equipment, net	9,603	9,875
Intangible assets, net	1,578	1,541
Goodwill	7,346	7,325
Total assets	<u>\$ 72,574</u>	<u>\$ 77,144</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 588	\$ 760
Short-term debt	1,218	2,468
Accrued compensation and benefits	1,818	1,017



Data widely available...



How'd they do that...?

“OCR”



What could possibly go wrong.....?!



← finance.google.com

Google's Form 10-Q



Google Inc.		
CONSOLIDATED BALANCE SHEETS		
(In millions, except share and par value amounts which are reflected in thousands, and par value per share amounts)		
	As of December 31, 2011	As of March 31, 2012 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,983	\$ 23,108
Marketable securities	34,643	26,208
Total cash, cash equivalents, and marketable securities (including securities loaned of \$2,778 and \$2,869)	44,626	49,316



A little closer look...

In Millions of USD (except for per share items)	As of 2012-03-31
Cash & Equivalents	11,869.00
Short Term Investments	26,208.00
Cash and Short Term Investments	49,316.00

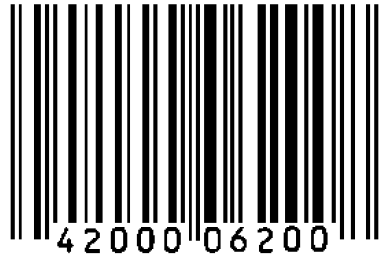


We've fixed this problem before...



Machine readable language...

For cans & boxes



For financial statements

**eXtensible Business
Reporting Language**



“Legislating technology”...

1. World-wide initiative
2. Start with financial statements
3. Other requirements inevitable



Not the first time...

1. Bar codes in 1970's
2. EDGAR in early 1990's
3. Medical records in mid 1990's
4. Banking in 2000's



Biggest Implementation Gripes?

1. Cost
2. So little useful data available
3. Technology



Biggest Technology Gripe...



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Best Practice:

Automate!

- Machine readable
- Collaborate
- Insource (*become competent*)
- Tools that simplify

Cloud



Biggest Data Gripes?

1. No one uses it!
2. Data quality is awful



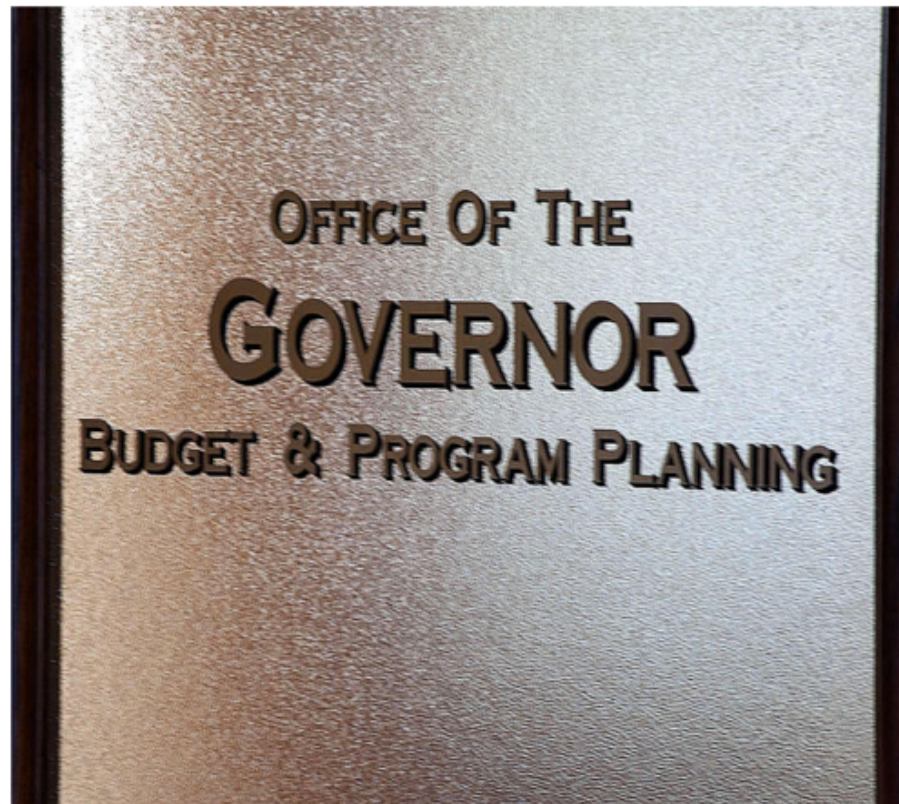
Errors in CAFR

Auditors Find Serious Errors In State Financial Report

By STEVE JESS • JUN 24, 2015

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WILLIAM MARCUS



Internal Controls

Sarbanes-Oxley Act of 2002





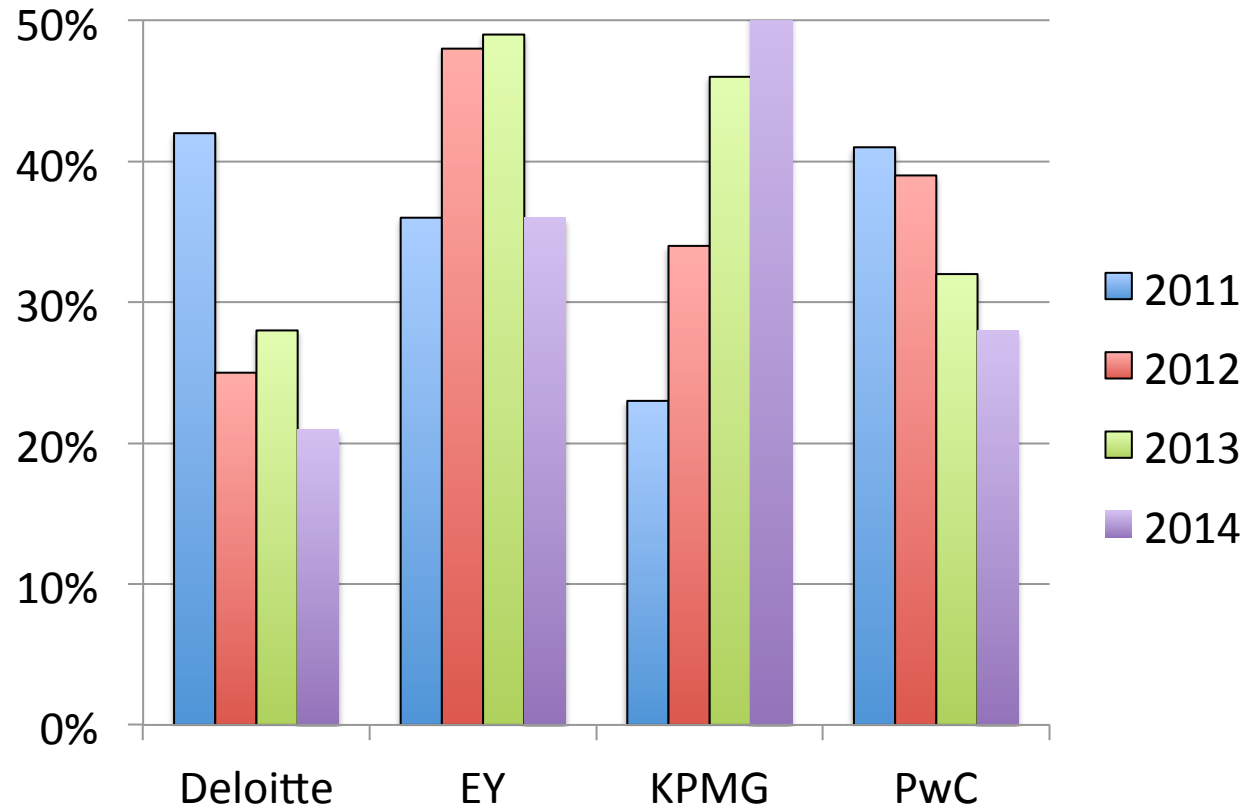
2015 Staff Inspection Brief

Recurring Audit Deficiencies

- 1 Auditing internal control over financial reporting
- 2 Assessing and responding to risks of material misstatement
- 3 Auditing accounting estimates, including fair value measurements



PCAOB Inspecting Findings



Source: Compliance Week May 2015



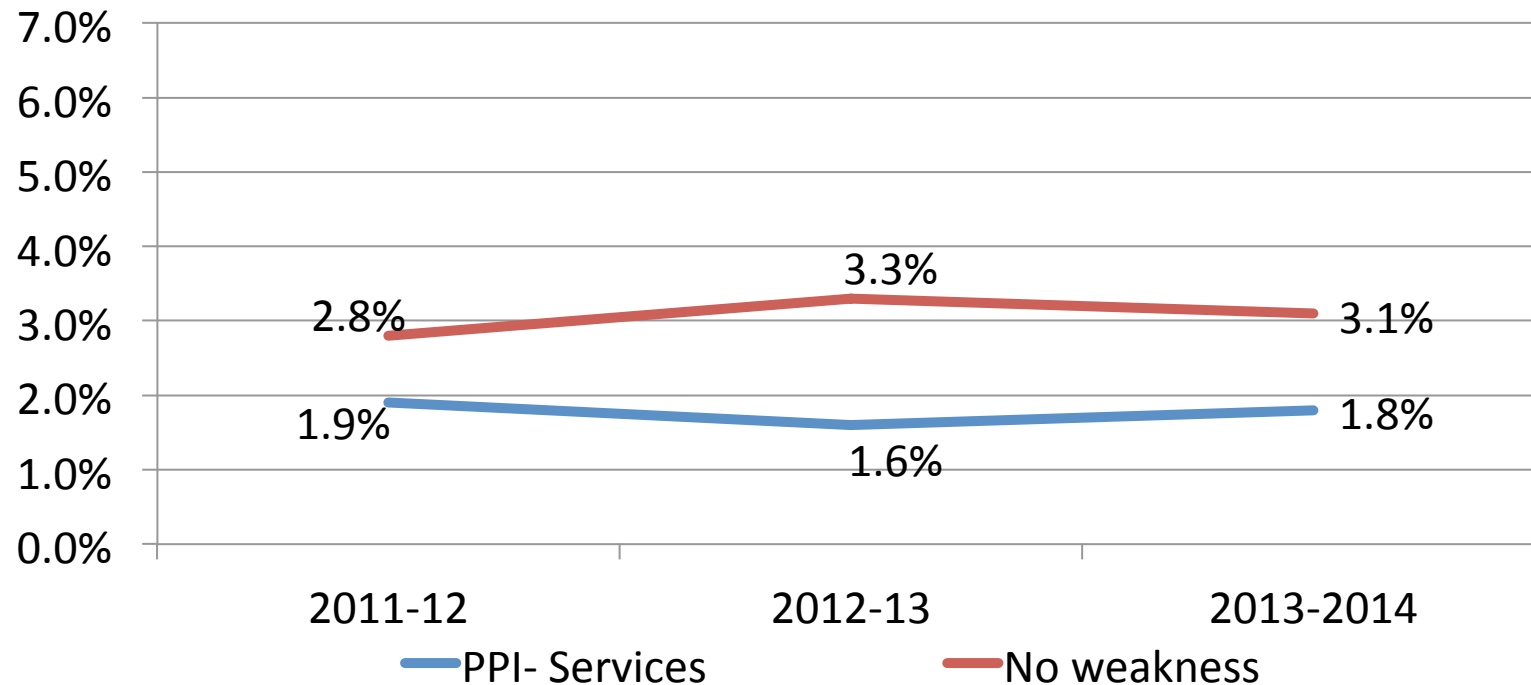
Global Issue



**International Forum of Independent Audit Regulators
Report on 2015 Survey of Inspection Findings
March 3, 2016**

“... and found deficiencies in 376 (or 43%) of those audits.”

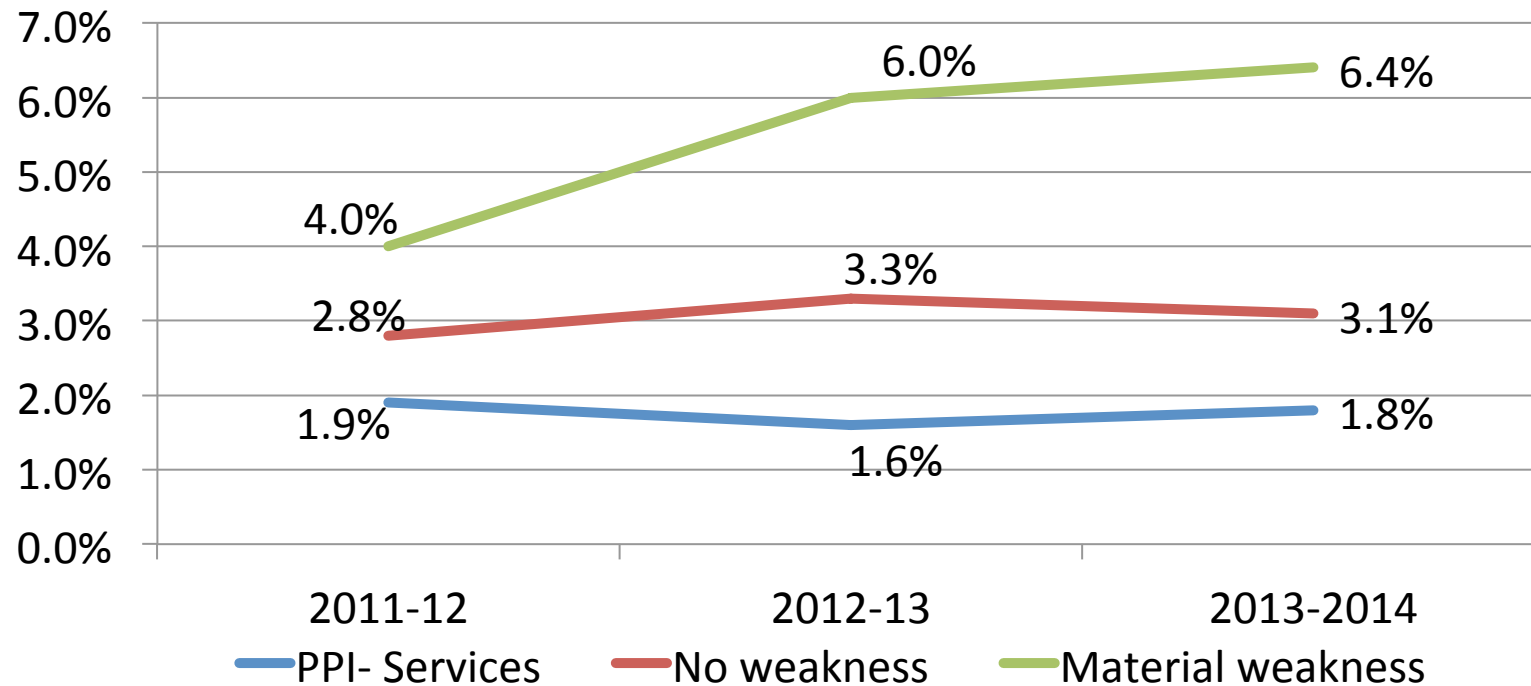
Impact of Control on Audit Fees



Source: FERF 2015 Audit Fee Study-
audit fees for public companies



Impact of Control on Audit Fees



Source: FERF 2015 Audit Fee Study-
audit fees for public companies



Consistent Focus on Fraud

“Inspections staff continues to focus on whether auditors are maintaining and applying professional skepticism... as well as how it relates to the auditor’s consideration of fraud.”

– PCAOB Staff Inspection Brief
October 2015



FCPA Requires

Establish & maintain effective controls to

1. Prevent
2. Detect



workiva

PEARSON

NASBA
CENTER FOR THE
PUBLIC TRUST



DANIELS FUND

Making life better...one individual at a time.

All The Queen's Horses

A documentary about the largest municipal fraud in American history.



A Film By

KELLY RICHMOND POPE

EST. 1966
KARTEMQUIN
FILMS

HELIOS
DIGITAL LEARNING

Red Flags

Where the City of Dixon's money went for the five months ending February 2012:



*According to FBI allegations. Spending amounts are from the fiscal year 2011-12 budget restated by the City of Dixon in September; they assume that budgeted amounts were in fact spent and pro-rates them over the five-month period.

SOURCES: Federal Bureau of Investigation, City of Dixon, *Chicago* estimates



Risk Assessment

Most basic principle

- Identify potential risks
- Assess potential severity & likelihood
- Consider & monitor for red flags









Red Flags



**Illinois Department
of Transportation**

Invoice

City of Dixon
121 W 2nd
City Clerk
Dixon, IL 61021

INVOICE NO. 101492
RESP. CODE 8040
INVOICE DATE 06/22/2007
REVENUE CODE 6305
AUDIT NUMBER
PAYER NUMBER 06614

EXPLANATION OF CHARGES	PAY FROM THIS INVOICE	
	AMOUNT	
<p>LOCATION: IL 28 & Bloody Gulch Road LOCAL SECTION: ROUTE: FAP 316 SECTION: 101TS COUNTY: Lee JOB NO.: C-92-110-08 PROJECT NO.: HS-0318/0317 CONTRACT NO.: 64C28 DISTRICT: 2</p> <p>The Agreement executed 5/19/2006 between City of Dixon, and the State of Illinois provides that the city will reimburse the State for part of the construction costs.</p>		
FINAL CITY SHARE:		
LS30L01 @ 5%	\$146,139.04	\$7,306.95
Plus engineering @ 15%	\$7,306.95	\$1,096.04
City of Dixon share	\$8,402.99	
Payment Due Date 07/06/2007	TOTAL DUE	\$8,402.99

PLEASE MAKE CHECK PAYABLE TO TREASURER, STATE OF ILLINOIS

MAIL TO: Illinois Department of Transportation
Room 322, Harry R. Hanley Building
2300 So. Dirksen Parkway
Springfield, IL 62764

INQUIRIES CONTACT: Sunday Odele at 217/785-4817.



Red Flags

INVOICE

DIXON, CITY OF
C/O City Clerk
City Hall
Dixon
IL 61021

INVOICE NO. 78947
RESP. CODE 8040
INVOICE DATE 11/15/03
REVENUE CODE 6305
AUDIT NUMBER
PAYER NUMBER 06614

EXPLANATION OF CHARGES	PAY FROM THIS INVOICE
------------------------	-----------------------

LOCATION: Route 26 & South Galena Avenue
LOCAL SECTION:
SECTION : FA316
COUNTY : Lee
PROJECT NO.: P-92-105-98
CONTRACT NO.: FAS-02-99-02/000
64362

397 - 11/24/03
alt # 720037

The Agreement executed between DIXON, CITY OF, and the State of Illinois provides that the city will reimburse the state for part of the construction costs.

CITY SHARE: \$1,250,000.00

Bal. 235,000

Upon Award

Payment Due Date: 11/01/03 NOW DUE \$500,000.00

PLEASE MAKE CHECK PAYABLE TO TREASURER, STATE OF ILLINOIS
AND MAIL TO: Illinois Department of Transportation
Room 322, Harry R. Hanley Building
2300 So. Dirksen Parkway
Springfield, IL 62764



Red Flags

A negative fund balance of that proportion does not indicate fraud has or has not occurred. Not having seen the City of Dixon budget, it was possible the City Commissioners were authorizing spending more than they had for emergency capital projects or to bridge financial gaps elsewhere. However, drawing down fund balances to negative levels is not typical. The Government Finance Officers Association (GFOA) generally recommends a city have at least 2 months of expenses in General Fund reserves for the purposes of cash flow and emergencies and most cities that formalize a policy seem to target at least 3 months, a fund balance ratio of +25%. That compares well to the overall survey of +30% that I compiled.



Too Many Moving Parts

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- Multiple authors
- Multiple versions



Change Control

- Excel
- Word
- PowerPoint
- PDF
- Email



How Can Technology Help?

- Free-up time
- Single source of truth
- Track every change



Move To The Cloud



TECHNOLOGY | MOVING TO THE CLOUD

BY JOSEPH HOWELL
June 1, 2015



Software as a Service. Platform as a Service. Private cloud. Public cloud. Cloud bursting. These buzzwords—and many others—are associated with the cloud business model that companies of all sizes are turning to for greater efficiency, cost savings, improved internal processes, enhanced collaboration, advanced permissions, and other benefits. Although cloud terminology may seem new to many management accountants, the issues, fears, concerns, and opportunities raised by transitioning to the cloud aren't really anything new in business. The well-known epigram, "The









Cloud Security?

Impenetrable Fortress Model



Cloud Security?

Encryption Model



US Chief Information Officer Tony Scott speaks during a hearing of the Senate Homeland Security and Governmental Affairs Committee on Capitol Hill, June 25, 2015, in Washington, DC. — Brendan

“Mr. Scott, who is the federal government’s top IT official, said cloud providers have the incentive, skills and abilities to ‘do a much better job of security than any one company or any one organization can probably do.’”

The Wall Street Journal, October 23, 2015



Economies of Scale

- Massive computing capacity
- Sophisticated physical and software controls
- Regular, independent audits
 - SSAE 16
 - SOC 1 and SOC 2



If Penetrated

Nothing of use:

- Shards
- Encrypted at rest & transmission
- Massively redundant
- Granular permissions



Cloud- TMMP?



Let's Review ...

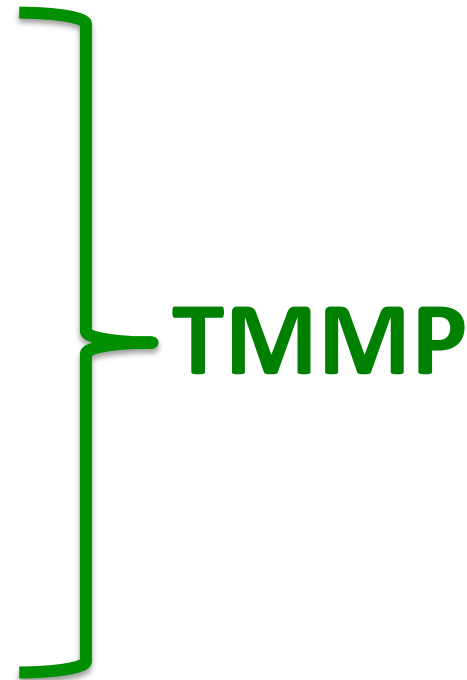


**Change has NO respect
for borders**



Change Is Coming

- DATA Act- XBRL
- Focus on control
- Cloud computing



workiva

Thank You!

joe.howell@workiva.com

Questions?



Wdesk for State & Local Government

Demonstration



Less Expensive

The **Forrester Total Economic Impact™** study of Workiva and Wdesk is now available.



FORRESTER®

Download the report to see how a major airline gained **187% ROI** and a **payback period of less than three months.**

workiva.com/tei



Better Experience

Wdesk wins GRC 20/20
Innovation Award:
User Experience for Internal
Control Management



wdesk

Learn more at workiva.com/innovationreport



Confirm

The screenshot shows a survey form with the following content:

- Top right: Print icon
- Attachments: SOX Case Study, Workshop Presentation, CPE Instructions (with arrows pointing to the 'Attach supporting documents' callout)
- Question 1: "Did you attend the full hour of the SOX and Internal Controls Workshop on Thursday, November 6 in Portland?" with radio buttons for Yes and No, and an "Add Support" button (with an arrow pointing to the "Written evidence of performance & precision" callout).
- Question 2: "Would you recommend this workshop to team members or industry peers? (If no, why?)" with radio buttons for Yes and No, and an "Add Support" button (with an arrow pointing to the "Written evidence of performance & precision" callout).
- Question 3: "Would you like to receive additional information regarding industry trends, topics, and technology that addresses SOX related issues?" with radio buttons for Yes and No, and an "Add Support" button (with an arrow pointing to the "Written evidence of performance & precision" callout).
- Question 4: "Would you be interested in a full demonstration of Wdesk and how it could improve efficiency, accuracy, and time savings throughout your SOX and certification processes?" with radio buttons for Yes and No, and an "Add Support" button (with an arrow pointing to the "Written evidence of performance & precision" callout).
- Text: "Click [here](#) to learn more about how Wdesk streamlines the internal control and SOX process."
- Text: "I certify that the answers to the above questions are true."
- Text: "Rachel Slininger" (with an arrow pointing to the "Digital signature, time & date stamp" callout)
- Form: "Type your name to sign" (with an arrow pointing to the "Digital signature, time & date stamp" callout), a green "Sign" button, and a "Save for Later" button.

Attach supporting documents

Written evidence of performance & precision

Digital signature, time & date stamp



Allow Me To Demonstrate



You Will Receive This

The screenshot shows a survey form with the following content:

- Attachments: SOX Case Study, Workshop Presentation, CPE Instructions.
- Question 1: "Did you attend the full hour of the SOX and Internal Controls Workshop on Thursday, November 6 in Portland?" with Yes/No radio buttons and an "Add Support" link.
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- Text: "I certify that the answers to the above questions are true."
- Text: "Rachel Slininger" (with a line above it for a signature).
- Form fields: "Type your name to sign" and a green "Sign" button.
- Button: "Save for Later".

Callout boxes on the right point to:

- The attachments and the first question: "CPE instructions & slides attached".
- The second question: "A few questions to help document your attendance".
- The signature line: "Digital signature".

CPE instructions & slides attached

A few questions to help document your attendance

Digital signature

