

The AGA Messenger

President's Message

Lee Ann Watters

It's been a quiet month in the world of AGA – but things are about to heat up! Rick Waddle has spent the last few days representing our chapter at the National Professional Development Conference in Washington D.C. I'm sure he'll have lots to share with us upon his return.

July marks the beginning of our Chapter year. The Executive Committee is working hard at getting this year started on the right foot. Our new community service chairman, Amy Small, is planning to sponsor four quarterly community service projects. We have recently voted on the charities we will be working with and Amy will be announcing the selections soon.

It has recently come to my attention that I often get caught up in my day to day life and fail to realize how much small acts of kindness mean to those around us. Somehow, I believe I'm probably not alone in this. It seems such a simple matter for most of us to pick up a few extra canned goods or a couple of boxes of mac & cheese at the grocery to donate that we don't realize the difference those few extra dollars spent can make in a life. I challenge each one of you to participate in our community service projects this year.

In the next few months we will be sending out our scholarship applications. If you know any declared accounting majors, please advise them of this opportunity. We hope to have a lot of participation. Over the last few years we have offered a \$500 scholarship; however, this year, we are planning a fund raiser to increase that amount.

I hope to see all of you at our first meeting of the year on July 1. Remember, we're working to increase our membership – so, bring a friend!

In the coming months, I'll be filling you in about our Regional Leadership Conference and the National Professional Development Conference.

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The restoration and rehabilitation of the Kentucky Lieutenant Governor's Mansion was one of the highlights of the June chapter meeting. Joan House-Salley estimates the project will be completed this summer.

July Speaker

The speaker for July's membership meeting will be long-time AGA member Jimmy Rogers. Mr. Rogers is the Finance Officer for the City of Frankfort and has served in that position for 32 years. Mr. Rogers received his accounting degree from Kentucky State University in 1972. After graduating, he worked for a short time with National Distillers before beginning his service to the City of Frankfort. Mr. Rogers currently lives in Frankfort with his wife Brenda, another accounting-type who has worked at Farmers Bank for 40 years.

We are pleased to have Mr. Rogers speak at the July meeting. The meeting will take place on July 1 at 11:30 a.m. at the Office Pub and Deli. One hour of CPE will be credited for all in attendance.

June Chapter Meeting Notes

Lydia Reynolds

The Central Kentucky Chapter held its June chapter meeting on June 3, 2004 at The Office Pub and Deli. In attendance were 20 members and guests.

Sydney Lawson, Chapter Program Coordinator, opened the meeting with a welcome to all members and guests, then turned the floor over to Lee Ann Watters, Chapter President.

Lee Ann shared correspondence received by the Chapter in thanks for our donations to various animal shelters.

Sydney Lawson then introduced the guest speaker, Joan House-Salley, of the Kentucky Division of Historic Properties. Ms. House-Salley shared her expertise in the field of historic preservation with the group. She explained that the Kentucky Division of Historic Properties is a governmental agency that owns numerous properties of historical significance, including the Governor's and Lieutenant Governor's Mansions, the Old Capitol and the State Capitol.

In particular, Ms. House-Salley shared three major projects undertaken by the Division in Franklin County: the Capitol Avenue Bridge, the Old State Capitol fountain and the Lieutenant Governor's House.

Ms. House-Salley explained the histories surrounding each of the three historic sites and the restoration projects associated with each. The Capitol Avenue Bridge was restored to its 1937 appearance with the recovery of four deco-style lighting fixtures and the recreation by the original manufacturer of six street lights. The Old Capitol Fountain dates to the 1830s and has fallen into disrepair in recent years. Restoration work is scheduled to begin this summer and should be in working order by September or October.

The Old Governor's Mansion, used recently as the Lieutenant Governor's mansion, is one of the oldest executive residences in the nation, two years older than the White House. The home is currently in the midst of a major restoration project that started two years ago and is slated to be completed this summer.

Following Ms. House-Salley's talk, Sydney Lawson presented her with a token of our appreciation and the meeting was adjourned with no further business.

Closing Audit Findings

By Tom Crouch, CPA, CIA, CISA, and Attorney
and Michael S. Hines, CIA, CISA, CFE, and CFP

Are auditors only responsible for issuing audit reports and addressing audit issues or audit findings? Do they have a responsibility to write audit findings in a constructive and workable manner? Should the sole responsibility for closing audit findings be assigned to the auditees? What causes audit findings to remain unresolved over many years? Do both auditees and auditors fail when audit findings continue unresolved over many years? How do good auditors and good auditees approach addressing and closing audit findings? The brief text below will indirectly address these questions.

Some auditors issue findings and let the auditee's management address the resolution. First, the response needs to be tracked (did they respond?) as part of the audit project (writing the report is not the end of the audit project). Second, each response should be tracked regarding a resolution time line, and the response should indicate when the audit finding will be resolved. Third, we, as auditors, must recognize that audit findings represent risk areas to the auditee. Sometimes management will accept the risk without remediation. We, as auditors, should be willing in many instances to accept management's decision. Sometimes we are the problem - not the auditee. (This paragraph was provided by Michael Hines at Purdue University --- CISACA-L@purdue.edu List administrator)

Auditors often reissue the same audit findings in subsequent audits. This is sometimes unavoidable; however, these instances may indicate a communication failure. Several communication breakdowns between the auditor and auditee can occur when a problem is found during an audit:

- Auditors only identify the problem's symptoms
- Auditors failed to understand the problem
- Auditees do not understand the implications of the problem
- Auditors suggest an inappropriate or impractical solution
- The cost of resolving the problem outweighs the benefit

A problem symptom might be the farmer's cows are loose in the neighborhood. The root cause of the problem might be one of the following:

- the farmer's fence gate has a broken latch,
- the farmer's fence has a large hole, or
- the fence is not high enough.

Since the cows represent assets, the farmer will want to allocate sufficient resources to correct the problem. If the farmer does not address the problem's root cause, the cows will continue to get loose in the neighborhood. Even someone who does not own a farm will realize the cows are loose, but someone needs to provide a workable solution on how to fix the problem. If the cows continue to get loose, the audit finding would not be closed.

Continued on page 3

July Chapter Executive Meeting

With the 2004 fiscal year ending this week, many of our CEC members were caught up under a pile of work. Because of this, many were not able to attend the CEC meeting. The meeting was adjourned to next month, August 4th, 11:30 a.m. at Super Buffet.

Closing Audit Findings (Continued from page 2)

In many instances, auditors might have only identified the problem's symptoms instead of the root cause. The symptoms are usually easy to identify, even with only minimal audit experience. When auditors are primarily addressing symptoms, their audit findings focus on the errors instead of identifying and discussing the problem's root cause, which takes a deeper understanding of the problem. When the problem analysis is thorough, the recommendation or solution is better.

The auditors might not have totally understood the problem, just the symptoms, so their analysis may be incomplete. In other instances, the auditors may have understood the problem but their proposed solution was not practical, useful, beneficial, or appropriate for the auditee. When the auditees are aware of a problem, they typically will resolve it, unless they do not know the root cause or cannot justify the cost. Then, the auditee has to decide to accept the risk or try to justify the cost of the solution.

Auditees may not understand the full implications or the consequences of an uncorrected problem. When they grasp the full implications, they might assign the resolution a much higher priority.

Knowledgeable auditees try to clarify the true nature of the problem and potential solutions. They explain why some options might not be proper solutions. The best situation is when the auditor and auditee agree on the problem's root cause and a workable solution.

The auditors may not have discussed the nature of the problem or potential solutions with the right people. Some auditees may have decided that the auditor did not provide good customer service; therefore, the customer will not buy the recommendation.

The same audit finding and recommendation year after year may be an obstacle to resolving audit findings. The recommendation may have been vague, which hinders the resolution. A shift in the wording focus may help resolve the matter.

More complex audit issues often take longer to resolve, and may be much more expensive to correct. Simple issues are often the easiest, fastest, and cheapest to fix. The higher the cost to resolve an audit finding, the longer its correction might be deferred. The greater the impact of fixing an audit finding, the faster the problem is likely to be fixed.

Conclusion

Experienced auditors and knowledgeable auditees should bring more audit findings to complete resolution. When auditors continue to leave audit findings unresolved, they may be viewed as throwing darts at the auditees instead of problem solving. When auditees continue to leave audit findings unresolved, they may be viewed as hindering the audit process. Good auditors and good auditees care about moving the auditee toward an improved position.

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| Dates to Remember | |
|-------------------|--|
| June 27-30 | National Professional Development Conference Washington, D.C. |
| July 1 | July Chapter Meeting 11:30 a.m. Office Pub & Deli |
| August 4 | CEC Meeting 11:30 a.m. Super Buffet |
| August 5 | August Chapter Meeting 11:30 a.m. Office Pub & Deli |
| Mid-October | Chapter Governmental Accounting and Auditing Update Holiday Inn Capital Plaza |

| <u>CENTRAL ACCOUNT</u> | | <u>EDUCATION ACCOUNT</u> | |
|--------------------------------|-------------------|-------------------------------|-------------------|
| Beginning Bank Balance | \$2,915.69 | Beginning Bank Balance | \$3,297.17 |
| Revenue: | | Revenue: | |
| Interest | 2.78 | | |
| Transfer from Operating Acct | 2,297.17 | | |
| May Banquet Receipts | 190.00 | | |
| Total Revenue | 2,489.95 | Total Revenue | 0.00 |
| Expense: | | Expense: | |
| Franklin Co. Humane Society | 85.00 | Transfer to Oper. Acct | 2,297.17 |
| Grant Co. Animal Shelter | 85.00 | | |
| Boone Co. Animal Shelter | 85.00 | | |
| Friends of Indian Summer | 350.00 | | |
| Amanda Childress (scholarship) | 500.00 | | |
| Serafini's | 276.22 | | |
| Total Expense | 1,381.22 | Total Expense | 2,297.17 |
| Ending Bank Balance | 4,024.42 | Ending Bank Balance | 1,000.00 |

Chapter Executive Committee

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|--|-----------------|------------------------------|---------------------|
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Questions, Comments, News of Note or to be removed from this mailing list, send e-mail to LReynolds@cmbcpa.com