

## **SAS 112 Post-implementation Review**

NSAA/NASACT Middle Management Conference

April 14, 2008

Presented by: Cindy Simon  
Wisconsin Legislative Audit Bureau

### **Outline**

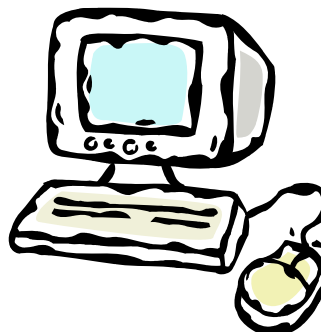
- Preparing for SAS 112
- Implementation Strategy
- Tools
- Findings
- Reporting
- Challenges
- Expectations vs. Reality
- Reactions

## **SAS 112 Implementation Strategy**

- Training
  - Audit Staff
  - State Agencies
- Timeframe
  - FY 2007 CAFR (Dec 2007 opinion)
  - FY 2007 stand-alone financial statement audits

## **SAS 112 Audit Tools**

- Quick reference materials
- Flowchart
- Threshold guidance
- Database
- Memo template



## **Findings Under SAS 112**

### **CAFR**

- FY 07 CAFR – 14 significant deficiencies reported (6 related to auditor-identified errors)
- FY 06 – 8 reportable conditions
- No material weaknesses either year

### **Stand Alone Financial Statement Audits**

- Fewer findings so far
  - Agencies took steps

## **Reporting**

- Development of Internal Control and Compliance Report
  - Issued with audit opinion for all audits
    - Report posted to Audit Bureau website for the CAFR
  - Database used to manage process
  - Template streamline writing of memos

## Challenges

- SAS 112 terminology
  - more than remote likelihood
  - more than inconsequential magnitude
  - those charged with governance
- Taking a broader perspective
  - combination of deficiencies
  - quantitative *and* qualitative factors
  - compensating controls

## Findings

- Excessive programmer access to financial reporting system maintained by Department of Administration (DOA)
  - Likelihood and magnitude of errors or fraud
  - Compensating controls
- Other

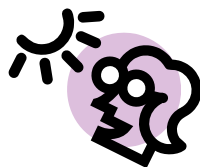
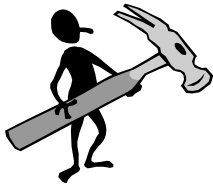
## Expectations vs. Reality

- Initial reaction
  - Lots more findings!
- Secondary reaction
  - Some additional findings
  - Consistent with CAFR reality
- Better analysis of internal control weaknesses – by agencies and auditors



## State Agency Reactions to SAS 112 Findings

- Agency reactions varied
  - Proactive response
  - Relief
  - Not so happy



## **Moving Forward**

- New Suite of Auditing Standards
  - Internal control focus