

Update on SHARE and Cash Remediation

New Mexico Office of the State Auditor
Elected for Better Government



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Basics

Responsibilities:

- **Management is responsible to reconcile cash**
 - Auditor is responsible for reviewing and testing internal controls and opine on balances
- **Management is responsible to have controls in place regarding integrity of ERP (SHARE)**
 - Auditor is responsible for reviewing and testing controls in place and report any exceptions found during review and testwork

How do we get info on Cash and SHARE issues?

- **The current mechanism for OSA to receive information is through findings from CAFR. Therefore, from OSA's perspective, Cash reconciliation issues, SHARE issues and an untimely CAFR are interrelated issues.**
- **To remain independent, OSA has not participated in management's discussions regarding proposed changes to processes, reconciliation procedures and SHARE upgrades or reimplementation plans.**

Cash: Changes to Audit Rule in light of Cash Recon Issues- Historic Timeline

- Audit Rule 2008 and prior: The audit rule required that auditors of state agencies obtain cash confirmations from the State Treasurer's Office (STO).
- 2009: : For the first time, pursuant Section 2.2.2.10 N (f), the instruction to IPAs and state agencies was that they should *not* request bank confirmations from the STO. Same instructions continued in Audit Rule 2010, 2011 and 2012.
- In Audit Rule 2013, the reference to *not* require the bank confirmation was deleted.

Cash: Changes to Audit Rule in light of Cash Recon Issues- Historic Timeline (Continued)

- In Audit Rule 2014, pursuant Section 2.2.2.10 M 3 (f), the reference which was in Audit Rule 2009 through 2012 was added again which instructed IPAs and agencies to *not* ask for cash confirmations from STO.
- In Audit Rule 2015, additional requirements as to testing controls at agency level regarding their cash were added pursuant Section 2.2.2.10 M 3 (g).
- *Moving Forward*: Through Audit Rule 2016, OSA is considering to once again require Auditors and agencies to ask for cash confirmation from STO and let auditors report on lack of such confirmations as a finding, if such confirmations are not provided. OSA would like to get feedback from concerned parties on this possible Audit Rule change.

Cash: What OSA is doing now?

- In the cover letter along with the CAFR 2014 report which was released on August 11, 2015, the State Auditor has asked Secretary of DFA to provide the best current estimate of the total loss and plan to investigate and mitigate such losses (as a result of cash reconciliation issues).
- In Audit Rule 2015, additional requirements as to testing controls at agency level regarding their cash were added pursuant Section 2.2.2.10 M 3 (g).
- Audit Rule 2015 requires CAFR to be submitted by February 15th, which should shed light on Cash Contingency information earlier.
- *Moving Forward*: Through Audit Rule 2016, OSA is considering to once again require Auditors and agencies to ask for cash confirmation from STO and let auditors report on lack of such confirmations as finding, if such confirmations are not provided. OSA would like to get feedback from concerned parties on this possible Audit Rule change.

SHARE: Upgrade or Reimplementation?

The three material weakness findings from FY'13 CAFR were repeated in FY'14:

- 2013-001 Book to Bank reconciliation
- 2013-002 Interfund, Internal, and Intra-Entity Activity and Balances
- 2013-005 Internal Control over Financial Reporting

It appears that there have been minimal improvements, if any, as to the conditions of the first two findings and the cause of the issues appears to be the result of functionality, customization, decentralization and security related issues of SHARE.

Per OSA's point of view, it appears that the issues which are identified and attributed to the material weaknesses, and any (very likely) unknown and unidentified issues would have a better chance of being mitigated with re-implementation of SHARE rather than an upgrade to the SHARE.



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