



NEW YORK CITY CHAPTER

"Advancing Government Accountability"



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Newsletter

AGA NYC CHAPTER

LETTER FROM THE PRESIDENT

By Christine Duncan, HHS/OIG/OAS

November is just around the corner and it's time to cast that all-important vote. This country was founded on the ability to choose our leaders. The ability to vote is a fundamental right for most United States citizens. When we turn 18, we are able to exercise our right to choose whom we believe would best represent us within the government. When I think back to my 18th birthday (all those many years ago), of all the gifts I received, the only one that I remember to this day is my voter registration card (it even had a bow on it). That completed card was at the post office the very next day. Since then, with the exception of a couple of minor primaries, I have voted in every election. I exercise my right to vote and I encourage you and anyone you know who is eligible to vote to exercise your rights as well. Sometimes it may not seem like it, but the future of our country is in our hands.

2008 Elections



**Remember to vote on
November 4th**

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AGA is Going Green!

Beginning January 2009, New York AGA will no longer be mailing the Newsletter.

Please ensure that the e-mail address in your AGA member profile is up-to-date. You can verify your e-mail address by logging into www.agacgm.org.

The newsletter will also be accessible on the NYC AGA's website, at www.nycaga.com.

Announcing the AGA Writer Raffle!!!

Get an article published in the AGA newsletter and get a chance to win one year of free AGA membership!

Rules: Submit an article for inclusion in the AGA NYC newsletter. If your article gets published, your name will be included in a raffle. For every article of yours that we publish, your name will be included in the pot. The more articles you get published, the more chances you have to win.

The drawing will be held in February 2009. For one lucky author, their 2009-2010 membership fee will be paid for by AGA.

Upcoming AGA Events

Event	Date	Time	Location
Making Strides Against Breast Cancer Walk 	October 19, 2008	9:00 AM - 11:00 AM	Central Park 72nd Street Bandshell
AGA Seminar – “Assessing Risk in Performance Audits” by David Hancox, CIA, CGFM and “Professional Ethics for Government Employees” by Professor Phil Wolitzer	October 28, 2008	Registration 8:00 AM 9:00 AM - 4:30 PM	26 Federal Plaza Conference Room 3305 New York, NY
Audio Conference – “Internal Controls”	November 12, 2008	2:00 PM - 3:50 PM	TBA
Audio Conference – “21st Century Financial Managers: New Mix of Skills and Education Levels”	December 10, 2008	2:00 PM - 3:50 PM	TBA

AGA New York Chapter Conference Series

Please join us on Tuesday, October 28, 2008
from 9:00 AM – 4:30 PM for our
Conference Series

Registration is from 8:00 AM to 9:00 AM
Please use registration form on next page

Our event will take place at the following location:

Conference Room 33-05
26 Federal Plaza- 33rd floor
New York, NY 10278
6 CPEs

Cost is \$25 for members; \$35 for non members
(Lunch included)

AGA Speakers

Speaker	Topic
David R. Hancox, CGFM, CIA Director, Division of State Government Accountability, NYS Comptroller's Of- fice	Assessing Risks in Performing Audits
Philip Wolitzer, CPA Former Chair of the Accounting Depart- ment, The Brooklyn Center of Long Is- land University	Professional Ethics for Government Employees

Capacity is limited to 50. Only 6 seats are still available.

Please register as soon as possible!

RSVP to Elisa Beattie by phone /email (212) 264-1335/Elisa.Beattie@oig.hhs.gov

New York State Recovers \$269M in Medicaid Fraud, Waste From the *New York Sun*

By E.B. Solomont

State auditors recovered more than \$269 million in Medicaid fraud and waste between October 2007 and March 2008, officials from the state's Office of the Medicaid Inspector General told *The New York Sun*.

The amount exceeds a commitment the state made to the federal government in 2006 to recover \$215 million in the fiscal year ending September 30, 2008, and a total of \$1.5 billion from the state's Medicaid program by 2011. Under the agreement, the federal government gave New York State \$1.5 billion for health care modernization projects.

But facing increasingly large annual recovery goals — the state will owe \$611 million in the fiscal year 2011 — state auditors are pushing forward with an aggressive plan to hire investigators and employ new investigative techniques. Having focused on nursing homes and managed care companies, the agency also will begin to audit hospitals in the next six months.

“The reality is, one of the reasons we're being successful now is that a lot of these areas have not been touched,” He said that going forward, his auditors would look at “every sector that gets significant public funds,” including hospitals. He also described a method for rooting out Medicaid billing problems known as “data mining,” in which a computer identifies mistakes or cases of fraud. In describing the current system, he said, “Our computer system is a 2002 Corolla. It runs good, but it's not exactly a state-of-the-art machine.”

Under the federal agreement, negotiated by the Pataki administration, New York received \$1.5 billion in exchange for implementing the recommendations of the Berger Commission, which recommended closure for nine hospitals statewide. The agreement also stipulated that the state enhance its fraud detection and meet annual recovery goals of \$215 million in the fiscal year ending

September 30, 2008; \$322 million in the fiscal year ending September 30, 2009; \$429 million in the fiscal year ending September 30, 2010, and \$611 million in the fiscal year ending September 30, 2011.

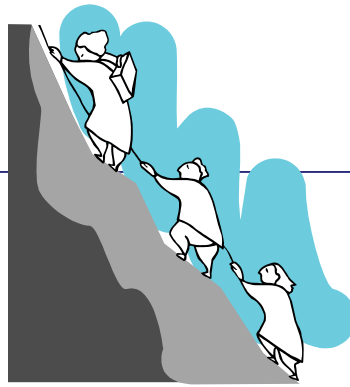
So far, the state has invested tens of millions of dollars to build up its fraud detection operations. The total operating budget for the Office of the Medicaid Inspector General is about \$90 million, including a personnel budget of \$42 million. Currently, the agency employs 554 staff members around the state, and it is looking to increase that number to 753 by the end of 2009.

But some, including Mr. Sheehan, have voiced concern that the agency may not be able to recover \$600 million in the fourth year because by then, the agency will have implemented methods for rooting out errors and fraud.

“In order to get this kind of money, it's got to go beyond basic fraud and abuse,” the chairman of health policy and management at SUNY Downstate School of Public Health, Howard Berliner, said. “Frankly, a lot of hospital executives are going to be spending time hoping and praying that nobody is auditing them,” he said.

Others echoed his concerns and said that while the state ought to be detecting Medicaid fraud, a more important task is improving the administration of Medicaid to prevent problems in the first place. The president of the United Hospital Fund, James Tallon, said: “You can't simply have an ever-escalating projection of fraud recoveries when your real goal ought to be that the fraud doesn't happen in the first place.”



**FOR IMMEDIATE RELEASE**

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AGA RESEARCH STUDY DISCUSSES THE CHALLENGES IN PERFORMANCE AUDITING
Inaugural Report on How a Washington State Auditor with Intriguing New Performance Auditing Authority is Meeting Them

Alexandria, VA – A unique, citizen-enacted effort, titled, Initiative 900, to implement a successful performance audit program in the state of Washington is the subject of a comprehensive study, released today by the Association of Government Accountants (AGA).

The study entitled, *Challenges in Performance Auditing: How a State Auditor with Intriguing New Performance Auditing Authority is Meeting Them*, is the fifth in a planned series of studies covering areas of interest to government financial management community. In November 2005 the citizens of Washington state voted to give their state auditor the most extensive authority in the country to conduct comprehensive, independent performance audits of state and local governments. This study documents the initial actions taken by State Auditor Brian Sonntag to implement the provisions of the initiative and prepare to conduct performance audits. A performance audit is a valuable management tool carefully structured around tough, nationally recognized auditing principles that evaluate whether tax dollars are spent in an effective, efficient and economic manner. “Washington State’s I-900 clearly indicates that citizens want accountability and transparency,” says Relmond P. Van Daniker, DBA, CPA, Executive Director, AGA. “The voters of Washington state gave their state auditor a level of independence that is virtually unprecedented in the auditing community and we want to learn and to pass along what they discover.”

To carry out this authority, the citizen-sponsored initiative dedicated a portion of the state sales and use tax revenue solely for the conduct of performance audits. Among its provisions, the initiative requires the state auditor to follow Government Auditing Standards, and states that no legislative body, office holder or employee may impede or restrict the authority of the state auditor to conduct performance audits.

The initiative, with its monthly revenue stream of \$800,000 to \$900,000, brings with it extraordinary expectations. As stated by Sonntag, “To meet public expectations, we must get audits under way almost immediately, and produce results. We also must balance that with exercising care in deciding what we audit, how we hire and train, and how we involve citizens, public employees and others in our decisions. And our audit work must be fair and objective, it must be sound and of high quality, and it must be credible and constructive.”

This report was commissioned by AGA’s Corporate Partner Advisory Group. It was sponsored by Accenture. Ronell B. Raaum, CGAP, CGFM, Curriculum Development Consultant, Government Audit Training Institute, Graduate School, USDA, and Ralph Campbell Jr., CFE, State Auditor, North Carolina led the research effort.

“This is one of our research initiatives that will benefit state and local governments across the country,” noted Van Daniker. “Washington state provides a unique laboratory for further study of performance auditing and performance management issues, the development of meaningful performance measures and the adjustments needed to manage enterprises for more than just ‘number’ outcomes.”

To view the report, visit: www.agacgfm.org/research/downloads/CPResearchNo5perf.pdf. It will be the focus of a session at AGA’s upcoming Performance Management Conference in Schaumburg, IL, on October 30. For more information about this conference, visit: www.agacgfm.org/pmc.



INTERNAL CONTROL INSTITUTE

“Recognizing Competency World-Wide”

For Immediate Release

Orlando, Florida:

INNOVATION IS MISSING FROM INTERNAL CONTROL SYSTEMS

According to a recent survey of financial executive 92% of all US public companies use spreadsheets for critical accounting activities in their revenue reporting processes. The research, which involved 685 companies, was conducted by www.RevenueRecognition.com and IDC and sponsored by Softrax Corp. Only 8% of all responding companies say they are able to complete their revenue reporting process without having to take data offline and into spreadsheets. Revenue recognition restatements increased 42% from 2002 to 2006 leading to speculation about the underlying causes. With all the hype about Sarbanes-Oxley, increased auditor scrutiny, and complex guidelines it is surprising to learn that mundane internal errors were the leading cause of restatements from 2003 to 2006. That’s the conclusion of a new report entitled “An Analysis of the Underlying Causes of Restatements” by Marlene Plumlee, University of Utah and Teri Lombardi Yohn from Indiana University. According to the study over half of all revenue recognition restatements were avoidable if companies had better procedures for performing, monitoring, and controlling their revenue processes.

Spreadsheet failures can be largely attributed to the lack of innovation in the development of integrated control functionality in central systems. Spreadsheet failures are just one example of the lack of innovation in the development of Internal Control Systems. Innovation is simply defined as doing something new. Innovation can only occur when an organization recognizes that the way they are doing things is hampering their effectiveness. As these studies show improperly implemented internal control systems have a negative impact on many organizations. Following the “old way of doing things” is thought to be safe, many employees believe if they do not do anything different, they will not do anything wrong. In reality, following “the old way of doing things” can become increasingly costly, time consuming, and ineffective.

Part of the problem in integrating innovation into internal control is the limited definition many people have for internal control. The definition of internal control used by ICI and defined by COSO has three parts. First internal control is defined as a “process” not a single check point. Second it is defined as a process to assist an organization in accomplishing its objectives; and third it lists the three key objectives that internal control should be designed to achieve which are: 1) effective and efficient business operations; 2) reliability of financial reporting, and 3) compliance with applicable laws and regulations. It is this broad definition that makes it essential to use innovative techniques in improving internal control and using internal control to improve the organization’s business systems. If internal control supports accomplishing the above three objectives internal control can become a profit center.

Innovation in internal control must be driven by management. Management must make innovation a high priority objective of the organization and reward employees for being innovative. Employees must be trained in innovative practices, and organizations must move thru various phases of innovation. The Internal Control Institute has defined these four stages of innovation: ***Phase one***-random but not encouraged, ***Phase two***-continuous process improvement, ***Phase three***-develop new solutions to existing problems, and ***Phase four***-radical change.

The challenge organizations face in using internal control to drive innovation is the lack of internal control expertise in their organization. Most of today’s employees with internal control training are taught the strict definition of internal control and are not trained in the true practice of internal control. For the latest information on today’s internal control practice visit Internal Control Institute.

For more information:

Visit the ICI web site at: www.internalcontrolinstitute.org or write for more information to the Internal Control Institute 2101 Park Center Drive, Suite 200, Orlando, Florida 32835-7614



Announcements

If you have any announcements, including awards, achievements, milestones, retirements, and job opening, please let us know and we will include them in our newsletter and on the NYC AGA website.

Please send them to Howard Unger at Howard.Unger@oig.hhs.gov.

"Advancing Government
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Comments, suggestions, or
articles for the Newsletter:
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If you are interested in volunteering as an officer or assistant for the New York Chapter AGA, please contact a member of the Board.

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