



We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS



Welcome

2025 Albuquerque Government Training Session



We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

Ransomware Preparedness

Preventing and Responding to Ransomware Attacks at your Organization

January 16, 2025



The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

Learning Objectives



Identify how ransomware attacks are deployed



Recognize how to prevent the introduction of malicious software onto systems



Recall how to prepare yourself and the organization for the recovery from a ransomware attack



What is Ransomware?

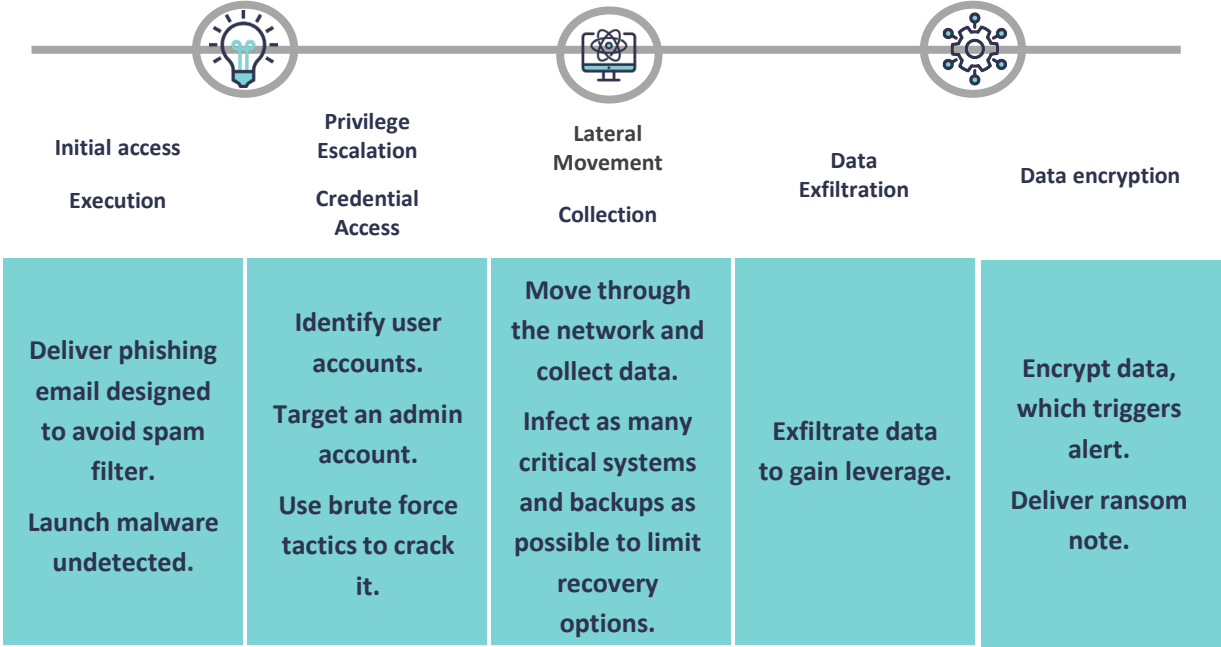


What is Ransomware?



- Cryptolocker, Locky, WannaCry, etc.
- Encrypts all data, holds in “ransom” for payment
 - Can include data on local machine and on network
- Can affect non-Windows OS as well

Ransomware Playbook

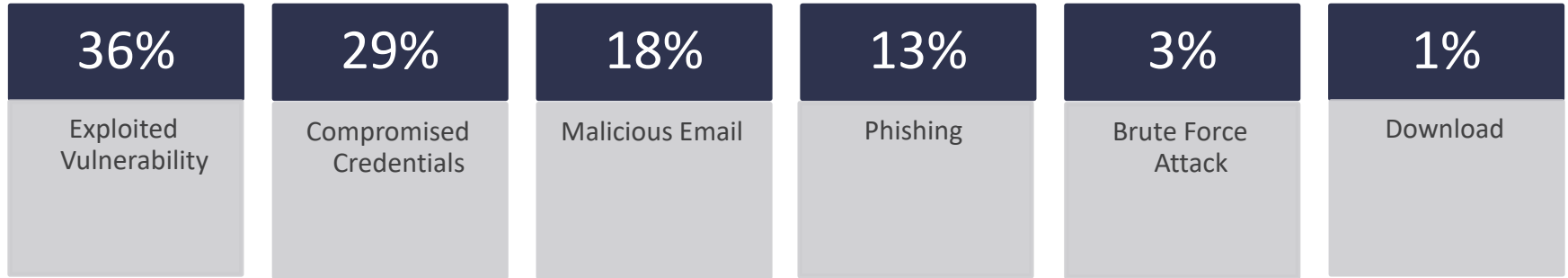


The 3-step ransomware attack playbook

InfoTech Research Group



Ransomware Root Causes



Ransomware in the News

Caesars Entertainment

- Paid \$15 million in ransom.
- Result of social engineering attack on an outsourced IT support vendor according to the 8-k filing.
- Loyalty program database compromised including SSNs and driver license numbers.

MGM Resorts

- Estimated to be currently losing \$4m-\$8m a day.
- Degradation to digital key card systems, slot machines, ATMs, parking systems.
- Reported that many guests had to wait hours to check in.



Your challenge:

Ransomware is more complex than other security threats

- Malicious agents design progressive, disruptive attacks to pressure organizations to pay a ransom
- Organizations misunderstand ransomware risk scenarios, which obscures the likelihood and impact of an attack
- Conventional approaches focus on response and recovery, which do nothing to prevent an attack and are often ineffective against sophisticated attacks
- Preventative approaches requires multiple areas of controls improvement: people, process and technologies





Preparedness

How to prepare yourself and the organization for the recovery from a ransomware attack



Protect



Detect



Respond



Recover



CIS Controls – V8



Inventory and Control of Enterprise Assets

- Understand what hardware you have/own
 - Workstations
 - Servers
 - Mobile devices
 - Internet of Things (IoT) devices

<https://www.cisecurity.org/controls/>



Inventory and Control of Software Assets



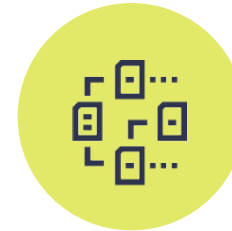
Understand what software you have/own



Develop an approved products list

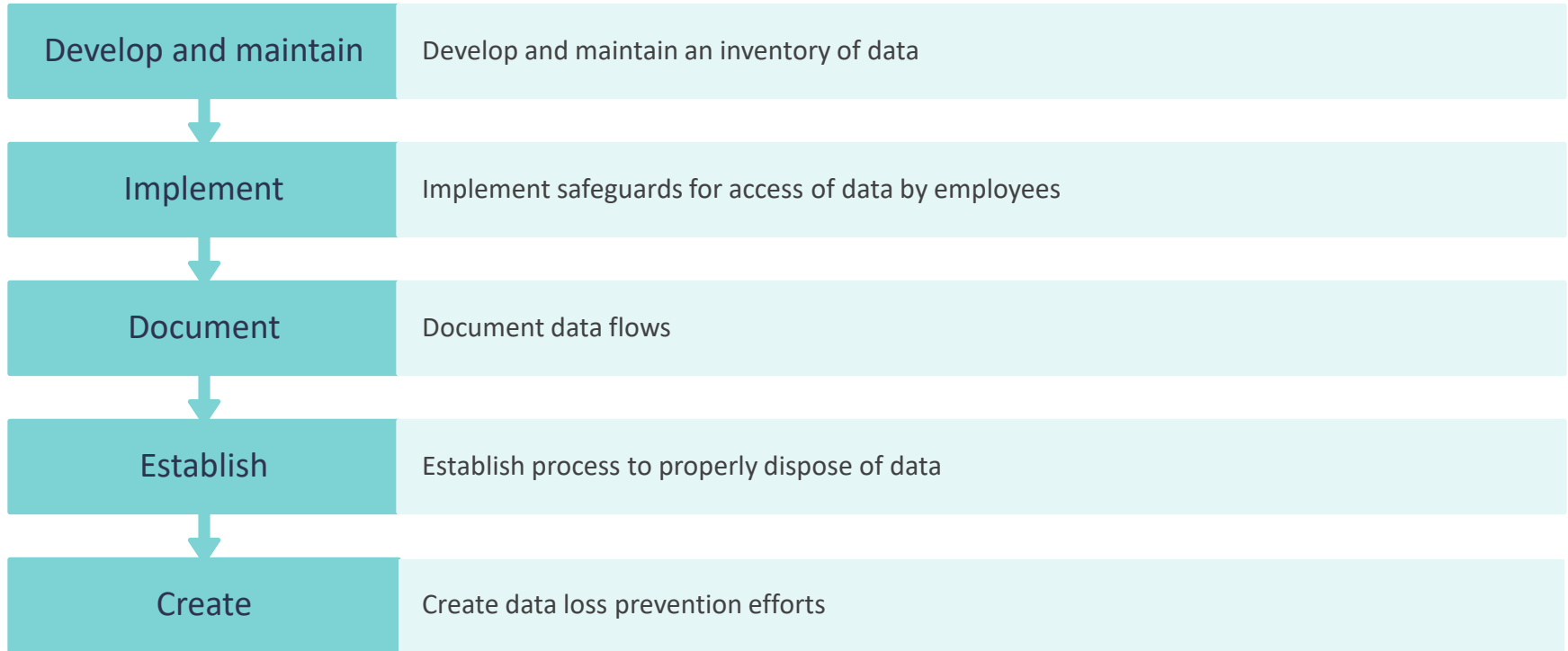


Confirm software is supported by vendor and apply latest patches



Address unauthorized software

Data Protection



<https://www.cisecurity.org/controls/>



Secure Configuration of Enterprise Assets and Software

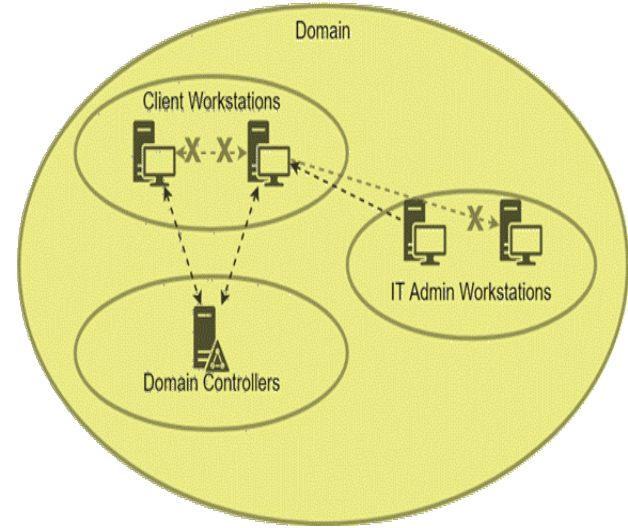
“Establish and maintain the secure configuration of enterprise assets (end-user devices, including portable and mobile; network devices; non-computing/IoT devices; and servers) and software (operating systems and applications).”

<https://www.cisecurity.org/controls/>



Preventing Ransomware Attacks

- Implement behavioral based malware / anti-virus software
- Remove local administrative privileges on computers
- Divide IT systems and user access between segments
 - Implement VLANs to segment and provide access controls on the network



Account Management

01

Identify and inventory all accounts
in the organization

02

Establish policies for use of strong
and unique passwords

03

Review users to confirm they are
authorized and have the correct
access rights

04

Disable / delete dormant accounts



Access Control Management

01

Establish proper user access
granting process

02

Develop proper user access
revocation process

03

Practice least privilege with
user accounts

04

Utilize role-based access
methods

05

Require multi-factor
authentication, especially for
external services



Patch Your Employees

- Why it's important
 - Clicking on bad emails
 - Connecting infected personal devices
 - Connecting a “free” thumb drive
 - “Losing” thumb drive, laptop, etc.
 - Browsing suspect sites, personal email, cloud storage
- Employee habits and practices
 - Can be the first line of defense
 - Can escalate incidents quickly
 - Influence co-workers by word of mouth
 - Exercise security-conscious behavior at home, too
 - Periodic security awareness training





Incident Response Planning



The Incident Response Lifecycle

Preparation

Identification

Containment

Eradication

Recovery

Lessons
Learned



Preparation

Can we properly respond to comprehensive security incidents?

Create incident response policies

Develop roles and responsibilities

Establish communication procedures

Confirm we have the correct people, process, and tools/technologies in place



Identification

Detection and Analysis

- Analyzing of logs
- Proper alerting based on abnormal activity
 - Unusual files
 - Unusual process
- New accounts created

Triage and Escalation

- Is this truly an incident that we need to respond to?
- Escalate to proper personnel
- Follow chain of custody



Stop the bleeding!



Containment



Eradication

Confirm root cause



Remove malware



Wipe/Format/Rebuild



Apply necessary patches



Confirm no other footholds exist



Implement proper firewall/IDS/IPS rules



Recovery

01

Continue to monitor for indicators of compromise

02

Search for and confirm attacker artifacts are gone

03

Return to normal state of operations



Lessons Learned



Document incident



Report to necessary stakeholders



Confirm protections are in place to mitigate same type of incident occurs



Modify process(es), if needed

Incident Response Preparedness



Unfortunately, data breach can still occur despite implementing all the best security precautions



When that occurs, organizations need to prepare and be ready to respond to a data breach.



Have a plan, practice the plan, prove the plan

Have a Plan

Develop an incident response plan

- Include the appropriate procedures
- Confirm points of contact are included
- Keep the plan update to date

Establish relationships with key incident responders

- Breach Counsel
- Forensic provider
- Public relations



Practice the Plan

- Like all emergency procedures, they need to be practiced
- Table-top exercises- simulations where participants walk through the incident and response procedures
- Two types of table-top exercises
 - Technical
 - Management
- Both types should be conducted annually



Prove the Plan



Many businesses end up over-notifying customers about data breaches, significantly increasing costs and risk of litigation



Low visibility into IT infrastructure means lack of forensic evidence to determine which system or data hackers accessed



Conduct trial forensic exercises to confirm you have the proper data and visibility

Summary

1. Risk assess, classify, and inventory systems

2. Perform IT audit/cybersecurity assessments including internal network penetration testing and external network penetration testing – at least annually AND after significant changes

3. Review and assess risks related to privileged user accounts (i.e. administrator access)

4. Harden network technology and applications against attack

5. Continue to enhance and tune network, system and application monitoring and alerting

6. Train and test employees frequently (Human Factor)

7. Develop a cyber resilience plan and test frequently





Questions



Javier Young

Principal

javier.young@CLAconnect.com

704-816-8470



CLAconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

©2025 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://www.claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

Grants – Training and Policies for Your Organization

Laura Beltran-Schmitz and Jane Tinker

January 16, 2025



The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

Learning Objectives

At the end of the session, you will be able to:

- Discuss the importance of grants compliance and ways to improve
- Identify grants compliance requirements and recognize the importance of internal controls over compliance
- Identify grants management leading practices and discuss digital solutions around grants

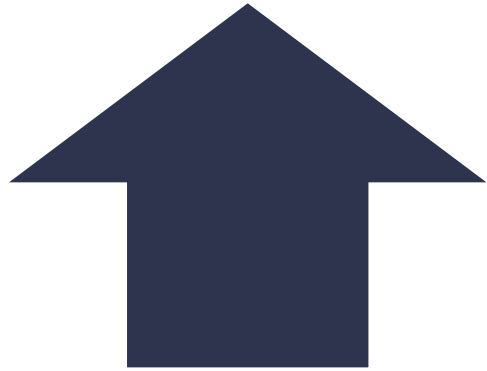




The Importance of Grants Compliance



Pros and Cons of Receiving Federal Grants



Additional funding for programs that support mission of organization



Administrative work,
Record keeping, Reporting,
Audits



Effective Grant Management

Planning

- Identifying compliance requirements
- Establishing roles and responsibilities
- Designing and implementing strong processes

Compliance and Monitoring

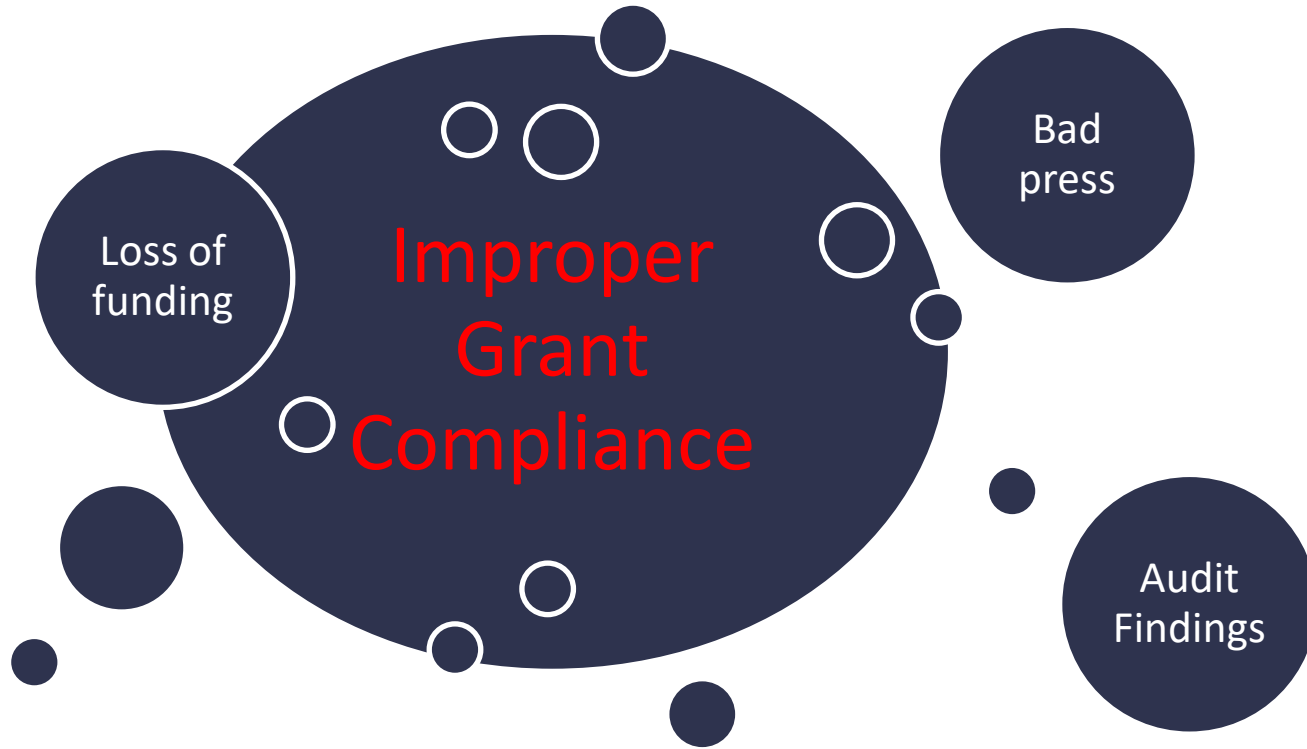
- Ensuring expenses are allowable within grant terms and approved budget
- Verifying activities are meeting program objectives
- Procuring goods and services properly
- Monitoring subrecipient activity

Financial Management and Reporting

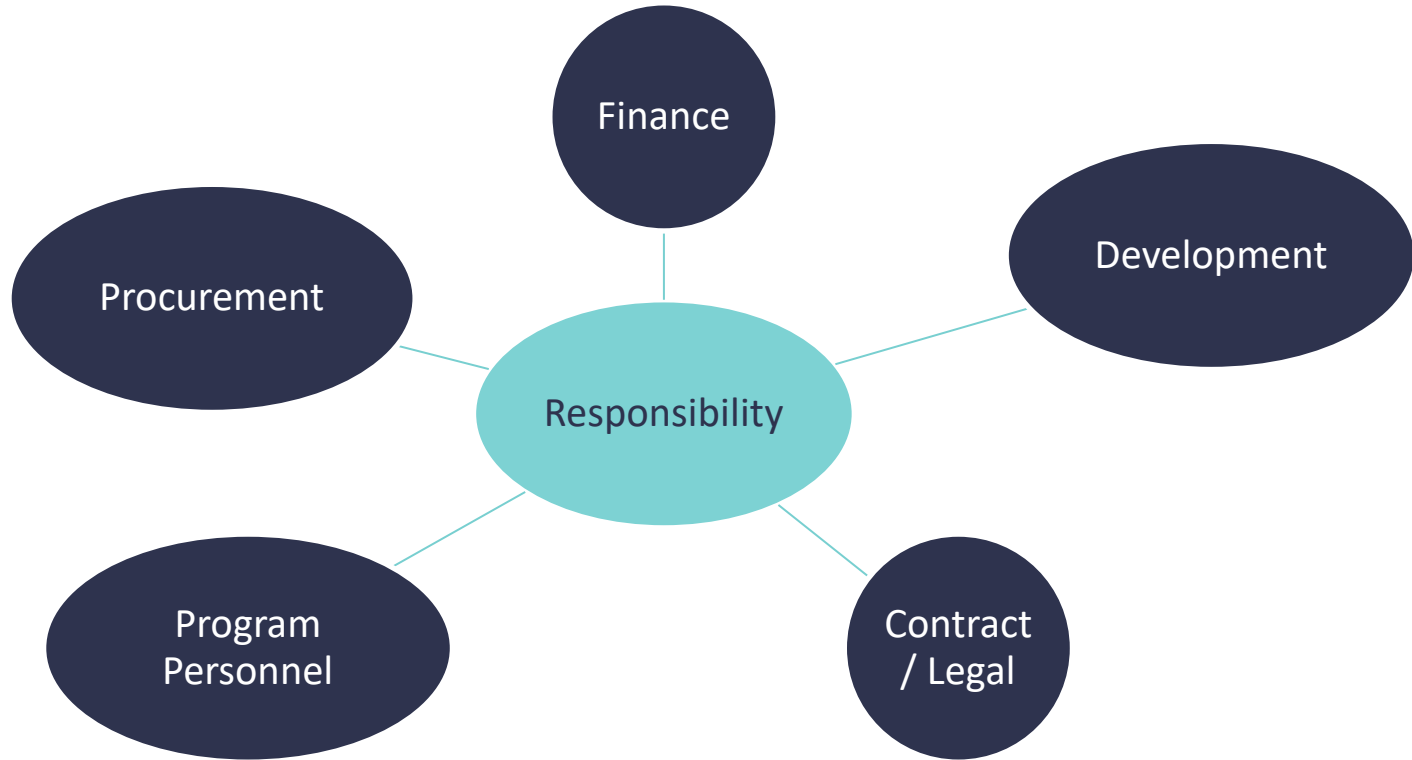
- Maintaining current financial records to meet reporting and audit requirements
- Tracking detailed budget, expenses, and revenues adequate for reporting



Why is Grant Compliance important?



Who Is Responsible for Grant Compliance?



When is Grant Compliance important?





Sources of Grant Compliance Requirements



Sources of Grant Compliance Requirements



2 CFR Part 200 Uniform Guidance



Statutory and National Policies



Other Agency Federal Regulations



State Statutes / County Code / City Ordinances



Terms and Conditions of Awards



Agency Regulation Example

U.S. Department of State Award Provisions



During the period of performance, the Recipient must comply with:

- The Award Provisions below;
- The Department of State Standard Terms and Conditions for Federal Awards, which are incorporated by reference and made part of this Federal Award. Electronic copies containing the complete text are available at: <https://www.state.gov/m/a/ope/index.htm>
- The applicable sections of 2 CFR §200 and 2 CFR §600; and
- All assurances and certifications made during the application process.

Statutory and National Policy Requirements

Example

G. NATIONAL POLICY REQUIREMENTS.....	24
.01 United States Laws and Regulations.....	24
.02 Non-Discrimination Requirements	25
a. Statutory Provisions	25
b. Other Provisions.....	26
c. Title VII Exemption for Religious Organizations	26
.03 LOBBYING RESTRICTIONS.....	26
a. Statutory Provisions	26
b. Disclosure of Lobbying Activities	27
.04 Environmental Requirements.....	27
a. The National Environmental Policy Act (42 U.S.C. §§ 4321 <i>et seq.</i>).....	27
b. The National Historic Preservation Act (16 U.S.C. §§ 470 <i>et seq.</i>).....	28
c. Executive Order 11988 (Floodplain Management) and Executive Order 11990 (Protection of Wetlands).....	28
d. Clean Air Act (42 U.S.C. §§ 7401 <i>et seq.</i>), Federal Water Pollution Control Act (33 U.S.C. §§ 1251 <i>et seq.</i>) (Clean Water Act), and Executive Order 11738 (“Providing for administration of the Clean Air Act and the Federal Water Pollution Control Act with respect to Federal contracts, grants or loans”).....	28
e. The Flood Disaster Protection Act (42 U.S.C. §§ 4002 <i>et seq.</i>).....	29
f. The Endangered Species Act (16 U.S.C. §§ 1531 <i>et seq.</i>).....	29
g. The Coastal Zone Management Act (16 U.S.C. §§ 1451 <i>et seq.</i>).....	29
h. The Coastal Barriers Resources Act (16 U.S.C. §§ 3501 <i>et seq.</i>).....	29
i. The Wild and Scenic Rivers Act (16 U.S.C. §§ 1271 <i>et seq.</i>).....	29

j. The Safe Drinking Water Act of 1974, as amended, (42 U.S.C. §§ 300f <i>et seq.</i>).....	29
k. The Resource Conservation and Recovery Act (42 U.S.C. §§ 6901 <i>et seq.</i>).....	29
l. The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA, commonly known as Superfund) (42 U.S.C. §§ 9601 <i>et seq.</i>) and the Community Environmental Response Facilitation Act (42 U.S.C. § 9601 note <i>et seq.</i>).....	30
m. Executive Order 12898 (“Environmental Justice in Minority Populations and Low Income Populations”).....	30
n. The Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. § 1801 <i>et seq.</i>).....	30
o. Clean Water Act (CWA) Section 404 (33 U.S.C. § 1344)	30
p. Rivers and Harbors Act (33 U.S.C. § 407)	30
q. The Migratory Bird Treaty Act (16 U.S.C. §§ 703-712), Bald and Golden Eagle Protection Act (16 U.S.C. § 668 <i>et seq.</i>), and Executive Order 13186 (Responsibilities of Federal Agencies to Protect Migratory Birds, January 10, 2001).....	31
r. Executive Order 13112 (Invasive Species, February 3, 1999)	31
s. Fish and Wildlife Coordination Act (16 U.S.C. § 661 <i>et seq.</i>).....	31
.05 OTHER NATIONAL POLICY REQUIREMENTS	31
a. Criminal and Prohibited Activities	31
b. Drug-Free Workplace	32
c. Foreign Travel.....	33
d. Increasing Seat Belt Use in the United States.....	34
e. Federal Employee Expenses and Subawards or Contracts Issued to Federal Employees or Agencies.....	34
f. Minority Serving Institutions Initiative	34
g. Research Misconduct.....	34
h. Research Involving Human Subjects	35





Uniform Guidance Administrative Requirements



Uniform Guidance

Applicable to Federal Financial Assistance

Grants

Cooperative
Agreements

Other forms

Subawards

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards – The Uniform Guidance



Uniform Guidance

Split into
6
subparts

Subpart A – Acronyms and Definitions

Subpart B – General Provisions

Subpart C – Pre Federal Award Requirements

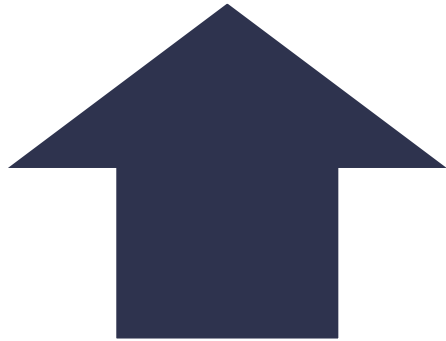
Subpart D – Post Federal Award Requirements

Subpart E – Cost Principals

Subpart F – Audit Requirements



Applicability of Compliance Requirements



Some compliance requirements are more general and same rules apply to all grants

- Cash Management
- Equipment Standards



Some compliance requirements are very grant specific

- Eligibility
- Special Tests and Provisions



Applicability of Compliance Requirements

Uniform Guidance (2 CFR Part 200) has overarching requirements

Grant agreement and documents will include specifics

Matching Requirement must be from verifiable source and valued correctly

Example: Organization must contribute 100 volunteer hours for project





Time and Effort Reporting



Time and Effort Reporting

Charges must be **based on records that accurately reflect the work performed** and must:

Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable and properly allocated

Reasonably reflect the total activity for which the employee is compensated

Comply with the established accounting policies and practices of the non-federal entity

Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award



Time and Effort Reporting

- Verify that the amount charged to the federal grant can trace back to payroll records for proportionate amount of total worked
- i.e., If employee works a 50-hour work week, with 10 hours spent on the grant
 - 20% of payroll charges for that week can be charged
 - Not 10 hr. X hourly rate based on 40 hrs. a week / 2080 a year



Time and Effort Certification Example

ORGANIZATION NAME Effort of Certification Report		
Name:	Joe Smith	
Emplid:	22858	
Title:	Program Director	
Time Period:	May 2022	
Activity:	Project Code:	Effort (%) of Hours
Right of Way Initiative	50	75%
Administrative Work	100	25%
TOTAL (Must Equal 100%)		<input style="width: 100%; height: 15px;" type="text"/>
<i>I certify that this a true and correct report of the actual hours I worked during this period.</i>		
Print Employee Name:	<input style="width: 100%;" type="text"/>	
Employee Signature:	<input style="width: 40%;" type="text"/>	Date: <input style="width: 20%;" type="text"/>
<i>I certify that I have suitable means to verify all effort or time of this individual. I certify further that, to the best of my knowledge, the effort or time indicated on this report reasonably reflects the actual effort of this individual.</i>		
Print Supervisor Name:	<input style="width: 100%;" type="text"/>	
Supervisor Signature:	<input style="width: 40%;" type="text"/>	Date: <input style="width: 20%;" type="text"/>





Subrecipient Monitoring



Subrecipient Monitoring and Management (200.330-332)



Subaward is for the purpose of carrying out a portion of a federal award and creates a federal assistance relationship



Subrecipient: determines eligibility, has performance measured in relation to objectives of program, has responsibility for programmatic decision making; and uses the Federal funds to carry out a program for a public purpose



Subrecipient Monitoring and Management (200.330-332)



Contract is for the purpose of obtaining goods and services for the non-federal entity's own use and creates a procurement relationship



Contractor: Provides the goods and services normally, provides similar goods or services to many different purchasers; provides goods or services for the benefit of the pass-through entity



Subrecipient / Contractor Determination

- All characteristics need not be present
- Judgment should be used in the determination process
- Substance of the agreement is more important than the form



Subrecipient Monitoring (200.330-332)

Subaward must contain specific information as outlined in UG



Federal Award
identification
(see next slide)



Requirements so
that federal award
is used in
accordance with
terms and
conditions of
original federal
award



Description
of
performance
or financial
reports due



Indirect cost rate –
either an approved
rate, negotiated rate,
or de minimis rate



Appropriate
terms and
conditions
concerning
closeout of the
subaward

Required Information for Subaward

- Subrecipient name and unique entity identifier
- Federal Award Identification Number (FAIN)
- Federal Award Date of award to the recipient by the Federal agency
- Subaward Period of Performance Start and End Date
- Amount of Federal Funds Obligated by this action by the pass-through entity
- Total Amount of Federal Funds Obligated by the pass-through entity including the current obligation



Required Information for Subaward (Continued)

- Total Amount of the Federal Award committed by the pass-through entity
- Federal award project description
- Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity
- Assistance Listing Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the assistance listing number at time of disbursement
- Identification of whether the award is R&D
- Indirect cost rate for the Federal award



Subrecipient Monitoring

Pass-through entities must evaluate each subrecipient's risk of noncompliance by performing a risk assessment

- Prior experience
- Results of previous audits
- New personnel or new or substantially changed systems
- Extent and results of Federal awarding agency monitoring



Subrecipient Monitoring

Risk Assessment should be documented

Subrecipient Risk Assessment Matrix Example:
<http://claconnect.com/Nonprofit/Uniform-Grant-Guidance-Workbook-Subrecipient-Risk-Assessment.aspx>

Results of risk assessment determine what type of monitoring should be performed on subrecipient



Subrecipient Monitoring

Pass-through entities
must monitor
activities of the
subrecipient:

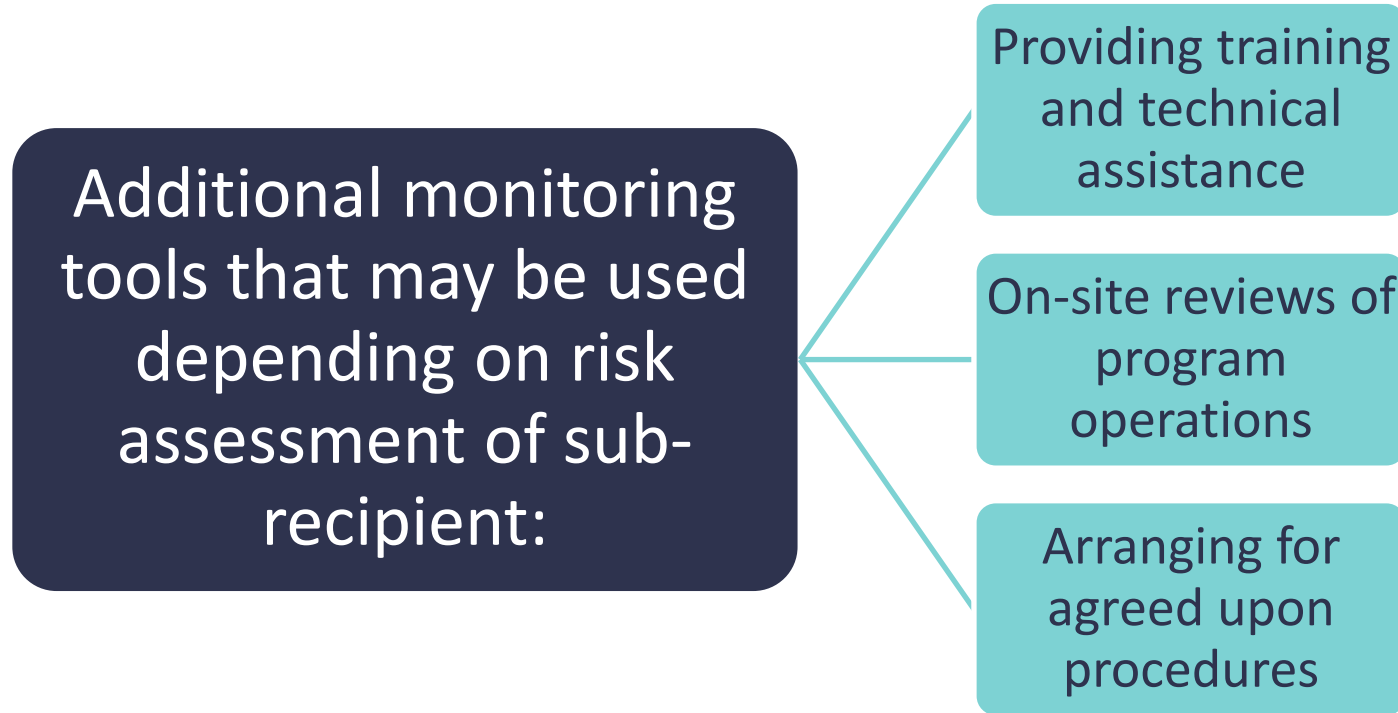
Reviewing financial and programmatic reports

Verify that audit is being performed (if necessary) and following up on audit findings and deficiencies

Issuing management decision on audit findings



Subrecipient Monitoring



Subrecipient Monitoring

- Use checklist or matrix to verify that all monitoring activities are being completed timely
- Search for Single Audit reports in Federal Audit Clearinghouse - <https://www.fac.gov/> (new website effective Oct. 2023!)
- Can search for older single audits (pre 10/1/23 reports) at: <https://facdissem.census.gov/>





Procurement



Procurement (200.317-326)

Organizations Must:

- Engage in full and open competition
- Keep procurement records that detail the history of all procurements, not just those over small purchase threshold
- Have written Procurement Policies in accordance with UG requirements



I – Procurement §200.318(H)

Organizations
must award
contracts only
to responsible
contractors:

Contractors must possess the ability to perform successfully under the terms and conditions of a proposed procurement

Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources



Individual Conflict of Interest (200.318(C)(1))

Need to have documented policy stating that:

No

- employee,
- officer,
- member of governing board, or
- agent, advisor, consultant, attorney, accountant, or shareholder

may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest.



Procurement (200.318)

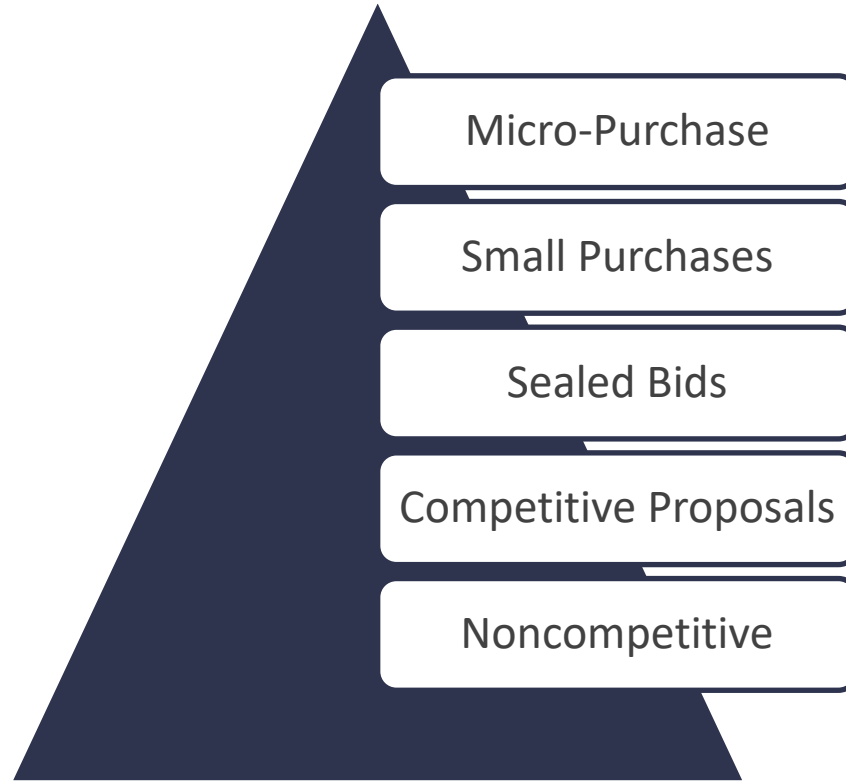
Organizational conflicts of interest means that because of relationships with:

- a parent company,
- affiliate, or
- subsidiary organization,

the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.



Allowable Procurement Methodologies (200.317-326)



Suspension and Debarment

Checks for contracts over \$25,000 should be made on the EPLS site –
(www.sam.gov)



Or add in the clause in the procurement contract



Keep documentation



Best practice recommendation is to do this on every procurement with federal funds!





Internal Controls over Compliance



Internal Control Framework

It is crucial that organizations have the proper framework for internal control to verify that:

Grant resources are being utilized effectively and efficiently

Assets purchased or developed with grant funds are being safeguarded properly

Financial reporting required by these grants is accurate and timely

Grant resources are being utilized in compliance with appropriate laws and regulations

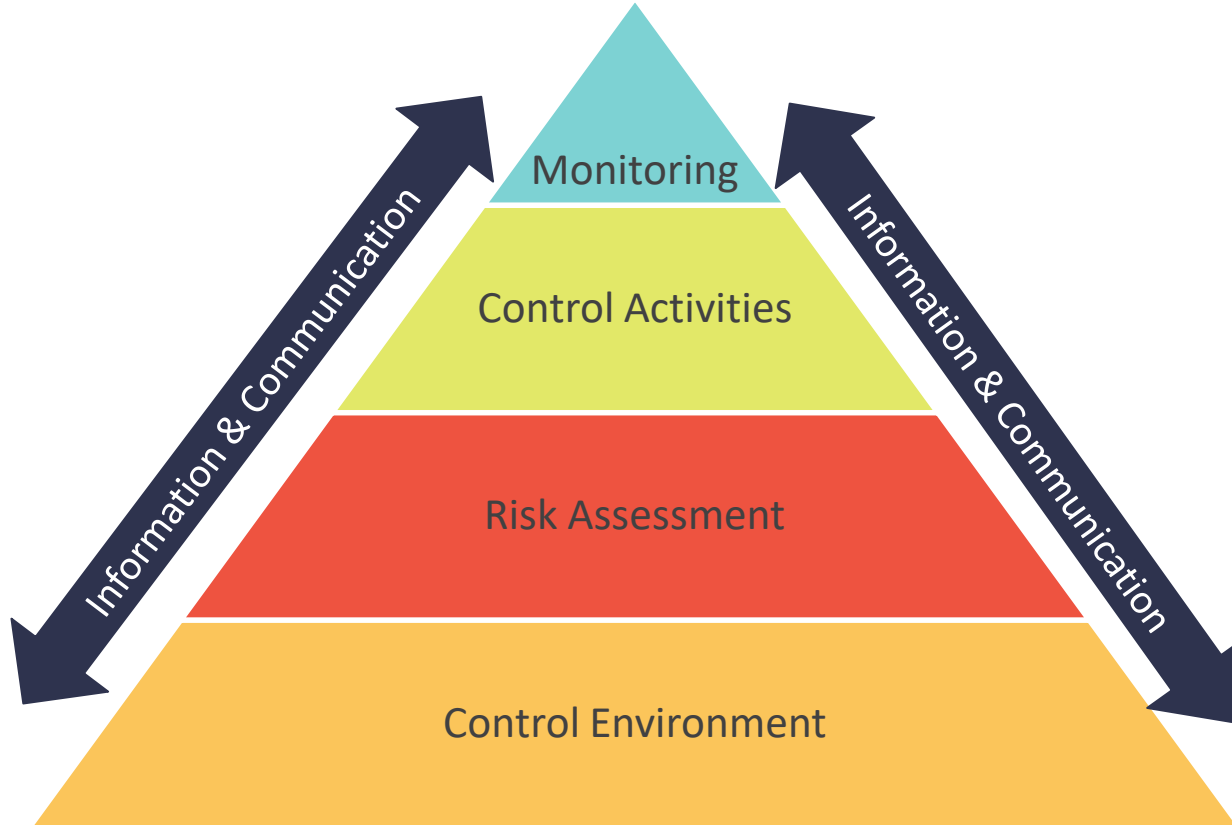


Internal Controls

Organizations will need to exercise judgment in determining the most appropriate and cost-effective internal control in a given circumstance



COSO Framework Image



Internal Control Questions

- Control Environment
 - What is management's attitude about internal control?
- Risk Assessment
 - How did you determine that (control activity) was necessary to verify compliance?
- Control Activities
 - How are you certain your organization is in compliance with (insert specific compliance requirement)?
- Monitoring
 - What is the process used to enhance the (control activity) is performed correctly and consistently?
 - Auditors cannot be part of the auditee's internal controls!
- Information and Communication
 - How and when do you notify people the (control activity) is required?



Internal Control Examples

- Allowable Use of Funds and Period of Performance
 - Site coordinators purchase goods and services for grant purposes
 - Program Manager approves all purchases prior to being paid and recorded

- Cash Management:
 - Accounting professional prepares the invoice for reimbursement request
 - Director of Finance reviews and approves



Internal Control Examples

- Eligibility
 - Site coordinator completes participant intake form
 - Program Director reviews and signs form

- Property and Equipment
 - Program Director takes annual inventory of property and equipment purchased with federal funds
 - Accounting Professional reconciles with accounting records



Internal Control Examples

- Procurement
 - Finance department solicits bids for service
 - Board reviews and approves bids over \$150,000

- Reporting
 - Financial Reports:
 - Accounting Professional prepare monthly report based on G/L detail, Program Director and Director of Finance review and approve
 - Performance Reports:
 - Program Director prepares quarterly report, Executive Director reviews and approves





Grants Management Best Practices



Grants Management Challenges



Complex requirements, regulations, and reporting standards for each grant program



Challenging process and workflow management, particularly when multiple departments are involved



Time consuming manual updates and data entry with challenging resource constraints



Grant Compliance Program

- 1 Read through grant agreement for terms and conditions
- 2 Identify compliance requirements
- 3 Verify proper internal controls over compliance
- 4 Document policies and procedures
- 5 Utilize tools and checklists
- 6 Obtain proper training



Documenting Policies

Key to an effective grants management program is ensuring that proper policies and procedures are in place and documented

The reasons for this are twofold:

Internally, they can provide clarity and instruction to those involved in grant management

Externally, they can show either current or potential funding agencies that your organization has a program in place to ensure full compliance



Required Policies

Allowable
Use of Funds
Policy

Payment and
Billing Policy

Procurements
Standards
Policy



Best Practice Policies

Financial
Management
Systems Policy

Internal Controls
over Compliance
Policy

Cost Sharing and
Matching Policy

Program Income
Policy

Budget and Program
Revisions Policy

Property and
Equipment
Standards Policy

Monitoring and
Reporting

Subrecipient
Procedures Policy

Record Retention
Policy

Grant Proposal Policy

Grant Award
Acceptance Policy

Grant Closeout Policy



Policy Review and Revisions

Designate key individual or team to monitor your policies over federal programs

Regularly review policies for compliance and educate employees on changes to policies
(Encourage open dialogue regarding questions and decision making)

Make sure policies are easily accessible for all employees involved and they know that they are responsible for reviewing these



Checklists

Develop checklists for all aspects of the grant process, such as:

Grant application process

Preparation for the single audit

Subrecipient risk assessment and monitoring

Submission of financial and program reports

Grant close-out



New Award Checklist

- Read your entire award package – Grant and Program Managers
- Award Notice - (It is important to review the details)
 - Grantor
 - Award Number
 - Amount Of This Award
 - Budget
 - Award Dates
 - Program Type
 - Program Manager




New Award Checklist (Continued)

- Agreement

- Budget Restrictions
- Project Requirements
- Federal Appropriations
- Cost Share Requirements - Set up and track
- Equipment
 - Must be properly recorded as an asset
- Costs Allowable/Not allowed - review with Program Manager
- Reporting Requirements (Labor hours, receipts, cost share, etc.)
 - Must submit any necessary back-up documentation to Fiscal Manager
- Reporting Deadlines (Interim/ Final Financial and Technical)
- Regulatory Compliance Issues
- Technical Tanks and Deliverables
 - Must be within the project period



Uniform Guidance Checklist Example:

	
1	
2	Grant Reform and Uniform Guidance Planning and Implementation Checklist
3	For those topics that have expanded information indicated, click on the hyperlink to the "Additional Guidance" tab.
4	For those cell that have red triangles in the top right corner, hover over the cell to view the additional guidance in the comment.
5	
	Action Item
	Date Completed / Expected Completion Date
29	
30	Subpart D — Post federal Award Requirements Note: This includes all requirements, not just those changes from old guidance
31	
32	Standards for Financial and Program Management (Sections 200.300 - 309)
33	1) Performance measurement — Reports will now have a comparison of actual accomplishments to the objectives of the federal award, and if needed, include reasons why goals were not met. Also, nonfederal entities now must provide cost information to demonstrate cost-effective practices.
34	a) Has your organization discussed with the federal awarding agency which performance goals, indicators and milestones will apply for your grants?
35	b) Has performance reporting frequency and content been determined to ensure proper reporting?
36	
37	2) Financial management — Does your organization's financial management system, including records documenting compliance:
38	a) allow for the preparation of reports required by general and program-specific terms/conditions?
39	b) allow for the tracing of funds to a level of expenditures to show that they have been used according to the terms/conditions/regulations?
40	Link for the characteristics your financial system must have in order to meet the above requirements.
41	
42	3) Internal controls
43	a) Has your organization established and maintained the most appropriate and cost-effective internal controls over federal awards to ensure compliance with regulations and the terms/conditions of awards?
44	b) Has your organization considered the <i>Internal Control Framework issued by the Committee on Sponsoring Organizations (COSO)</i> and the <i>Standards for Internal Control in the Federal Government (Green Book)</i> issued by the Comptroller General as best practice
45	c) Do you have internal controls and procedures in place to take prompt action when noncompliance issues are identified, including noncompliance related to audit findings?
46	d) Has your organization made reasonable measures to safeguard protected, personally identifiable information (PII) and other sensitive information?
47	e) Has your organization had discussions, provided trainings, and had organization-wide considerations to verify that effective internal controls have been established and maintained over federal awards to provide reasonable assurance that awards are being managed in compliance with laws and regulations?
48	

<https://www.claconnect.com/resources/articles/clas-uniform-grant-guidance-checklist-streamlines-implementation>



Documentation of Compliance: Example

- CLA's **“Program Understanding and Internal Control Workbook”** for each grant agreement
- <https://www.claconnect.com/resources/tools/2017/grant-program-workbook-understanding-your-grant-compliance-and-internal>

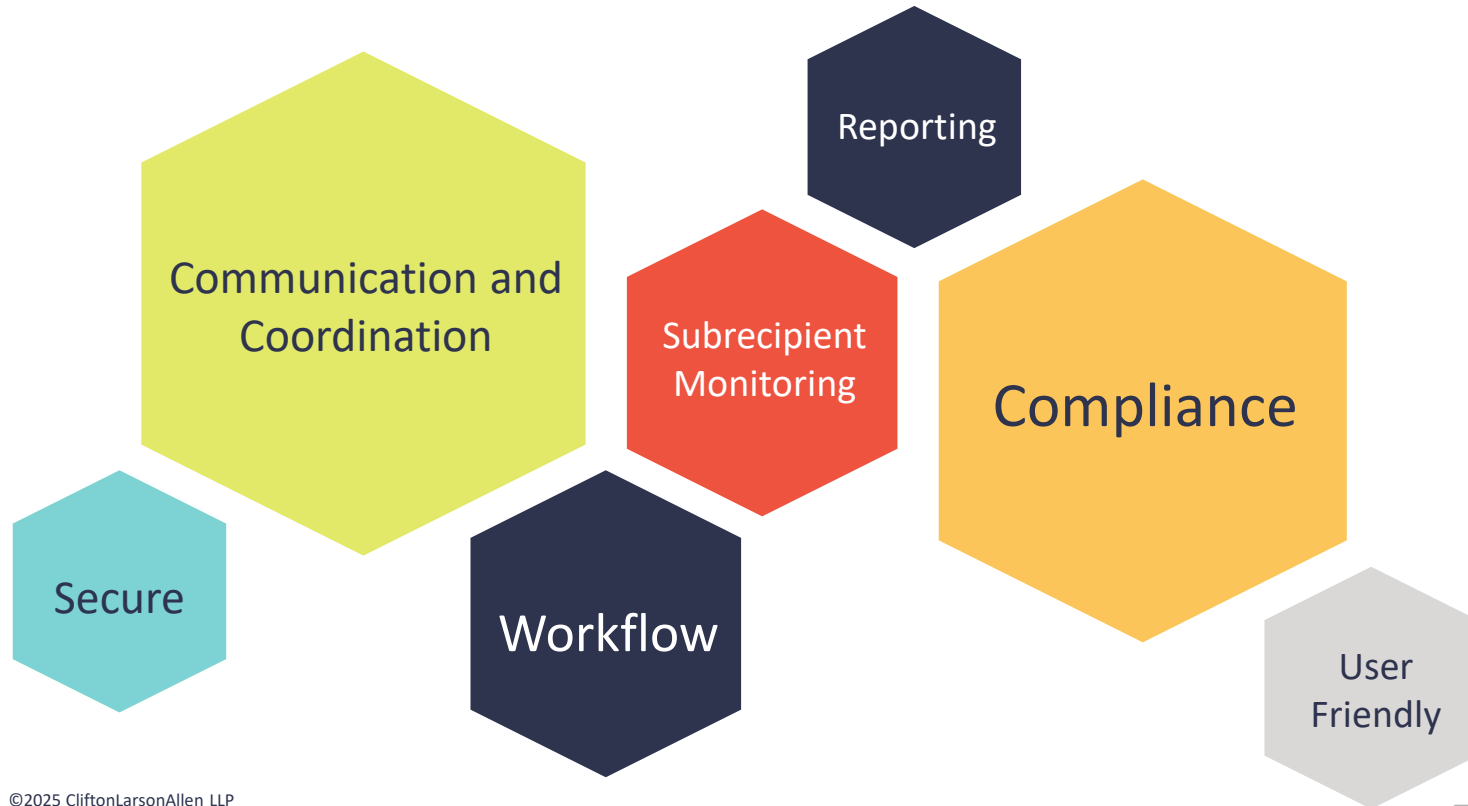


Program Understanding and Internal Control Workbook

A	B	C	D	E	F	G	H
Grant Summary							
This tab should be completed for each grant within the program. If additional tabs are needed, copy into the worksheet.							
Grant information coversheet							
Program title				Passed through			
Contract number(s)				CFDA number			
Granting period				Revenue account			
Program managers							
Grant agreement understanding							
Instructions for additional grants							
		Date of agreement		Applicable regulation		Amount	
Initial grant agreement:						\$ -	
Amendment #1:						\$ -	
Amendment #2:						\$ -	
Amendment #3:						\$ -	
Total amount of grant:						\$ -	
Grant budget							
		Budget		Actual		Variance	
Salaries and benefits		"ABH Allowable CostsAct, Avail" tab		\$ -		\$ -	
General disbursements		"I. Procurement & Debarment" tab		\$ -		\$ -	
Equipment purchases		"E. Equip & Prop Mgmt" tab		\$ -		\$ -	
Loan distributions		"J. Program Income" tab		\$ -		\$ -	
Payments to program participants		"F. Eligibility" tab		\$ -		\$ -	
Subrecipient payments		"M. Subrecipient Monitoring" tab		\$ -		\$ -	
Indirect costs		"A. Allowable Costs & Activities" tab		\$ -		\$ -	
Total grant budget		\$ -		\$ -		\$ -	
Check figure (should be zero)							
Other questions							
		Response		If your response is "yes," then please click on the following:			
1. Are grant funds received on an advance basis?				"C. Cash Management" tab			
2. Are grant funds received on a reimbursement basis?				"C. Cash Management" tab			
3. Is a match (cost sharing) required?				"G01. Matching" tab			
4. Are there specific earmarking requirements for this program? (i.e., no more than 10 percent of funds may be used to cover admin costs)				"G03. Earmarking" tab			
5. Is program income collected for the federal program (i.e., tenant rent, fees, donations)?				"J. Program Income" tab			
6. Are there specific financial/performance reporting requirements for the grant?				"L. Reporting" tab			
7. Are there additional special provisions applicable to the grant program?				"N. Special Provisions" tab			
8. Has the compliance supplement for this program been reviewed for additional requirements?							
Client Instructions		PUM		Grant Summary		COSO Framework	
ABH. Allowable CostsAct, Perf		C. Cash Management		E. Eligibility		F. Equip & Real Prop Mgr	



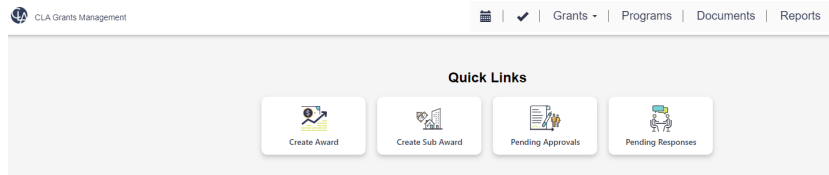
Consideration of Digitalization and Automation Around Grants Example: CLA Grants Management Strategy



Grants Management Strategy Overview

More details and complimentary grants management guide

<https://www.claconnect.com/en/industries/state-and-local-government/grants-management-software>

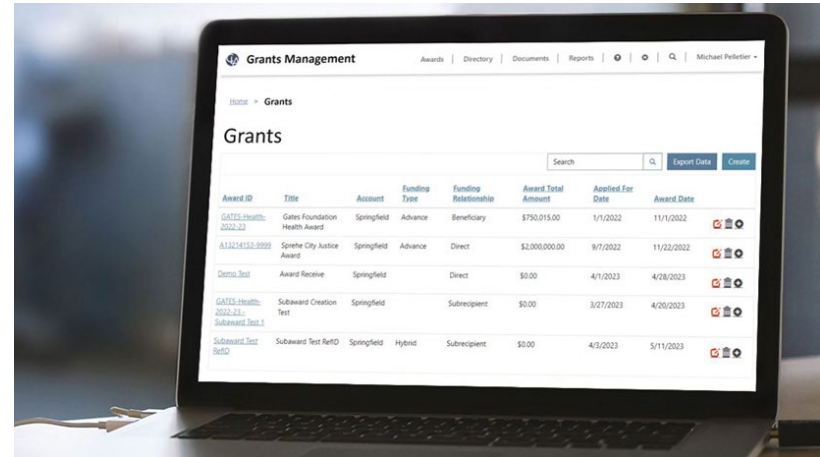


Grant Module

- Document pertinent grant attributes
- Map general ledger to grant reporting categories
- Create custom task lists and reporting deadlines
- Track multiple contracts

Additional Features

- Financial tracking – internal/external
- Report schedule monitoring
- Workflows



CLA Grant Compliance Resource Center

American Rescue Plan Act – Evaluating the Impact on States and Governments

Manage Your Federal Grant Costs During COVID-19

SEFA Prep:
3 Tips to Avoid Errors and Verify Accurate Federal Reporting

FEMA Disaster Relief Grants: Know the Program Requirements

Four Key Considerations for Complying With Uniform Guidance Procurement Rules

Compliance and Documentation:
Cornerstones of Effective Grants Management

Achieve Compliance with Proper Grant Management

CLA's Uniform Guidance Workbook Helps with Subrecipient Risk Assessment

CLA's Uniform Guidance Checklist Streamlines Implementation

Automating Accounting and More:
How Technology is Revolutionizing Government

OMB's Compliance Supplement Can Make Your Single Audit Easier

The Hidden Costs of Grant Noncompliance for Governments

<https://www.claconnect.com/resources/tools/resources-to-ease-the-burden-of-grant-compliance>



Contact Information:

Laura Beltran-Schmitz, CPA, CFE, CGFM, CICA

State and Local Government

Laura.Beltran-schmitz@CLAconnect.com

Jane Tinker, CPA

State and Local Government

Jane.Tinker@CLAconnect.com



CLAconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

©2025 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://www.claglobal.com/disclaimer).
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

10 Minute Break



We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

New Mexico Gross Receipts Tax (NMGRT) Cost Segregation

For Governments and NFPs

January 16, 2025

Overview

Introduction: Competitive Landscape

New Mexico Gross Receipts Tax (NMGRT) Cost Segregation

Cost Segregation Overview

NM Deductions: 7-9-54 (Governments) and 7-9-60 (501(c)(3))

The NMGRT Cost Segregation Process

Approach – Prospective and Refunds

Examples

Targets

Summary

Why CLA?



Learning Objectives

- Describe how cost segregation can reduce passed through NMGRT for governments
- Identify which new construction projects may qualify for cost segregation planning
- Recognize how certain property can be reclassified and be treated as tangible personal property



Competitive Landscape

How States Tax Construction

Texas, Arizona, California, Nevada, Colorado, and Utah

- Generally, **only tax materials**

New Mexico

- Taxes entire cost of project (materials + labor)
- NMGRT imposed on vendor (General Contractor)
- Cost segregation (cost seg) allows New Mexico to be more competitive with other states
- New Mexico regulations regarding cost seg were codified into statute in 2018
- This allows governments, 501(c)(3)s and entities with Industrial Revenue Bonds (IRB) to pay less passed through New Mexico Gross Receipts Tax (NMGRT) on new construction or expansions



What Is NMGRT Cost Segregation?

An approach used by government entities, 501(c)(3)s and entities with an IRB to purchase certain construction items with no passed through NMGRT

State analysis uses federal cost segregation principles for determining the tangible personal property portion of a construction project

Tangible personal property is not subject to NMGRT for government entities, non-profits and an entity with an IRB



Governments – Section 7-9-54 Deduction

A. Receipts from selling tangible personal property, or from selling licenses to use digital goods for the purpose of loaning those digital goods to the public, to the United States or to New Mexico or a governmental unit, subdivision, agency, department or instrumentality thereof may be deducted from gross receipts or from governmental gross receipts.

Unless contrary to federal law, the deduction provided by this subsection does not apply to:

(3) receipts from selling construction material, **excluding** tangible personal property, whether removable or non-removable, that is or would be classified for depreciation purposes as three-year property, five-year property, seven-year property or ten-year property, including indirect costs related to the asset basis, by Section 168 of the Internal Revenue Code of 1986, as that section may be amended or renumbered;



Cost Segregation Overview

- Identification and reclassification of qualified real and personal property into shorter depreciable tax lives
- Re-classifying assets from a 39-year recovery period to a 5, 7, or 10-year recovery period

Property Classification	Description	Depreciable Life
Real Property	Structural components of a building or those needed for the operation and maintenance of the building	39 years
Personal Property	Assets that aren't necessary for the operation and maintenance of the building (e.g., specialized plumbing, wiring, and equipment)	5 or 7 years
Land Improvements	Investments in outdoor features of the property (e.g., parking lots, exterior signage, etc.)	15 years



The NMGRT Cost Seg Process



Information Gathering

Look at appraisals, project drawings and specifications to find assets that may qualify for accelerated depreciation

Obtain and review copies of purchase documents, contractor payment paperwork, change orders and invoices to segregate costs into appropriate asset classifications



Analysis

Use information gathered to list assets that require a detailed cost breakdown and determine which items can be deemed deductible

If necessary, visit facility to identify any remaining assets



Reporting

Provide background information about project

Descriptions of asset classifications and detail of deductions

Support information using photographs, references to court cases, revenue filings, tax citations and more



How Are NMGRT Cost Seg Engagements Done?

Go – Forward

- Client realizes tax savings immediately as the construction project progresses in a reduction in passed through NMGRT from the General Contractor (GC)
- We can “catch up” if the project has already started

Refunds

- If a construction project is complete, we can file a refund to retrieve the tax benefit
- Refund can go back 3 years plus current
- Can take a while to get processed by New Mexico Taxation and Revenue Department (NMTRD)
- Must be filed by GC
- Owner cannot file a refund claim



NMGRT Cost Seg Prospects



Governmental Entities

School Districts, Higher Ed, City and County Buildings



NFPs

Healthcare facilities, credit unions, general admin buildings



Private taxpayers with IRBs

Work with bond counsel
IRB tracking

General Rule of Thumb



The more “specialized” the facility is, the higher the savings



For new construction or remodels, anything above \$3 million we should look at

Examples

New elementary school

$\$20 \text{ million construction cost} * 7.5\% \text{ reclassified} * 7.5\% \text{ tax rate} = \$112,500 \text{ in savings}$



NFP or government hospital new \$150M cancer center

$\$150 \text{ million construction cost} * 17.5\% \text{ reclassified} * 7.5\% \text{ tax rate} = \1.97m in savings



Credit unions

$\$5 \text{ million construction cost} * 7.5\% \text{ reclassified} * 7.5\% \text{ tax rate} = \28k in savings



Summary



NMGRT Cost Seg is a best practice for new construction or remodels for governments, NFPs and entities with IRBs



Accepted by NMTRD, construction companies and owners



Opportunity to provide added value and services to our clients

IRA Snapshot

Creates and modifies a number of renewable energy credits as well as financing programs

Creates new monetization options for tax-exempt and taxable entities

Section 6417 provides an elective pay option (i.e., cash refund) for:

- Tax-exempt organizations
- State and local governments
- Tribal governments
- Rural electric cooperatives

Section 6418 provides a transferability option for for-profit organizations

- Taxpayers can buy and sell credits for cash

IRS portal launched in Dec. 2023 → registration is live

Treasury and IRS have released some guidance, but more to come



Refundable/Transferable Credits

§30C Alternative fuel vehicle refueling property credit

§45 Electricity produced from certain renewable resources, etc.

§45Q Credit for carbon oxide sequestration

§45U Zero-emission nuclear power production credit

§45V Credit for production of clean hydrogen

§45W Credit for qualified commercial clean vehicles (elective pay only)

§45X Advanced manufacturing production credit

§45Y Clean electricity production credit

§45Z Clean fuel production credit

§48 Energy credit

§48C Advanced energy project credit

§48E Clean electricity investment credit



Opportunities for SLGs



New building construction and renovations



Fleet electrification and charging infrastructure



HVAC improvements



Solar panel installations



Pricing leverage for Section 179D allocations



Capital project forecasting



Why CLA?

Our commitment to client service

- Experienced service team
- Continuous communication
- Regular status update meetings
- CLA team worked to codify NMGRT cost seg into statute (from regulation)

Project approach

- Well-established approach to withstand audit
- Extensive audit defense experience
- Strong relationships with NMTRD



Thank You



CLAlconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

©2024 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://www.claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



AI & Automation for State & Local Government

By: Aaron Haataja





The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

Learning Objectives

At the end of the session, you will be able to:



Recognize the basics of AI and automation in finance



Recall comprehensive insights of how AI and automation technologies work, specifically in the context of accounting and finance



Review a range of practical use cases of AI and automation in financial processes



Recall how implementing AI and automation can significantly improve efficiency, reduce errors, further organizational mission, and improve the lives of the workforce



Identify ways your organization can adapt and stay ahead in this rapidly evolving field, including strategies for implementation and overcoming potential challenges





Basics and Definitions

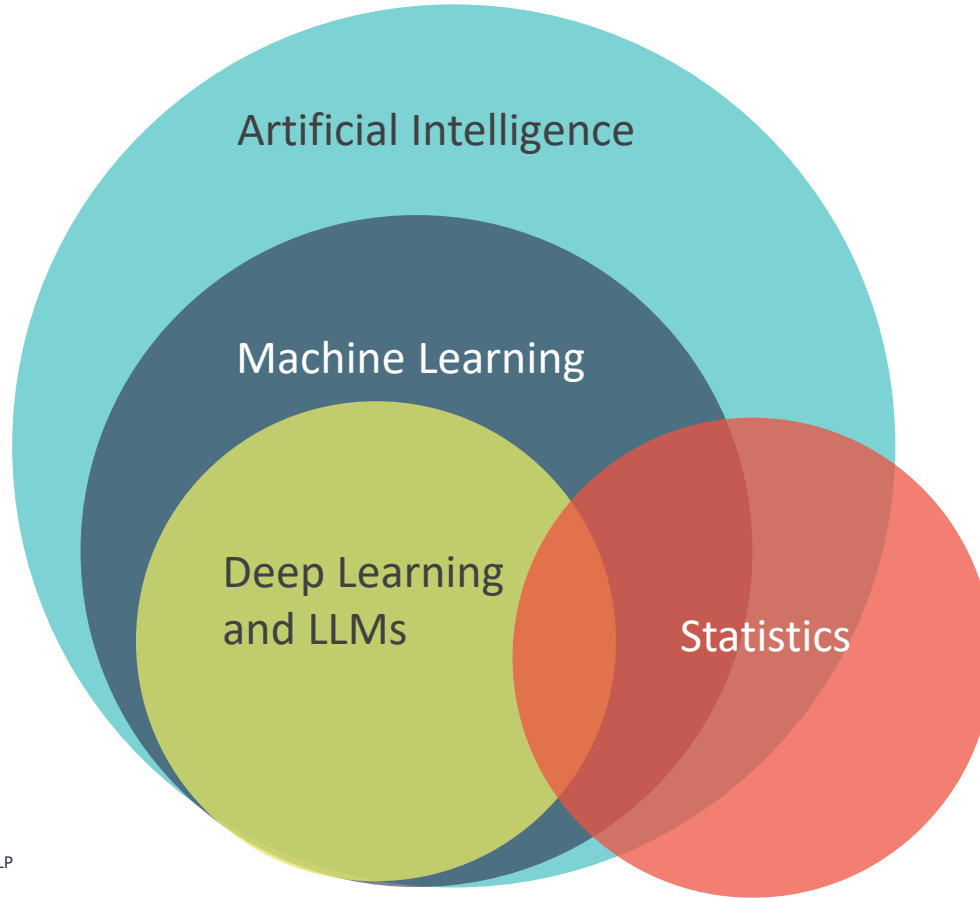


Data and Business Intelligence

- **Data** is the raw, unprocessed facts and statistics collected together for reference or analysis. In government, it is anything quantifiable and measurable, such as budget numbers, crime numbers, population demographics, and EMS statistics as examples. Data is the foundation to gain knowledge to make strategic decisions. Data is neutral and must be processed and analyzed to create value.
- **Business Intelligence** are the tools, technologies and methodologies used to collect, integrate, analyze and present the data as business information. BI is used to help make better decisions through the transformation of data into actionable knowledge. This is done through visualization, analysis, historical and predictive trending, and performance management.



What is Artificial Intelligence?



What is GPT?



GPT is a kind of Large Language Model: Able to generate novel, human-like text, write code, and create datasets



Goal of GPT project was to create chat agent that can interact conversationally, generate coherent, relevant content, answer follow up questions.



Trained on websites, books, and online material.



Human AI trainers helped GPT models provide more desirable outputs via reinforcement learning.



OpenAI released ChatGPT November 2022



Many updates and other new generative AI apps & services

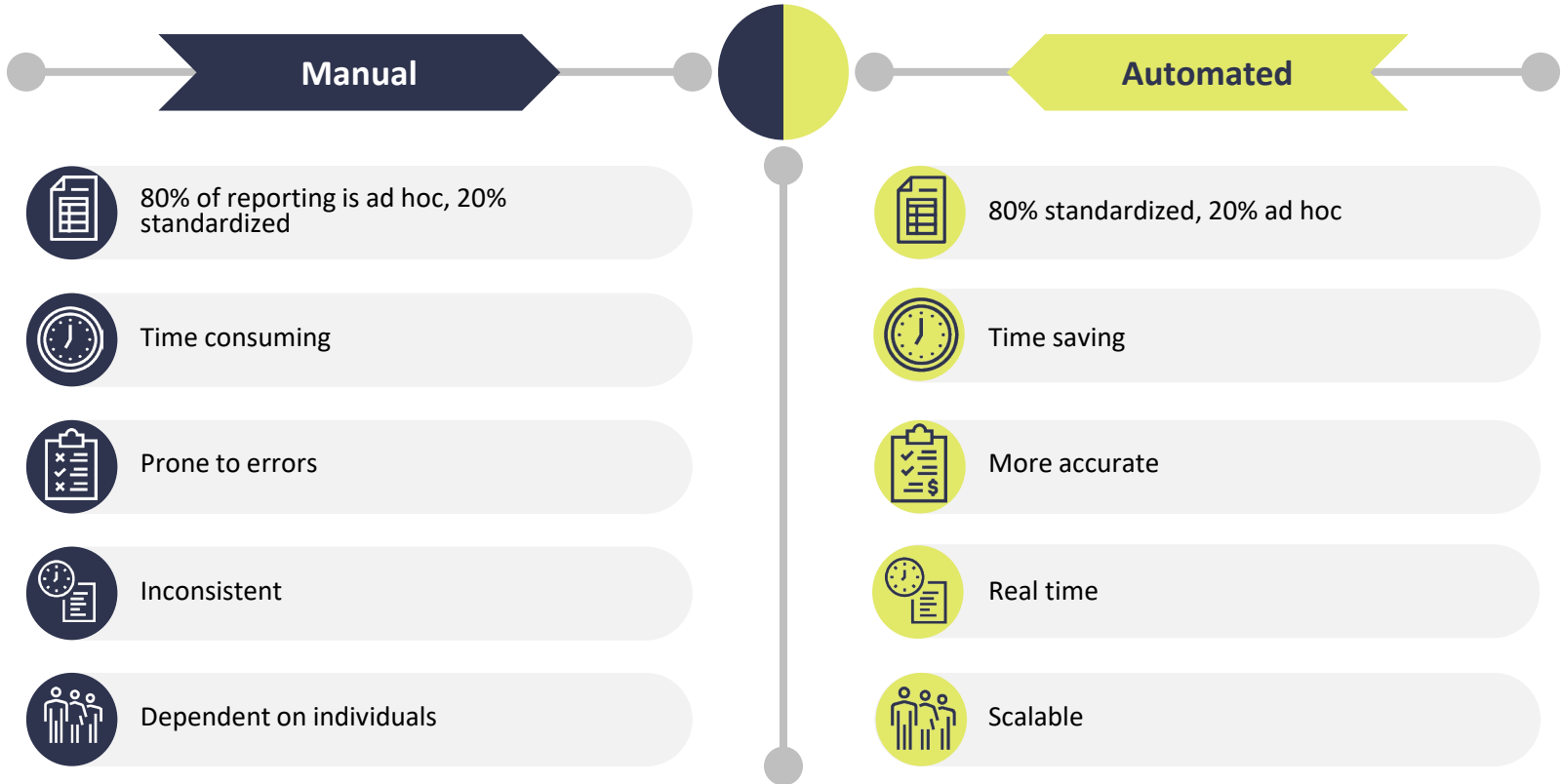




Use Cases



Manual Vs. Automated Reporting



AP Automation

CONTOSO LTD. **INVOICE**

Contoso Headquarters
123 456th St
New York, NY, 10001

Microsoft Corp
123 Other St,
Redmond WA, 98052

BILL TO:
Microsoft Finance
123 Bill St,
Redmond WA, 98052

SHIP TO:
Microsoft Delivery
123 Ship St,
Redmond WA, 98052

SERVICE ADDRESS:
Microsoft Services
123 Service St,
Redmond WA, 98052

INVOICE: INV-100
INVOICE DATE: 11/15/2019
DUE DATE: 12/15/2019
CUSTOMER NAME: MICROSOFT CORPORATION
SERVICE PERIOD: 10/14/2019 – 11/14/2019
CUSTOMER ID: CID-12345

SALESPERSON	P.O. NUMBER	REQUISITIONER	SHIPPED VIA	F.O.B. POINT	TERMS
	PO-3333				

DATE	ITEM CODE	DESCRIPTION	QTY	UM	PRICE	TAX	AMOUNT
3/4/2021	A123	Consulting Services	2	hours	\$30.00	\$6.00	\$60.00
3/5/2021	B456	Document Fee	3		\$10.00	\$3.00	\$30.00
3/6/2021	C789	Printing Fee	10	pages	\$1.00	\$1.00	\$10.00

SUBTOTAL	\$100.00
SALES TAX	\$10.00
TOTAL	\$110.00
PREVIOUS UNPAID BALANCE	\$500.00
AMOUNT DUE	\$610.00

THANK YOU FOR YOUR BUSINESS!

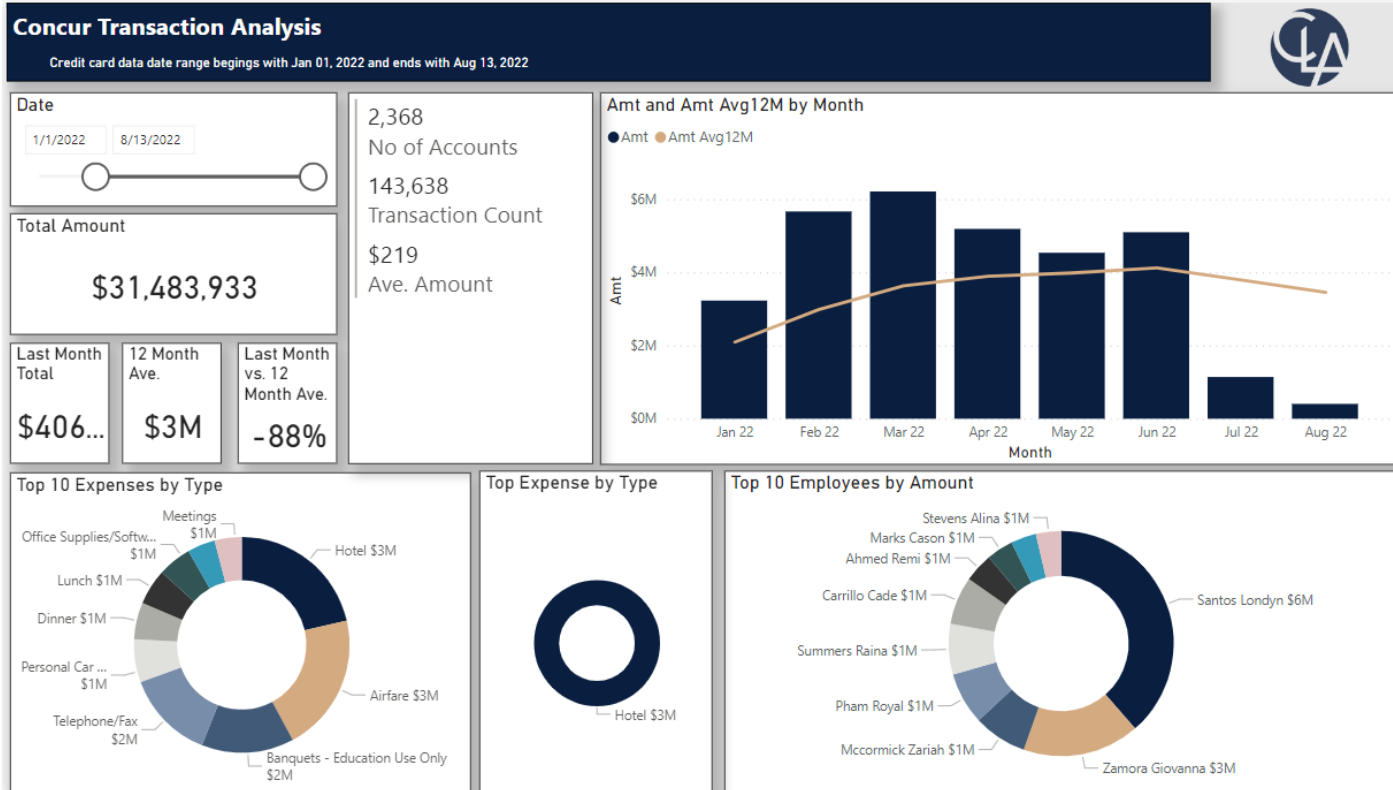
REMIT TO:
Contoso Billing
123 Remit St
New York, NY, 10001

- Reduce manual data entry from documents such as invoices
- Minimize error associated with manual processing
- Integrate with existing workflow and enterprise systems including accounting systems

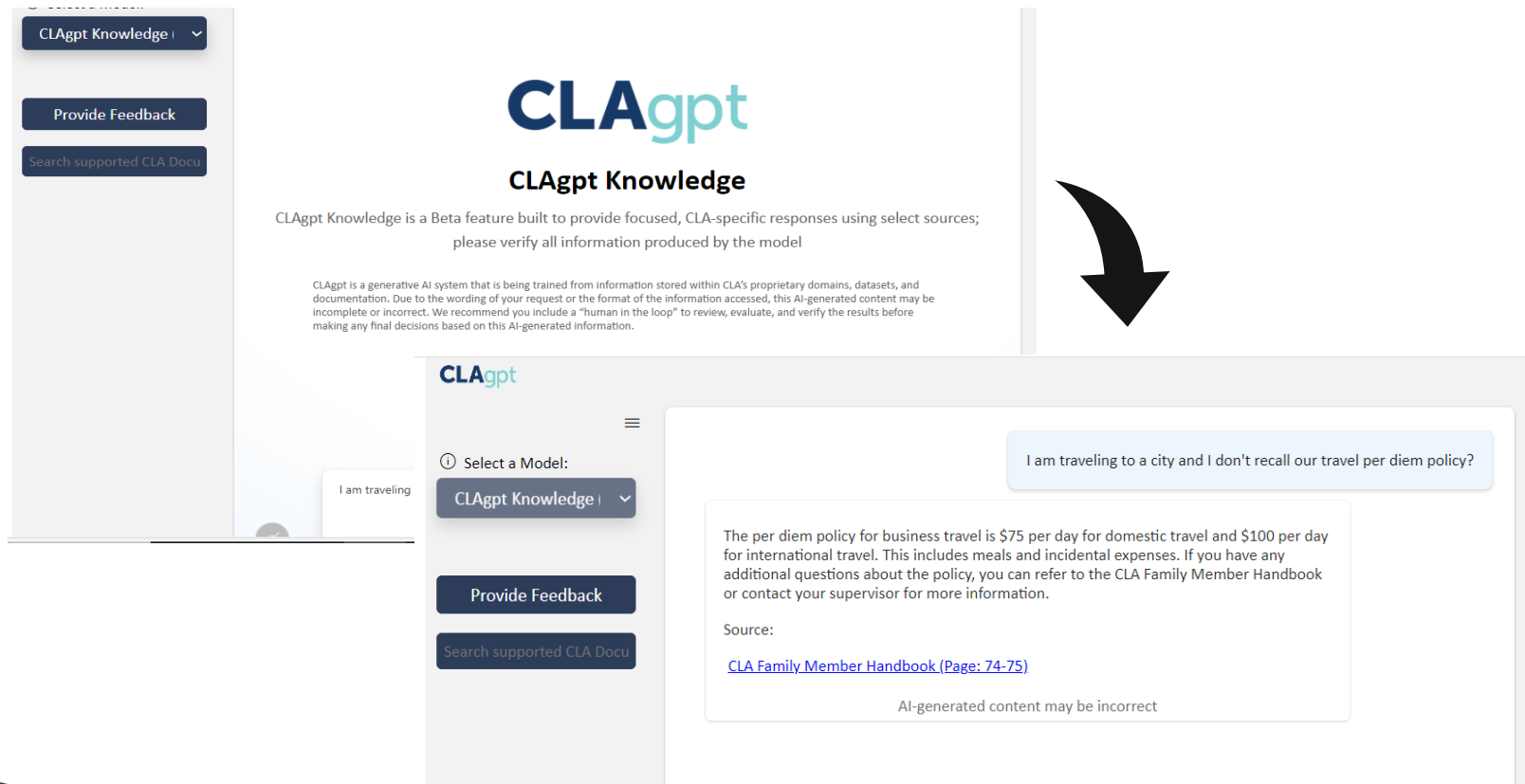
Reduction in manual invoice processing time by up to 90%



Expense Reporting Analysis



Use Case Study: Large Language Models



The image shows a two-part screenshot of the CLAgpt interface. The top part is a header area with a sidebar on the left containing a dropdown menu for 'CLAgpt Knowledge', a 'Provide Feedback' button, and a 'Search supported CLA Docu' button. The main content area features the 'CLAgpt' logo, the text 'CLAgpt Knowledge', and a disclaimer: 'CLAgpt Knowledge is a Beta feature built to provide focused, CLA-specific responses using select sources; please verify all information produced by the model'. Below this is a paragraph of fine print. A large black arrow points from this header to the bottom screenshot. The bottom screenshot shows the main chat interface. On the left sidebar, there is a 'Select a Model:' dropdown set to 'CLAgpt Knowledge', a 'Provide Feedback' button, and a 'Search supported CLA Docu' button. The chat area shows a user input: 'I am traveling to a city and I don't recall our travel per diem policy?'. The AI response states: 'The per diem policy for business travel is \$75 per day for domestic travel and \$100 per day for international travel. This includes meals and incidental expenses. If you have any additional questions about the policy, you can refer to the CLA Family Member Handbook or contact your supervisor for more information.' Below the response is the source: 'Source: [CLA Family Member Handbook \(Page: 74-75\)](#)'. At the bottom of the response box, it says 'AI-generated content may be incorrect'. A small input box with the text 'I am traveling' is visible on the left side of the chat area.





Benefits, Challenges, Where to Start, Future Trends



Benefits



Improve Efficiency



Improve Accuracy



Improve
Organizational
Capabilities



Improve Employee
Satisfaction



Future Trends



- It's not going away
- Speed of growth will continue to expedite
- Controls/Safety
- There will be many models to choose from
- The use cases will become endless

How to Get There



Assess current state



Data strategy



Develop a roadmap



Short-term and long-term objectives



Internal working group



Test the technology



Educate yourself!



Questions



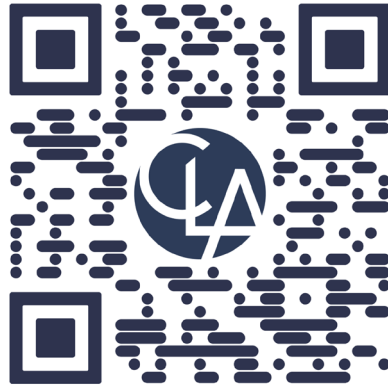
Thank You!

Aaron Haataja

Digital Growth Associate

Aaron.Haataja@CLAconnect.com

(320) 237-3251



*Scan to
Schedule a
Meeting*





We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

Fraud, Waste, and Abuse: Current Trends

January 16, 2025



The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

Learning Objectives

- Identify the most common types of fraud
- Learn how to identify red flags of fraud and how to detect and prevent fraud
- Understand how AI is impacting fraud



Speaker Introduction



Emilie Deveraux, CFE

Signing Director

CLA's Forensics Practice

Over 23 years of experience leading fraud investigations, forensic accounting projects, and litigation support services for large government organizations, educational institutions, nonprofits, and commercial businesses.



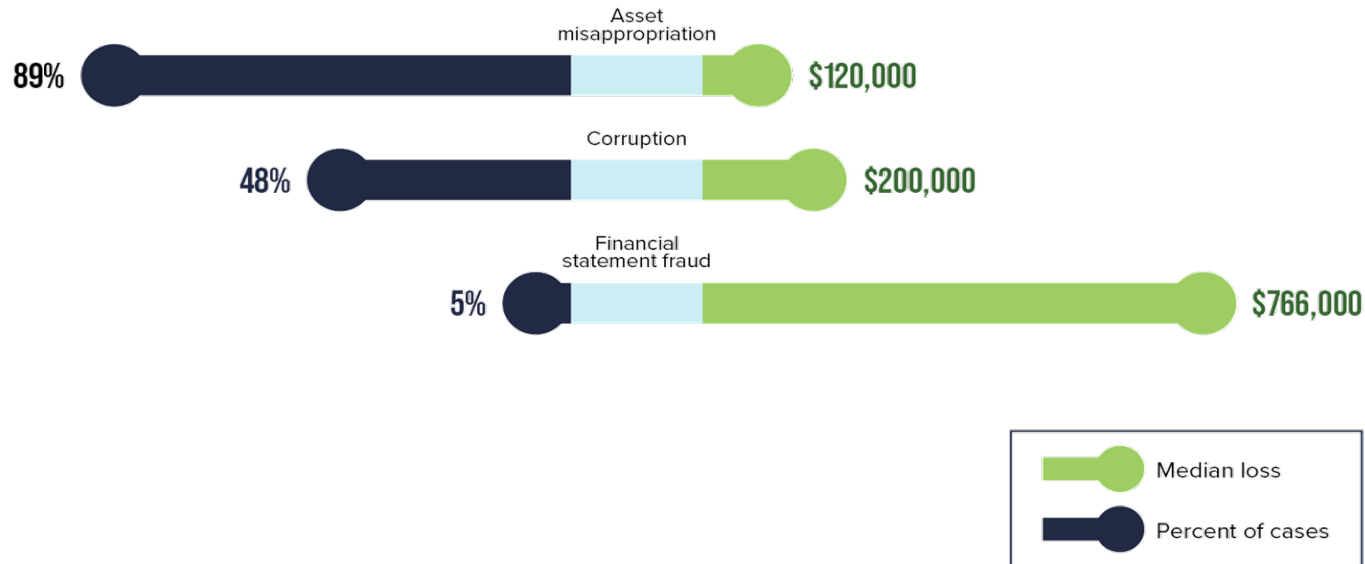


Types of Fraud

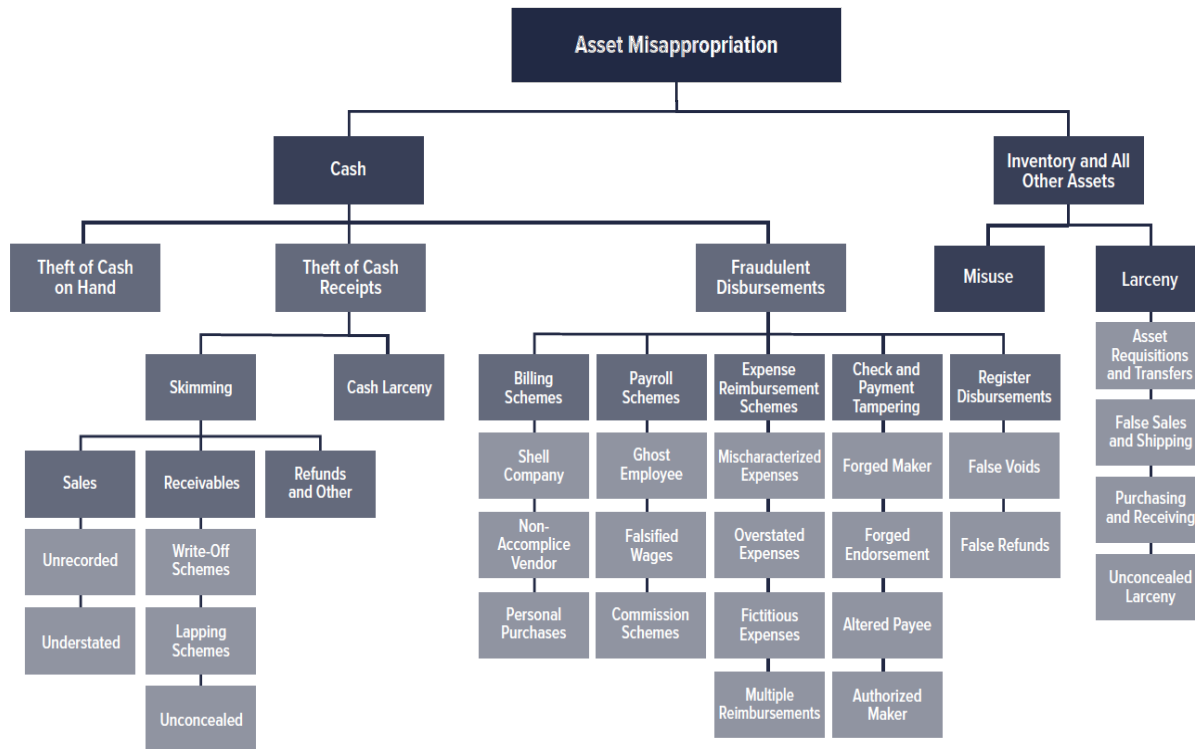


Categories of Occupational Fraud

FIG. 2 HOW IS OCCUPATIONAL FRAUD COMMITTED?



Most Common Occupational Fraud Schemes



Common Schemes We See

Corruption

Conflicts of interest

Bid rigging

Bid splitting

Billing

Fictitious or
misdirected refunds

Billing for
underperformed
work

Theft of incoming
receipts

Noncash

Inventory or asset
misuse

Purchasing and
receiving schemes

Payroll

Unauthorized pay
increases or bonuses

Failure to report PTO

Excessive overtime

Ghost employee



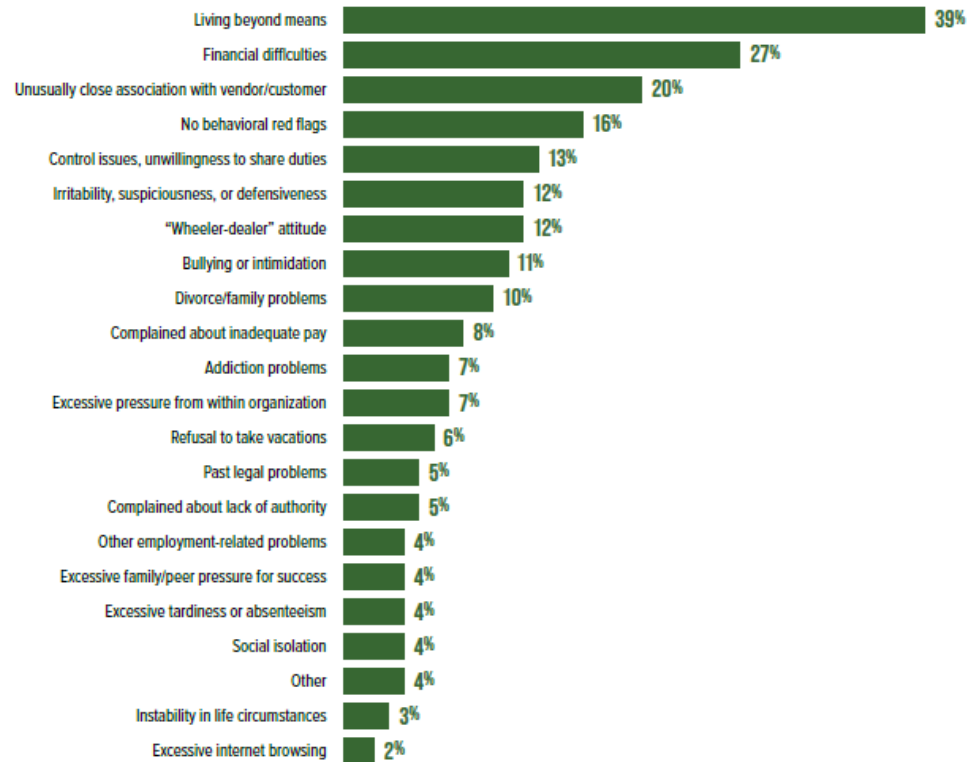


Common Red Flags



Behavioral Red Flags

- At least one red flag was identified in 84% of the cases in the study.
- Multiple red flags were present in 52% of cases.



Financial Red Flags

Accounting Records

- Missing documents
- Alterations on documents
- Excessive voids or credits
- Common names or addresses of payees or customers
- Revisions to vendor files (address, payee name, bank info)

Unrealistic Records

- Excess purchases
- Multiple payments to the same vendor in a month
- Unreasonable expenses or reimbursements
- Significant increases or decreases in account balances





Detecting Fraud



Detection of Occupational Fraud

FIG. 13 HOW IS OCCUPATIONAL FRAUD INITIALLY DETECTED?

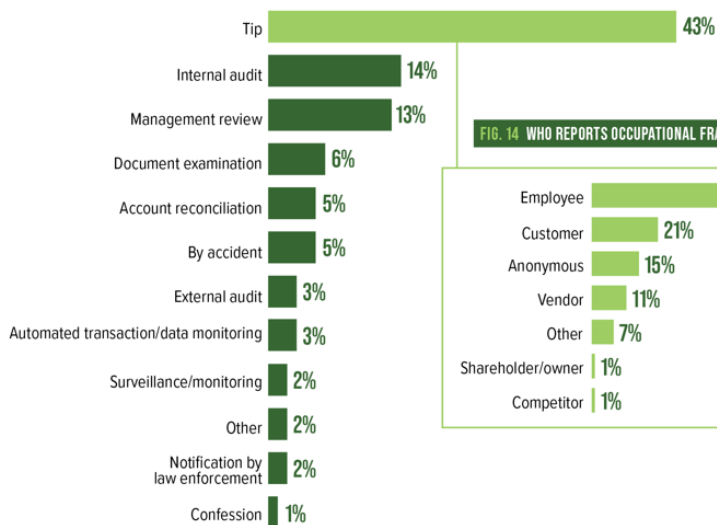
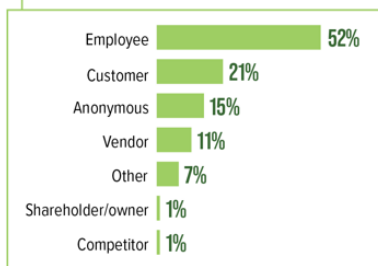


FIG. 14 WHO REPORTS OCCUPATIONAL FRAUD?



- 43% of fraud cases are uncovered due to a tip. This is more than 3x as many cases as any other detection mechanism.
- More than half of the tips come from employees. The other most common are customer and vendor tips.



Most Critical Component of Fraud Detection





AI And Fraud



How is AI Impacting Fraud?

More convincing
false documents
and data

Decreased
detectability

Increased
sophistication

Increased speed
and proliferation
of fraud schemes



Using AI to Prevent and Detect Fraud

Data analysis and pattern recognition

Real-time monitoring

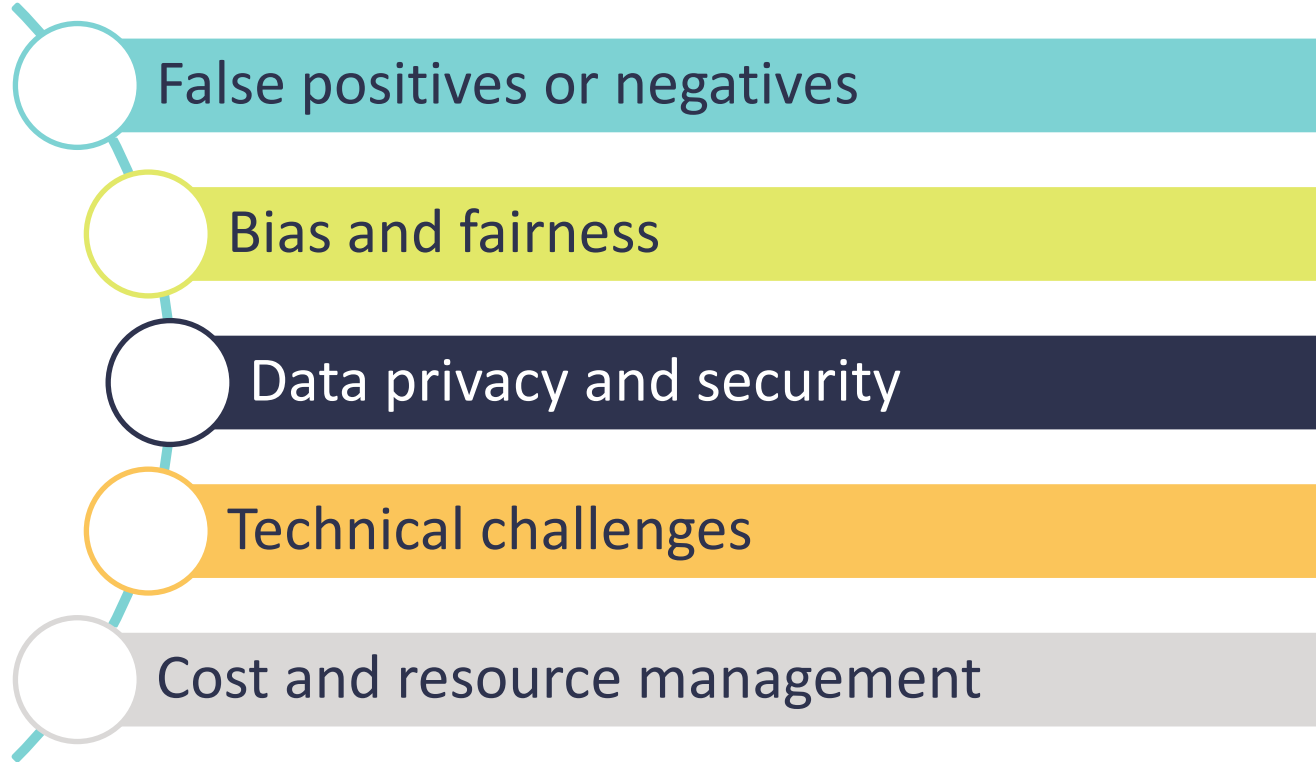
Natural language processing (NLP)

Predictive analytics

Image and video analysis



Risks Associated With Using AI to Prevent and Detect Fraud





Responding to Fraud Incidents



Does your organization have a
fraud incident response plan in place?



Key Components to Response Plan

Identify response team members

Establish channels for individuals to report concerns

Identify methods to secure evidence

Determine how alleged suspects are handled (e.g., put on leave)

Outline steps for removing user access rights and physical access to documents





Developing an Internal Anti-Fraud Program



Attributes of an Anti-Fraud Program

- Person or office responsible for anti-fraud, ethics, and compliance
 - Empowered by management and governance
- Lead by example (“tone at the top”)
 - Management and governance promote an environment of integrity
- Encourage transparency and accountability
 - Review, oversight, monitoring
- Well-developed anti-fraud and ethics policy and/or code of conduct
 - In writing, communicated to and acknowledged by employees
- Well-developed and updated written policies and procedures
 - Kept current and acknowledged by employees



Attributes of an Anti-Fraud Program

- Regular technical training of employees on policies, procedures, applicable laws, ethics, fraud awareness, etc.
 - Internal or external instructors
- Strong compliance/internal audit programs
 - Internal, outsourced, or combination – prioritized by management and governance
- Established fraud and ethics hotline
 - Anonymous, confidential, protect whistleblowers – prioritized by governance
- Reinforce good behavior and don't reinforce bad behavior
 - Follow through on reports of misconduct – encourages people to come forward





Questions?



Emilie Deveraux, CFE
emilie.deveraux@CLAconnect.com
505-222-3531



CLAconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

©2024 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://www.claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS



Thank you for
attending!