Construction
Getting Your Financial House in Order

Emerging Issues update

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Director

Nickie has more than thirteen years of experience providing audit, accounting and consulting services to a variety of clients, including manufacturing, distribution and construction companies and employee benefit plans. She also serves as the office industry team leader for construction and real estate.

She works with clients ranging in size from those with $10 million in revenue to large consolidated groups with revenues in excess of $1 billion, including clients with international operations. She has experience in audits for both private and public clients and in U.S. Securities and Exchange Commission compliance testing.

Nickie is a member of the American Institute of CPAs and Indiana CPA Society. She is a founding member of Executive Women in Finance in the Indianapolis area and serves as a member of the events committee. She also serves as treasurer for Hancock Hope House.

Nickie is a 2006 graduate of University of Indianapolis, Indiana, with a B.S. degree in accounting.
Topics for Today

• New Accounting Standards
• Defending Data
• Leveraging Data
• Identify and Responding to Fraud
• Promote Long-Term Success
• Other Hot Topics Executive Teams Discuss
New Accounting Standards – Revenue Recognition
Revenue Recognition

Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*

• Effective for nonpublic companies for annual reporting periods beginning after December 15, 2018
  • Industry specific guidance replaced with a principles-based standard for all industries
Revenue Recognition – 5 Step Model

1) Identify Contract with Customer
2) Identify Performance Obligations
3) Determine Transaction Price
4) Allocate Transaction Price to Performance Obligations
5) Recognize Revenue When (or as) Performance Obligation Is Satisfied
Nonpublic Companies Implementation
Modified Retrospective Approach

1) Review Year End 2018 Contracts in Progress Schedule

2) Identify Any Differences Between Current Treatments and Treatment Under ASU 2014-09

3) Any Differences Would be a Restatement to Year End 2018 Equity

4) No Differences – Still Need to Document Consideration
3 Key Impact Areas

• Identify Performance Obligations
  • Percent Complete
  • Point in Time

• Variable Consideration
  • Performance Bonuses, Liquidated Damages, Claims, Unpriced Change Orders
  • Discounts or Rebates

• Uninstalled Materials
New Accounting Standards – Leases
Leases

Accounting Standards Update (ASU) 2016-02, *Leases*

- Effective for public companies periods beginning after December 15, 2018
- Effective for nonpublic companies for annual reporting periods beginning after December 15, 2020
Lease Classification

• Finance lease
  • Control is effectively transferred to the lessee
  • Similar currently to – capital leases
  • Currently classified as an asset and liability

• Operating Leases
  • Control is not effectively transferred to the lessee
  • Similar currently to – operating leases
  • Currently only DISCLOSED
Balance Sheet

- Lease Liability
  - Present Value of Future Lease Payments

- Right of Use Asset
  - Lease Liability
  - Plus:
    - Initial Direct Costs
    - Lease Prepayments
  - Less:
    - Incentives Received
Important Key Points

• Consideration of all leases > than one year (election)

• Embedded Leases in Long-Term Contracts
Cyber Security – Defending Data
Defending Data

• Not *if* but **WHEN**

• How much **disruption** it will cause?
Who are the breach victims?

16% were breaches of Public sector entities
15% were breaches involving Healthcare organizations
10% were breaches of the Financial industry
43% of breaches involved small business victims

Breaches
Figure 2.

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Reason For Breaches

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Figure 7. Threat actor motives in breaches over time
Types of Data

• Credit Card information
• Long-in passwords
• Sensitive blue prints
• Patent information
Recent Examples of Disruption

• Payroll bank routing changes
• Wire of funds to false vendors
• System shut-down
• Attack of new computer system
Mitigation of Cyber Risk

• Know most sensitive information
• Educate your entire team & response
• Limit access
• Plan, prevent & prepare
• Establish backups
Data Intelligence – Leveraging Data
Leveraging Data

• Data in real-time
• Predictive analytics
Challenges to Data

• Volumes
• Accuracy
• What to do with all the data?
Action Items

• Question - What is the end goal of the data?
• Data mapping exercises
• Using Technology
• Real-time Business Intelligence
Fraud and Segregation of Duties
Consideration

• Who could it be in your organization?
  • Long-term employee
  • Unhappy
  • Well liked
  • Personal issues
FIG. 26 How does the perpetrator's tenure relate to occupational fraud?

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Percent of Cases</th>
<th>Median Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>9%</td>
<td>$40,000</td>
</tr>
<tr>
<td>1–5 years</td>
<td>44%</td>
<td>$100,000</td>
</tr>
<tr>
<td>6–10 years</td>
<td>23%</td>
<td>$173,000</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>24%</td>
<td>$241,000</td>
</tr>
</tbody>
</table>

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FIG. 88 | How does the perpetrator’s level of authority relate to occupational fraud in the United States?

<table>
<thead>
<tr>
<th>Level of Authority</th>
<th>Percent of Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>48%</td>
</tr>
<tr>
<td>Manager</td>
<td>31%</td>
</tr>
<tr>
<td>Owner/executive</td>
<td>18%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Level of Authority</th>
<th>Median Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>$50,000</td>
</tr>
<tr>
<td>Manager</td>
<td>$150,000</td>
</tr>
<tr>
<td>Owner/executive</td>
<td>$637,000</td>
</tr>
</tbody>
</table>
Profile of Fraud Perpetrator

• No prior criminal history (5%)
• Well liked by co-workers
• Likes to give gifts/compulsive shopper
• Gambling problems not unusual
• Long-term employee
• Rationalizes, starts small or “borrows”
• Lifestyle clues

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Examples

• Vendor Fraud
• Expense Reimbursement Fraud
• Payroll Fraud
Action Items

• Segregation of Duties
• Fraud Procedures
  • Hotline
  • Proactive data monitoring
  • Detective procedures
Proactive Data Monitoring

• Attribute Analysis
• Address Mining
• Address Proximity
• Trending Analysis
• Textual Analytics
Promote Long-term Success
Succession Planning

88% Identified ownership & management succession planning as an important issue

36% Have a formalized succession plan
Areas to Consider Succession Planning

• Ownership
• Key Employees
• Company Strategic Planning
Tips for Successful Planning

• Accept the importance of planning
• Build a team of experts
• Ongoing Project Management
  • Regular Check-ins
  • Target Dates
Success

• Refocus on Brand
• Engagement of employees
• Team
Other Hot Topics Executive Teams Discussing

• Ongoing Tax Planning – What does the future hold?
• Qualified Opportunity Zones
Questions?
Thank You!

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