

Ready or not... here we come!

Presented by:

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How do you prepare for your audit?



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Tips for a Stress Free Audit

- **Prepare throughout the year.**
- **Anticipate the schedules to be provided.**
- **Establish procedures and filing systems to accumulate necessary information.**
- **Schedule early to ensure staff availability.**

PBC Lists

- **Seek clarification**
- **Delegate, Set deadlines and Follow-up**
- **Gather information early**
- **Provide information early**
- **Provide more than is requested**
- **Allow auditor access**

Year-end Checks

Fund Balances

- **Compare with prior year audited financial statements**
- **Investigate and resolve any differences**

Year-end Checks

Prior Year Audit Adjustments and Findings

- **Review the prior year audit adjustments**
- **Post similar entries**
- **Reduce the number of audit entries and findings**

Year-end Checks

Grants

- **Reimbursement-type grants**
- **Non-reimbursement-type grants**
- **Revenues = Expenditures**
- **Grantee or State Match**
- **Classification of Rev/Exp**
- **Unrecorded Receivables or
Unearned Revenue**

Year-end Checks

Grants Example:

- **Grant awarded to construct runway at airport (\$1,000,000)**
- **Construction activity in progress at year-end (\$350,000)**
- **Reimbursement requested after year-end**

Year-end Checks

Grants Example:

Grant Revenues	\$ 600,000
Grant Expenditures	<u>\$ 950,000</u>
Difference	\$(350,000)

Entry:

Grant receivable	\$350,000
Grant revenue	\$350,000

Year-end Checks

Operating Grant Example:

Grant Revenues	\$ 1,600,000
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Grant Expenditures	<u>\$ 1,100,000</u>
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Difference	\$ 500,000
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Entry:

Grant revenue	\$500,000
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Unearned revenue	\$500,000
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Other Items - Grants:

Grant Files

- **Grant agreement or contract**
- **Reimbursement request forms**
- **Contractor invoices**
- **Evidence of compliance**
- **Environmental studies**
- **Bidding**
- **Correspondence with Grantor Agency**

Year-end Checks

Accruals

- **Accounts payable**
 - **Review invoices received or payments made after year-end**
- **Accounts Receivable**
 - **Review cash receipts received after year-end**

Year-end Checks

Accruals

➤ Payroll

- Consider accrued wages at year-end

➤ Compensated Absences

- Adjust balances at year-end
- Provide a schedule

➤ Interest

Year-end Checks

Capital Assets

- **Depreciation schedules/summary**
 - **Beginning balances**
 - **Additions**
 - **Deletions/Disposals**
 - **Ending balances**
 - **Agree to ledger balances**

Year-end Checks

Capital Assets (continued)

➤ GASB 34

- Assets must be assigned to an activity or function of government.

ASSET SUMMARY REPORT

CITY GENERAL FIXED ASSETS Jun. 30, 2006

Sorted: ASSET A/C# and Sort Code #1

Range: 911611 - 911671

Method: 1-BOOK-Std Conv Applied

Include: All assets

		Beg. Balance	Beg. Assets	Additions	Disposals	Ending Balance
<u>ASSET A/C#: 911611 - LAND</u>						
<u>Sort Code #1: 41 - Administrative</u>						
Subtotals for Sort Code #1: 41	Original Cost:	57,999.72	-	0.00	0.00	57,999.72
	Accumulated	0.00	-	0.00	0.00	0.00
	Current	-	0.00	0.00	0.00	0.00
	Number of Assets	2	-	0	0	2
<u>Sort Code #1: 60 - Public Safety</u>						
Subtotals for Sort Code #1: 60	Original Cost:	12,500.00	-	0.00	0.00	12,500.00
	Accumulated	0.00	-	0.00	0.00	0.00
	Current	-	0.00	0.00	0.00	0.00
	Number of Assets	1	-	0	0	1
<u>Sort Code #1: 62 - Airport</u>						
Subtotals for Sort Code #1: 62	Original Cost:	35,000.00	-	0.00	0.00	35,000.00
	Accumulated	0.00	-	0.00	0.00	0.00
	Current	-	0.00	0.00	0.00	0.00
	Number of Assets	1	-	0	0	1
<u>Sort Code #1: 64 - Parks</u>						
Subtotals for Sort Code #1: 64	Original Cost:	40,000.00	-	0.00	0.00	40,000.00
	Accumulated	0.00	-	0.00	0.00	0.00
	Current	-	0.00	0.00	0.00	0.00
	Number of Assets	1	-	0	0	1
<u>Sort Code #1: 65 - Cemetery</u>						
Subtotals for Sort Code #1: 65	Original Cost:	24,999.51	-	0.00	0.00	24,999.51
	Accumulated	0.00	-	0.00	0.00	0.00
	Current	-	0.00	0.00	0.00	0.00
	Number of Assets	1	-	0	0	1
Totals for ASSET A/C#: 911611	Original Cost:	170,499.23	-	0.00	0.00	170,499.23
	Accumulated	0.00	-	0.00	0.00	0.00
	Current	-	0.00	0.00	0.00	0.00
	Number of Assets	6	-	0	0	6

Other Items - Capital Assets

Record Keeping

- **Keep a binder/data folder**
 - **Include purchase agreements/invoices**
 - **Include sale documents when assets are sold**
- **Review capital outlay, repairs and maintenance, and other accounts where capital outlay purchases may have been recorded**

Year-end Checks

Central Treasury

- **Verify Central Treasury cash allocations**
- **Investigate and resolve any differences**
- **Investigate funds with a negative cash allocation**
- **Investigate clearing account balances**

Year-end Checks

Interfund Balances

- **Verify budgeted transfers**
- **Verify transfers in/out balance**
- **Verify due to/due from accounts balance**
- **Verify payments made between funds**

Acct	Description	Balance 6/30/2007	Budget 6/30/2007	Variance From Budget
104411324	TRANSFER TO OTHER FUNDS	90,000.00	90,000.00	-
103819414	TRANSFERS FROM OTHER FUNDS	(2,847,500.00)	(2,801,625.00)	45,875.00
104254324	TRANSFERS TO OTHER FUNDS	600,000.00	600,000.00	-
104413324	TRANSFERS TO OTHER FUNDS	600,000.00	600,000.00	-
104810324	TRANSFERS TO OTHER FUNDS	6,000,000.00	6,000,000.00	-
270090414	TRANSFERS TO OTHER FUNDS	3,318,000.00	3,318,000.00	-
303819414	TRANSFERS FROM OTHER FUNDS	(467,000.00)	(467,000.00)	-
310090414	TRANSFERS TO OTHER FUNDS	-	(100,000.00)	(100,000.00)
403819414	TRANSFERS FROM OTHER FUNDS	(4,608,000.00)	(4,608,000.00)	-
413819414	TRANSFERS FROM OTHER FUNDS	(1,000,000.00)	(1,000,000.00)	-
417800324	TRANSFERS TO OTHER FUNDS	319,900.00	319,900.00	-
433819414	TRANSFERS FROM OTHER FUNDS	(319,900.00)	(319,900.00)	-
447950324	TRANSFERS TO OTHER FUNDS	40,000.00	40,000.00	-
454515324	TRANSFERS TO OTHER FUNDS	1,250,000.00	1,250,000.00	-
470090414	TRANSFERS TO OTHER FUNDS	840,000.00	840,000.00	-
505000324	TRANSFERS TO OTHER FUNDS	20,000.00	20,000.00	-
511890414	TRANSFERS TO OTHER FUNDS	671,000.00	671,000.00	-
520090414	TRANSFERS TO OTHER FUNDS	457,000.00	457,000.00	-
531690414	TRANSFERS TO OTHER FUNDS	1,007,000.00	1,007,000.00	-
551090414	TRANSFERS TO OTHER FUNDS	-	100,000.00	100,000.00
570090414	TRANSFERS TO OTHER FUNDS	137,500.00	137,500.00	-
590090414	TRANSFERS TO OTHER FUNDS	908,000.00	908,000.00	-
620090414	TRANSFERS TO OTHER FUNDS	485,000.00	485,000.00	-
643819414	TRANSFERS FROM OTHER FUNDS	(175,000.00)	(175,000.00)	-
745090414	TRANSFERS TO OTHER FUNDS	47,000.00	47,000.00	-
873819414	TRANSFERS FROM OTHER FUNDS	(7,348,000.00)	(7,393,875.00)	(45,875.00)
883819414	TRANSFERS FROM OTHER FUNDS	(25,000.00)	(25,000.00)	-
Transfers Total		-	-	-

Acct	Description	Balance 6/30/2006
100527477	DUE FROM GOLF COURSES	431,500.00
101813477	DUE TO OTHER FUNDS	(320,145.00)
290813477	DUE FROM OTHER FUNDS	320,145.00
520814477	DUE FROM GOLF	576,060.79
551814477	DUE TO SEWER FUND	(576,060.79)
551815477	DUE TO GENERAL FUND	<u>(431,500.00)</u>
	DUE TO/FROM TOTAL	<u><u>0.00</u></u>

Year-end Checks

Budget to Actual and PY Comparison

- **Significant budget variances**
- **Significant prior year variances**
- **Consider accruals and/or classification errors**

Other Tips

Journal Entry Documentation

- **Copy supporting documents**
- **Maintain journal entries and supporting documents in a three-ring binder or data file**
- **Ensure proper control through review**

Other Tips

Journal Entry Example

You receive an email from the Public Works Director stating that an invoice was erroneously recorded as a Water Fund expenditure instead of an Electric Fund expenditure.

Steven Palmer

From: Steven Palmer
Sent: Monday, July 09, 2007 11:04 AM
To: Steven Palmer
Subject: Please reclass expenditure

Dear Finance Director,

While reviewing the monthly budget-to-actual reports you provided to me I noticed that Water Fund account 53-432-879 had a higher balance than I expected. Upon further review, it appears that a recent supplies purchase (Big Bob's Supplies, P.O. #23423 for \$5,458.55) for the Electric Fund was accidentally coded to this account. Please move the \$5,458.55 to account 52-432-879.

Thanks,

Public Works Director

Journal entry 145

	<u>DR.</u>	<u>CR.</u>
52-432-897	5,458.55	
53-432-897		5,458.55

posted 1-15-07
JEP

reviewed 1-15-07
MHA

Other Tips

Confirmation Requests

- **Poor confirmation management can cause delays**
- **Anticipate and gather contact information for new or significant:**
 - **Grant Revenues**
 - **Tax Revenues**
 - **Long-term Debt**
 - **Significant Receivables**
 - **Major Construction Projects**

Other Tips

Confirmation Requests (continued)

- Auditor prepared confirmation requests:
 - Verify that balances (if provided) agree to your records
 - Verify the address and contact information
 - Print the request on your letterhead
 - Sign and return the confirmations to the auditor as soon as possible

Other Tips

Confirmation Requests (continued)

- You prepare the confirmation requests:
 - Obtain a list of items to be confirmed
 - Verify the format of the confirmation (Auditor will provide a template for you to use.)
 - Print the request on your letterhead.
 - Sign and return the confirmations to the auditor as soon as possible

Other Tips

Preliminary Trial Balance:

- **Provide a preliminary trial balance well in advance of the audit**
- **Allows the auditor to add new accounts, perform planning procedures, identify potential problems and identify accounts to be confirmed.**
- **Preliminary trial balance does not have to be perfect**

Other Tips

Final Trial Balance:

- **Provide final trial balance at least one week and preferably two weeks or more before the field work is to begin**
- **Allows the auditor to finalize planning, identify potential problems, and properly plan and set up the work papers before arriving on site**
- **Avoid moving targets**

Other Tips

Significant Transactions

- **Inform your auditor early**
- **Maintain and provide documentation**

Other Tips

Significant Transactions (continued)

➤ Examples:

- New bank accounts
- Significant new expenditures and/or contracts
 - Provide copies of construction contracts, etc.
- Significant new revenue streams
 - Provide copies of grant documents or other contracts
- New debt
 - Provide copies of any new debt agreements including debt covenants, if applicable
- New funds

Most importantly

The most important thing to remember is to ask your auditor questions throughout the year. Most auditors will not charge you for a quick phone call to answer general questions.

Any Questions?

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