

Preparing for a Successful Audit

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Presentation Overview



Preparing for the Audit



Common Deficiencies During an Audit



“Provided by Client Listing”



Questions & Thoughts



Preparing for the Audit



Communication Internally & Externally

What?

- What processes need to take place for the auditors to begin preliminary and final fieldwork?
 - Closeout
 - SEFA
 - PBC list
 - Etc.

Who?

- Do we have the resources to perform these tasks on our side?
- Have we communicated with our auditors?

When?

- Do we have a date we expect to be ready for the audit?
- When is fieldwork scheduled?
- Is it a realistic timeline?



Any Prior Year Findings and Were Those Addressed?

For financial statement findings, have we corrected such deficiencies?

- Segregation of Duties
- Financial Closeout
- Bank Reconciliations
- Capital Assets
- Allowance for Uncollectables

Did we have any Federal Award findings?

- Reporting
- Allowable Cost / Allowable Activities
- Procurement Suspension and Debarment



Common Deficiencies During an Audit



Why do Audits Get Delayed

What?

- What areas typically cause audits to get delayed?
 - Cash
 - AR
 - Capital Assets
 - Debt
 - Single Audits

Why?

- Why do certain areas during the audit cause a delay in finalizing the audit.
- Who is responsible?

How?

- How do we fix these areas to avoid delaying/extending the audit?

Cash is cash. How hard can it be?

Most issues found when auditing cash typically arise from a lack of the requested information.

- Auditors have only received a few of the bank statements and reconciliations
- No subsequent bank statements have been provided

Occasionally we find cash accounts that have not been reconciled.

- After reconciling, do we have material adjustments?
- Does this change our testing in other audit areas?



Accounts Receivable

Typical issues found with AR usually arise from the following:

- Small AR balances have not changed from the prior year
- Allowance for uncollectable is not updated
- Reimbursements for expenses have not occurred and AR and Revenue/Deferred are now understated.

Easy ways to avoid such items?

- Comparative analytics
- Subsequent receipt testing





Capital Assets

Most of the issues we see in an audit arise from our capital asset testing:

- Additions/disposal listings do not tie to the rollforward
- Depreciation has not been posted
- Transfers out of CIP to depreciable assets do not zero
- Transfers across Gov/BT activities do not zero
- Retainage has not been adjusted from the prior year



Capital Asset Rollforward – Transfers Not in Balance

	PY 6/30/2020	Additions	Deletions	Transfers Reclassifications	A 6/30/2021
Land	1,401,996	354,800	-		1,756,796
CIP	1,608,381	333,524	(352,623)	(394,216)	1,195,066
Museum Collection	3,127,547	-	-		3,127,547
Total Non Depreciable	<u>6,137,924</u>	<u>688,324</u>	<u>(352,623)</u>	<u>(394,216)</u>	<u>6,079,409</u>
Buildings & Improvements	16,190,256	551,016	-		16,741,272
Infrastructure	9,072,020	-	-		9,072,020
Land Improvements	747,400	-	-	-	747,400
Vehicles	5,556,198	531,634	(444,418)		5,643,414
Equipment, furniture and fixtures	5,725,832	798,879	(254,245)		6,270,467
Total Depreciable	<u>37,291,706</u>	<u>1,881,530</u>	<u>(698,663)</u>	<u>-</u>	<u>38,474,573</u>
Accumulated Depreciation					
Buildings & Improvements	(4,554,975)	(237,080)	-	-	(4,792,055)
Infrastructure	(2,753,574)	(84,246)	-	-	(2,837,820)
Land Improvements	(274,783)	(15,754)	-	-	(290,537)
Vehicles	(3,125,742)	(627,376)	441,297	-	(3,311,821)
Equipment, furniture and fixtures	(4,463,499)	(407,890)	254,245	-	(4,617,145)
Total A/D	<u>(15,172,573)</u>	<u>(1,372,346)</u>	<u>695,542</u>	<u>-</u>	<u>(15,849,377)</u>
Total Depreciable Assets, Net	<u>22,119,133</u>	<u>3,253,876</u>	<u>(3,121)</u>	<u>-</u>	<u>22,625,195</u>
Governmental Activities Net	<u>28,257,057</u>	<u>3,942,200</u>	<u>(355,744)</u>	<u>(394,216)</u>	<u>28,704,605</u>



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Buildings & Improvements	16,190,256	156,800	-		16,347,056
Infrastructure	9,072,020	-	-		9,072,020
Land Improvements	747,400	-	-	394,217	1,141,617
Vehicles	5,556,198	531,634	(444,418)		5,643,414
Equipment, furniture and fixtures	5,725,832	798,879	(254,245)		6,270,467
Total Depreciable	37,291,706	1,487,313	(698,663)	394,217	38,474,573
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Governmental Activities Net	28,257,057	3,547,984	(355,744)	0	28,704,605



Debt

Typical issues seen while auditing debt are:

- Proceeds have not been booked in governmental funds
- Accrued interest not calculated
- Debt service payments have not been adjusted to lower the liabilities in business-type funds
- Debt rollforward is incomplete or not updated

Governmental Activities	PY PRINCIPLE BALANCE 6/30/2020	A ADDITIONS	DELETIONS	PRINCIPLE BALANCE 6/30/2021	DUE WITHIN 1 YEAR	PY ACCRUED INTEREST 6/30/2020	INTEREST PAYMENTS	INTEREST EXPENSE	ACCRUED INTEREST 6/30/2021
General Obligation Bonds									
2016 GO Bond Rural Fire District	624,322	-	(98,693) 100-XXX-146	525,629	100,775	3,293	13,172 100-XXX-148	12,652	2,773
2018 GO Bond \$1.5M	1,234,000	-	(137,000) 100-XXX-147	1,097,000	142,000	3,455	41,462 100-XXX-149	41,079	3,072
2021 GO Bond \$7M	-	7,000,000 100-XXX-145	-	7,000,000	973,510	-	-	15,799	15,799
General Obligation Bonds	1,858,322	7,000,000	(235,693)	8,622,629 F/S	1,216,286	6,748	54,635	69,529	21,643



Single Audits

Single audits can be issued separately from the financial statements, however, the SEFA must still be tested.

Issues that are found with single audits typically are:

- Incomplete SEFA
- Current year expenses have not been requested for reimbursement and thus not included on the SEFA for particular programs
- No Assistance Listing numbers for programs have not been provided



The “provided by client listing” and
what do we really need to provide?



PBC Listing Sample:

General

1. Trial balances for each separate fund as of June 30, 2021. Please provide these in excel format showing the account number, account description and account balance.
2. Original and final (as amended) detail budget reports for each governmental fund of the County for the year ended June 30, 2021.
3. A detailed general ledger (in excel) for the year ended June 30, 2021 detailing all transactions for all funds (balance sheet and income statement accounts) for our review.
4. Minutes of all County Commissioners' meetings, committee meetings, etc. from July 1, 2020 should be available as of the date of our arrival. We will also need to see minutes through the release of our audit report.
5. Beginning and ending check numbers issued from the main operating checking account(s) (i.e. first and last check numbers written during FYE 2021).
6. A listing of all construction commitments (if any) outstanding at June 30, 2021.
7. A Management's Discussion and Analysis (MD&A) must be prepared by management of the County and included within the County's audited financial statements.



PBC Listing Sample:

Cash and Investments

8. A copy of the collateralization agreements with financial institutions holding County funds.
9. Copies of bank reconciliations for all cash accounts as of June 30, 2021. Additionally please have available the June 2021 and July 2021 bank statements for our review.
10. A detail analysis of all investment accounts, if any, for the year ended June 30, 2021. This analysis should show beginning balances which tie to the prior year financial statements, purchases, sales and maturities, and ending balances which agree to the June 30, 2021 ledger. Additionally, please provide supporting documentation for purchases and sales of investments during the year.

Prepaid Expenses and Inventory

11. A detail listing of all prepaid or other assets at June 30, 2021.
12. A detail listing of all inventory as of June 30, 2021 broken out by general ledger account.



PBC Listing Sample:

Accounts Receivable / Revenue

13. A detail listing of **all** receivable accounts for **all** funds as of June 30, 2021 which agree to the general ledger balances.
14. A detail listing of **all** amounts due from other governments for **all** funds at June 30, 2021.
15. A detail summary of all grants received during the fiscal year ended June 30, 2021, including the grantor agency, grant identification number and Assistance Listing number, total dollar amount of the grant, grant funds received during the year, grant funds expended during the year and grant funds (if any) on hand at year end. Please also have available the individual grant agreements.
16. Aged Accounts Receivable listing for the Enterprise Funds for the year ended June 30, 2021. This should reconcile to the amounts listed on the respective trial balance.
17. A calculation for the Allowance for Doubtful Accounts as of June 30, 2021 for any applicable receivable amounts.



PBC Listing Sample:

Payroll

18. A detail schedule of accrued payroll by department as of June 30, 2021. This schedule should be broken down by fund. Please also provide for us the supporting documentation for the accrual amounts.
19. A report showing the number of full-time and part-time employees for the County as of June 30, 2021 and June 30, 2020.
20. A detail schedule of accrued vacation and compensatory time as of June 30, 2021. Both schedules should be broken down by fund, and show each individual employee, the number of hours earned, the number of hours used and the number of hours remaining at year end multiplied by the employee rate extended to a total.



PBC Listing Sample:

Capital Assets

21. A detail listing of the County's governmental capital assets for the year ended June 30, 2021. Additionally, please provide us a summary schedule of capital assets by class showing beginning balances which tie to the prior year financial statements, additions for the year, deletions for the year, and ending balances which tie to the June 30, 2021 general ledger.
22. Detail listings of all governmental capital assets sold by the County during the year ended June 30, 2021. Please show the proceeds received and any costs related to the sale.
23. Detail listings of all governmental capital assets purchased by the County during the year ended June 30, 2021. We will also need a depreciation schedule for the capital assets detailing beginning accumulated depreciation (which should agree to the prior year financial statement ending asset amounts), current year depreciation expense and accumulated depreciation as of June 30, 2021.
24. A detail analysis of all construction in progress activity (if any) for all funds during the fiscal year.



PBC Listing Sample:

Accounts Payable and Other Accrued Liabilities

25. Detail listing of accounts payable for each fund which agrees to the general ledger balances at June 30, 2021.
26. Please provide us with a check register subsequent to year end for each fund through the date of our arrival.
27. Detail listing of retainage payable (if any) for each fund, which agrees to the general ledger balances at June 30, 2021.
28. Please have available for our review invoices for all legal fees paid by the County (other than indigent fees) for the year ended June 30, 2021.
29. Any documentation maintained by the County regarding insurance claims that were incurred prior to the end of the County's fiscal year, but were not yet settled as of June 30, 2021. Please obtain a lag report from the insurance third party administrator.
30. A copy of the calculation of deferred tax revenues as of June 30, 2021.
31. A detail listing of all amounts due to other governments, including sales tax payable, or third parties at June 30, 2021. The total of these amounts should agree to the balances per the general ledger.
32. A reconciliation of the due to/due from balances between all funds at the County.



PBC Listing Sample:

Debt and Long Term Liabilities

33. A listing of all notes payable in effect at any time during the June 30, 2021 fiscal year. This listing should include the item, the original note amount, the outstanding balance of the note at July 1, 2020, additions during the year, payments made during the year and the ending balance at June 30, 2021. Additionally, please include the amount of the monthly, quarterly or annual payment, and the expenditure/expense accounts to which these payments are posted.
34. A detail analysis of activity for all general long-term debt accounts for the year ended June 30, 2021, including accrued interest.
35. Copies of debt agreements for any new debt entered into during the current year.
36. Calculations and supporting documentation for the landfill closure/postclosure care costs as of June 30, 2021.
37. A schedule summarizing the maturity requirements for each type of debt (G.O. Bonds, Revenue Bonds, etc.) as of June 30, 2021.
38. Amortization schedules for bond premiums, discounts, and any deferred losses resulting from prior bond refundings.
39. For all debt, please include amortization schedules (if available), the amount of the monthly, quarterly or annual payment, and the expenditure/expense accounts to which these payments are posted.



PBC Listing Sample:

Equity and Fund Balances

40. Reconciliation schedule of ending June 30, 2021 equity with that of ending equity per the June 30, 2020 financial statements.
41. Copies of board minutes for any committed fund balance at year end (if any).
42. Detail schedules of all reservations or appropriations of fund balances or fund equities as of June 30, 2021.

Items needed relating to GASB 68:

1. List of new hires and terminations for the period of 7/1/2019 through 6/30/2020.
2. Please provide us with copies of the quarterly 1246 Forms submitted to PEBA during FY2020 and FY2021.

Items needed relating to GASB 75:

1. Please provide the employee/participant census data that the County provided to its OPEB Plan actuary for the most recent OPEB valuation.
2. Please provide the most recent GASB 75 report prepared by the plan's actuary.
3. Please provide the most recent actuarial valuation, if separate from the GASB 75 report.
4. Please provide support for the amount of County contributions to the plan subsequent to the measurement date.



Questions or Comments?



Thank You

