

2010 MASBO Spring Conference

HOW TO PREPARE FOR YOUR AUDIT

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NOTICEABLY DIFFERENT



External Factors Impacting Audit Fees

- Increasing number of complex accounting and auditing rules
 - GASB 34 – Basic Financial Statements and MD&A
 - GASB 43 & 45 – Other Post Employment Benefits
 - Proposed Standards
- ARRA Funds – resulting in Single Audits



And then...

- Budget crunches
- What can be done to help with the cost of the audit?



List of Schedule to Prepare for Audit

➤ HANDOUT

- List of LarsonAllen Audit Schedules for FY09

Organized in 3 stages

1. Schedules / information needed prior to preliminary fieldwork
2. Schedules / information needed at preliminary fieldwork date
3. Schedules / information needed at fieldwork date



Does the Auditor NEED the Kitchen Sink, Too?

- We only need to know about the kitchen sink, if it affects Capital Additions (a little auditor humor!)



- While the lists of schedules to prepare is quite lengthy
 - Many items are simply copies to provide
 - You can delegate many items to other staff
 - Several items just need to be updated from prior year schedules

Schedule Preparation Tips

- Prepare schedules in electronic format, if at all possible (excel is our friend!)
- Use auditor schedule templates when possible
- Download your data to excel file and create customized reports (or make use of reports Region has created)



Schedule Preparation Tips

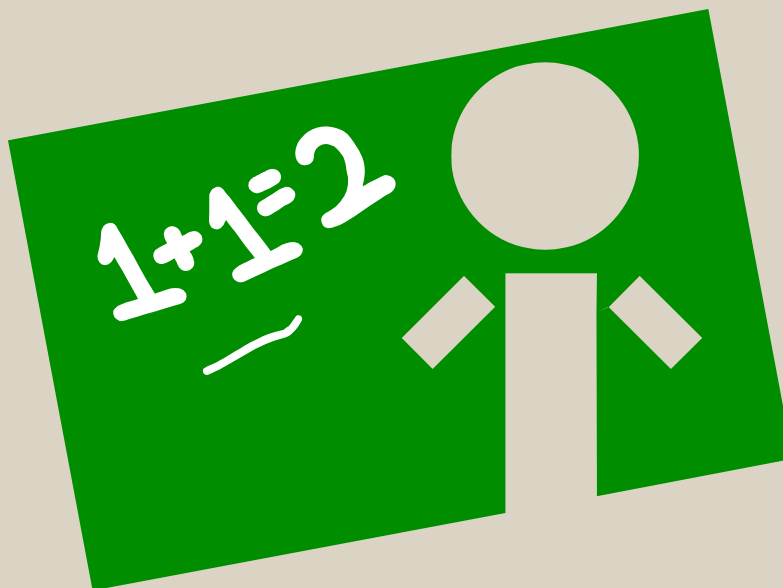
- Does schedule format provide all the necessary information?
- Document reasons for large or unexpected variances from budget or prior year amounts on schedules
- Verify that totals on detail schedules tie to general ledger amounts



Top 10 Audit Problems

1. Bank / Investment accounts not reconciled to general ledger

- Often the result of bank accounts not reconciled in a timely fashion
- Investment accounts not adjusted to market value at year-end.



Top 10 Audit Problems

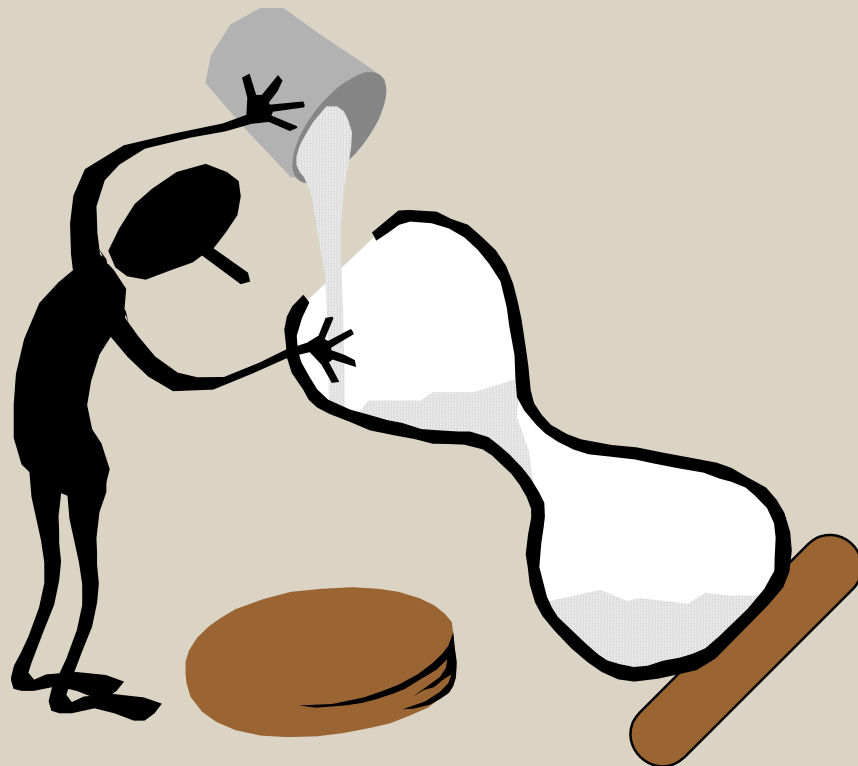
2. Reliance on the auditors to do property tax accounting, state and federal receivables

- This is still very common
- Takes 8-12 hours to complete
- Most auditors have very good work paper templates along with instructions
- Many auditors offer training on the preparation of these receivables



Top 10 Audit Problems

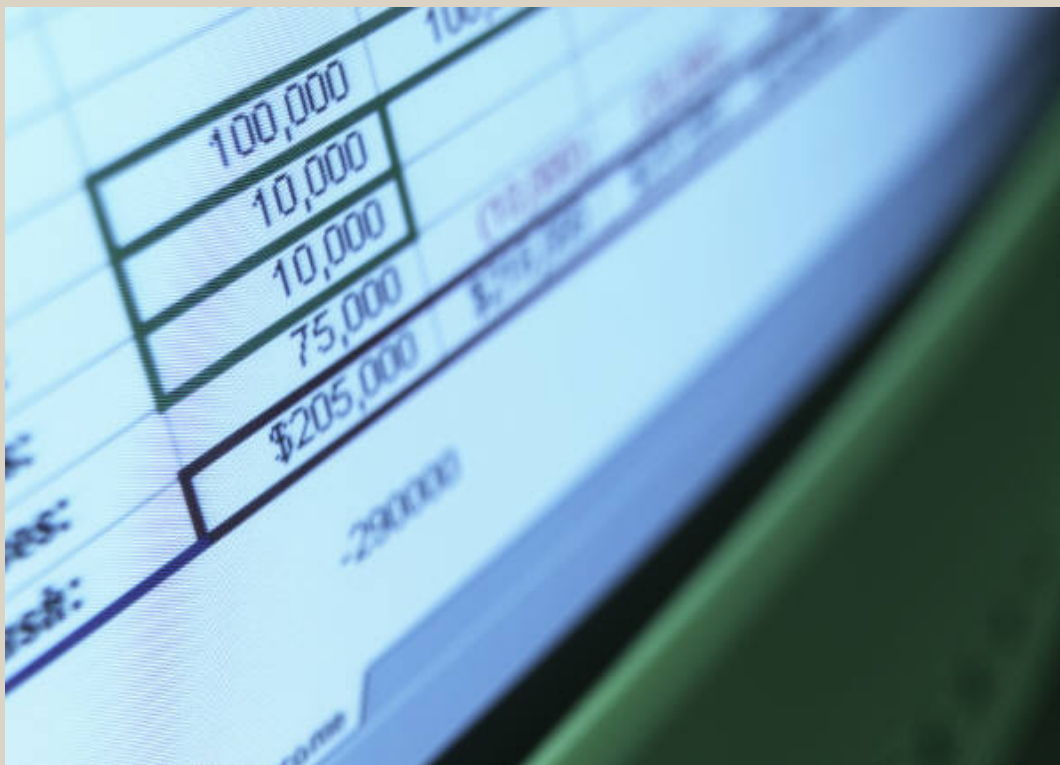
3. All information/personnel not available at time of fieldwork
- Student activities
 - Bid files
 - Single Audit documentation (IEP files, free/reduced lunch applications)



Top 10 Audit Problems

4. EDRS not tied out to UFARS

- Receivable could be affected if difference not corrected



A close-up photograph of a computer screen displaying a financial spreadsheet. The spreadsheet is tilted and shows a reconciliation table. The table has several rows with numerical values. The values are: 100,000, 10,000, 10,000, 75,000, and \$205,000. There are also some negative values like -200,000 and -20,000. The text is slightly blurred, but the numbers are clearly visible. The background of the spreadsheet is light blue and white.

100,000	
10,000	
10,000	
75,000	
\$205,000	
-200,000	
-20,000	



Top 10 Audit Problems

5. Payroll Liabilities not reconciled regularly (215 accounts)

- Make an effort to review and reconcile these accounts throughout the year
- Large number of transactions flow through these accounts during the year – waiting until year-end to reconcile is a **HUGE** job!
- Investigate any debit balances in these accounts



Top 10 Audit Problems

6. Detail Accounts Payable listing does not tie to general ledger
 - Prior Year amounts not completely reversed



Top 10 Audit Problems

7. Capital assets and depreciation schedules incomplete

- Asset additions / disposals not categorized by program dimension
- CIP (Construction in Progress) information is not summarized
- Depreciation expense not categorized by program dimension
- Buildings and related depreciation all shown in Operations (800)



Top 10 Audit Problems

8. Severance schedules incomplete

- Need to include all employees who will qualify for severance – not just those vested
- Provide severance by program dimension
- List assumptions used for severance calculations for non-vested employees
- Know your employment contracts so that you know the types of severance/benefit to be reported on the financial statements.



Top 10 Audit Problems

9. Fund balance reserves have not been adjusted

- Most auditors have a work paper template to help with this
- Need to get expenditures recorded to the correct finance code



Top 10 Audit Problems

10. Client Adjustments after Field Work Completed

- Common Late Adjustments
 - ◇ Due to Other Districts
 - ◇ Reclassification of expenditures between programs
- Additional client adjustments after audit field work adds more time to the audit and slows down the financial statement preparation process



GASB 34 Items

- All Districts have now implemented GASB 34
 - Update all schedules related to the government-wide financial statements
 - ◇ Capital Assets and Depreciation
 - ◇ Severance
 - ◇ Amortization of bond discounts / premiums
 - ◇ Accrued interest payable on long-term debt
- Don't wait until the last minute to prepare your MD&A



GASB 34 Items

- Provide revenue and expenditure reports that reflect original adopted and final amended budget
- Provide revenue classification report
 - ◇ Review to make sure new accounts added during year are classified



Corrective Action Plans

- Review prior year's Corrective Action Plans
 - Has anything changed?
 - Are you addressing the findings differently this year?
 - Are there new personnel?
- Be specific with responses
 - Dates
 - Personnel



Single Audit

- Identify all federal grants
 - Done as part of federal receivable/revenue calculations
- Identify CFDA numbers
 - PAYS report from MDE website
 - UFARS Manual (finance code)
 - Grant agreement
 - www.CFDA.gov
 - Contact grantor agency
- Identify all federal grants that come directly from the federal government or a pass-through entity other than the MDE.



Single Audit

- Have all federal expenditures coded by the start of fieldwork.
- Have copy of entire grant agreement.
- Grant personnel should be available to meet with auditors.
- Have UFARS and SERVS reconciled.



Questions?

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