

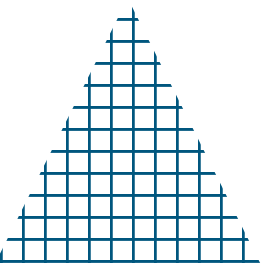


# How to Prepare for an Audit

KRISTA M. GARDNER, CPA

KEVIN B. STOUFFER, CPA

MEMBERS OF THE FIRM





## Krista M. Gardner, CPA Member of the Firm

- Joined SEK in 2020
- 16 years of experience
- Graduated from Susquehanna University with a bachelor's degree in Accounting and an Information Systems Minor
- In addition to providing compliance and attestation services, Krista also operates as an outsourced CFO for various not-for-profit and governmental entities.
- Krista lives in York, PA, with her husband, Elliot, son Coen (5), daughter Zoey (9 months) and their two adorable, but crazy Westies – Oliver and Piper.



## Kevin B. Stouffer, CPA Member of the Firm

- Joined SEK in 2004
- 19 years of experience
- Graduated from Shippensburg University cum laude with a bachelor's degree in Business Administration
- Specializes in governmental audits and serves as Member-in-Charge of approximately 60 local governmental audits
- Instructor of our in-house training programs on governmental accounting and has been invited to speak at numerous external events

# Steps to Take – Preparing for Your Audit

# It's a Year-Round Process...

- Keep a list of changes throughout the year
  - Processes
  - Procedures (internal controls)
  - Employee changes
- Reach out to your auditor as things come up (don't wait until the audit)
  - Complex / unusual transactions
  - Significant activities
  - Operational changes



# It's a Year-Round Process...

- Timely reconciliations
- Capital asset activity
- Debt issuances
- Journal entries – approvals and support
- Year-end accruals
- Supporting documentation for financial activity



# Items to Gather

- Updated Internal Control Narrative
- Bank Statements for the fiscal year-end and the subsequent month
- Capital Asset Listing (appraisal company or manual spreadsheets)
- Debt activity for the year (issuances and payments)
- Pension and OPEB Reports from the Actuary (if applicable)
- Lease and SBITA information
- Compensated Absences summary



# Asset Reconciliations to Prepare

- Bank Reconciliations for all Cash accounts as of year-end
- Investment Summary and statements as of year-end
- Accounts Receivable listing for all receivable accounts
- Tax Receivable summary – including unavailable tax reconciliation
- Interfund Activity summary – ensure due to and due from balances net to zero
- Inventory summary
- Prepaid summary





# Liability Reconciliations to Prepare

- Accounts Payable listing
- Retainage Payable listing
- Escrow Deposits listing
- Accrued Payroll summary
- Accrued Benefits summary
- Payroll Withholding summary



# Fund Balance Reconciliations to Prepare

- Reconciliation of Fund Balance to the previous year financial statements
- Reconciliation of classification of Fund Balance
  - Nonspendable Fund Balance – items that cannot be spent, like prepaid expenses and inventory
  - Restricted Fund Balance – restricted by a third party
  - Committed Fund Balance – board action taken to commit fund balance
  - Assigned Fund Balance – authority given by the board to management and includes budget deficit for the next fiscal year
  - Unassigned Fund Balance – residual fund balance
- Suggest reviewing the Fund Balance Policy on an annual basis to ensure compliance



# Various Items to Have Available

- Subsequent Receipts listing for 90 days after year-end
- Subsequent Payments listing for 90 days after year-end
- Current Year Budget (original and final)
- Subsequent Year Budget
- 941's or other Payroll Reports
- Explanations for variance analysis



# Various Items to Have Available

- Summary of any threatened or pending litigation
- List of attorneys utilized during the year to send attorney letters
- Updated agreements and contracts
- Pension Fund statements
- Check number samples for Cash Disbursements and Payroll
- Listing of all journal entries made for the fiscal year



# Grants

- Summary of all Grant activity for the year
  - Receipts
  - Disbursements
  - Calculation of any receivable or unearned funds
  - Summary of grant receipts not received within 60 days
- Allowable uses and timeline for use of funds
  - Tracking activity
  - Read the grant contract
  - No double dipping!
- Reporting requirements



# Federal Grants / Single Audit Reminders

- A single audit (Uniform Guidance) is required if an organization expends \$750,000 or more in federal funds in a fiscal year
  - All federal funds combined
  - Funds spent (based on your basis of accounting), not received
- Suggest preparing a Schedule of Expenditure of Federal Awards if federal expenditures exceed \$ 500,000
- Compliance testing
- Internal control testing



# Footnote Items Needed

- Summary of Related Party / Joint Venture financial activity
- Summary of Construction in Progress and any signed Commitments
- Summary of Unspent Bond Proceeds
- Summary of any significant Subsequent Events
  - Debt issuances
  - Construction commitments signed subsequent to year-end
- Summary of Tax Abatements
- Summary of Conduit Debt



Questions to  
Ask Your  
Auditor and  
How to Utilize  
Your Audit as a  
Tool for Your  
Organization



# The Audit Process

- Timeline
  - Discuss due dates and reporting requirements
  - Schedule draft meetings and presentation
  - Set targets to meet those goals
- Expectations
  - Engagement roles
  - Access – people and documents
  - Sharing of information



# How Can the Organization Improve?

- Best practices
  - Internal controls
  - Processes and procedures
- Previous audit results
  - Findings / internal control deficiencies
  - Proposed journal entries
- “Hot topic items”
  - Board Member points of conversation
  - Community discussion and questions
  - Industry trends



# Education and Training

- Board members
- Management and Staff members



# Financial Planning

- Cash flow analysis
- Trends
- Future planning
- Operating and programming analysis



# Q&A

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