

LGOC

## Audit Preparation How to Make Your Audit Go Seamlessly

Kelly Berger-Davis, Center for Audit Excellence

---

---

---

---

---

---

---

---

### How do you feel about your Audit?

Frustrated?  
Stressed?  
Confused?  
Worried?  
Overwhelmed?  
Frazzled?

---

---

---

---

---

---

---

---

### Agenda

What is an audit?  
Tips for an efficient audit  
Important deadlines  
Resources available on AOS webpage

---

---

---

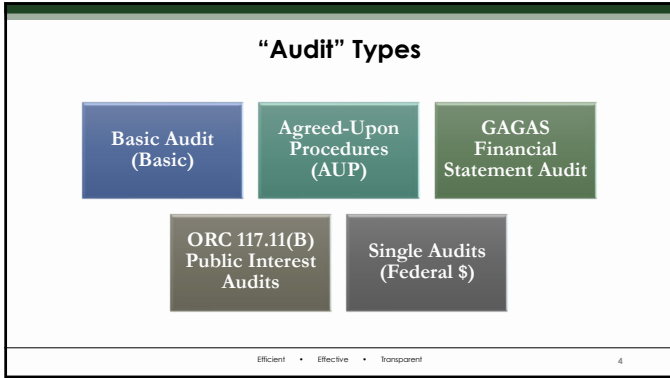
---

---

---

---

---




---

---

---

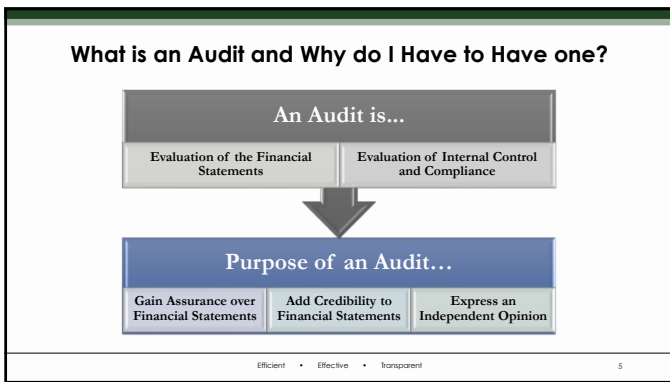
---

---

---

---

---




---

---

---

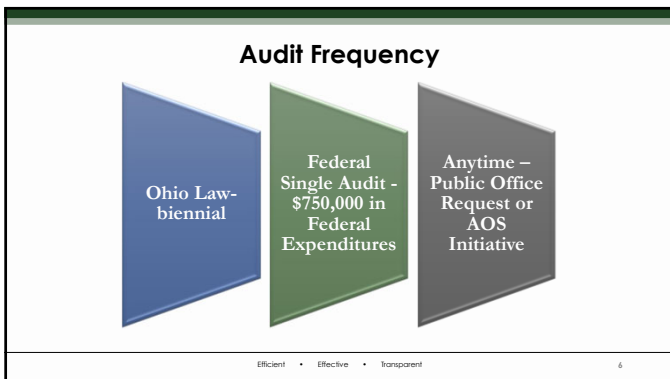
---

---

---

---

---




---

---

---

---

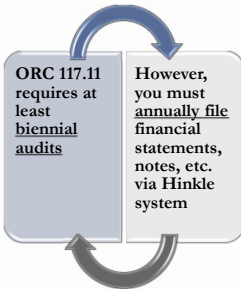
---

---

---

---

## Audits vs. Filing



---

---

---

---

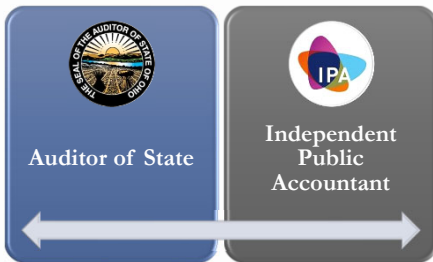
---

---

---

---

## Who Will be Doing the Audit?



---

---

---

---

---

---

---

---

## Auditor Letters

Independent Auditor's Report	GAGAS Letter	Single Audit Letter	Management Letter
<ul style="list-style-type: none"><li>Opinion on fair presentation of financial statements</li><li>Opinion on Schedule of Expenditures of Federal Awards (if applicable)</li></ul>	<ul style="list-style-type: none"><li>Generally Accepted Government Auditing Standards</li><li>Results of tests of internal controls and compliance</li><li>Financial statement impact</li></ul>	<ul style="list-style-type: none"><li>Opinion on compliance for each major program</li><li>Results of tests of internal controls and compliance</li><li>Federal program impact</li></ul>	<ul style="list-style-type: none"><li>Communicates control deficiencies and non-compliance with a less-than-material effect on the financial statements or other issues with significance to the audit objectives</li><li>Are not included in the audit report, or on AOS website</li></ul>

---

---

---

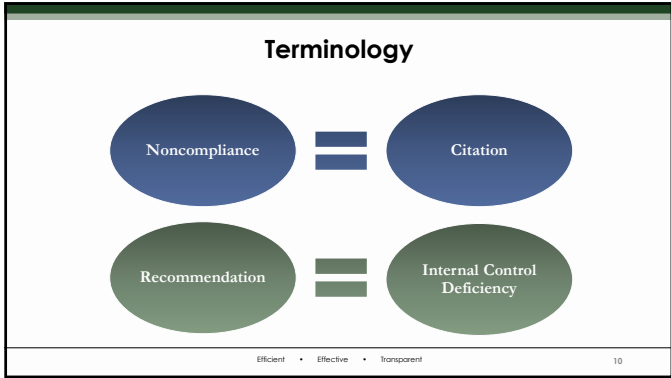
---

---

---

---

---




---

---

---

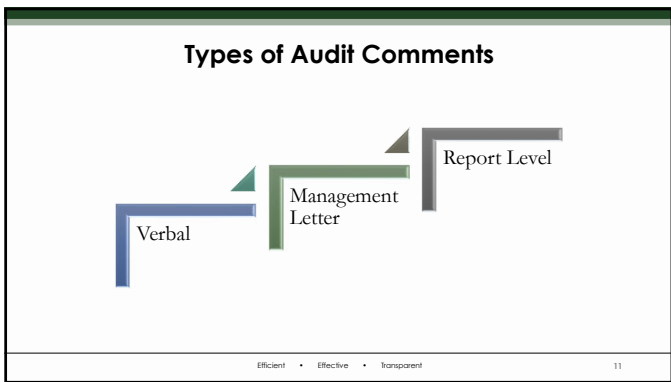
---

---

---

---

---




---

---

---

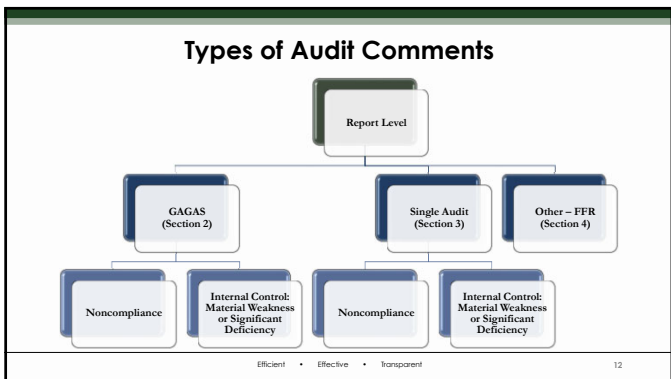
---

---

---

---

---




---

---

---

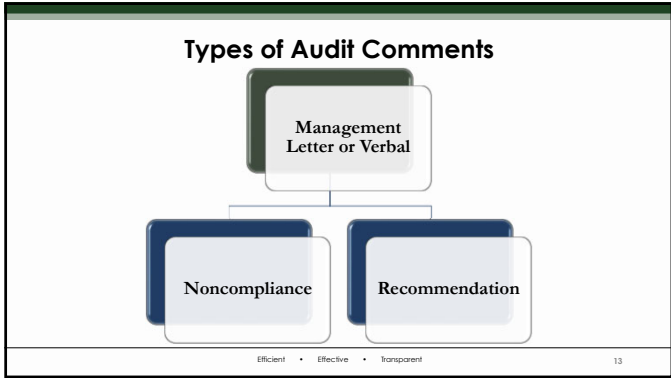
---

---

---

---

---



---

---

---

---

---

---

---

---

- ### WHY is an Audit Important?
- 1. Fulfill your fiduciary responsibility
  - 2. Obtain assurance related to the financial integrity of funded programs
  - 3. Identify possible non-compliance and other issues early, to avoid interruption of current funding
  - 4. Lower the risk of future non-compliance
  - 5. Build goodwill among taxpayers
  - 6. Strengthen your ability to secure additional funding in the future.
- Source: <https://www.aicpa.org/interestareas/governmentalservices/resources/auditresourcecenter/whyauditimportantforauditees.html>
- Efficient • Effective • Transparent 14

---

---

---

---

---

---

---

---

### Tips For An Efficient Audit

Efficient • Effective • Transparent 15

---

---

---

---

---

---

---

---

### What can I do to keep audit costs low?

- 1 Complete, organized, and easily accessible records
- 2 Stay ahead of routine responsibilities
- 3 Be aware of special circumstances and be knowledgeable about potential compliance and accounting impact
- 4 Improve internal controls
- 5 Keep up with monthly bank to book reconciliations
- 6 Ensure relevant personnel will be available during the course of the audit

Efficient • Effective • Transparent 16

---

---

---

---

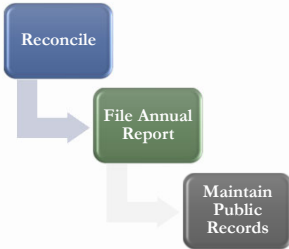
---

---

---

---

### Tips for an Efficient Audit



```

    graph TD
      A[Reconcile] --> B[File Annual Report]
      B --> C[Maintain Public Records]
  
```

Efficient • Effective • Transparent 17

---

---

---

---

---

---

---

---

### Tips for an Efficient Audit

- 1 Good communication with auditors before planned start date that auditors will arrive.
- 2 Provide information in an electronic format / ledgers in excel for sorting, searching, etc.
- 3 Will personnel be available for audit inquiries (vacations, etc.)?
- 4 Provide auditors with a list of who the 'go-to' person is for each area (to make inquiries/obtain documents).
- 5 If there is going to be a significant delay in getting records to the auditor, make them aware.

Efficient • Effective • Transparent 18

---

---

---

---

---

---

---

---

### Tips for an Efficient Audit (Cont'd)

#### Discuss items auditors could gather ahead of starting the audit

- Minutes if accessible via the government's website, records on UAN, etc.

#### Location(s) auditors will perform audit work

- Client Location
- Regional Office
- Telework / Remote Work Location / Another audit site

#### Information needed for connectivity to internet at the client location

---

---

---

---

---

---

---

---

### Tips for an Efficient Audit (Cont'd)

#### Communicate with your auditors before audit is started. Types of questions auditors may ask:

- Significant financial transactions incurred
- Compliance with requirements outlined in Ohio and Federal Compliance Supplements
- Internal controls, and any changes made
- Changes in significant personnel
- Status of audit comments from the prior audit

---

---

---

---

---

---

---

---

### Tips for an Efficient Audit (Cont'd)

Often auditors will provide an initial audit documentation request list – be sure to have the documents pulled and ready in a timely manner. For example:

#### System Reports:

1. Year End Financial/Fund Report
2. Check Register
3. Detail Revenue Report
4. Detail Expenditure Report
5. Outstanding Purchase Order Report
6. Monthly Cash Reconciliations

#### General Information:

- Minutes from [AUDIT PERIOD]
- Names, e-mail addresses, outside occupations, and business interests of [GOVERNING BOARD TYPE] members holding office during our audit period and currently.

---

---

---

---

---

---

---

---

## Tips for an Efficient Audit (Cont'd)

### Cash Reconciliation:

- Bank reconciliation supporting documentation (bank statements, investment statements, outstanding check lists, etc.) for **[AUDIT PERIOD]**
- Access to online statements for confirmation of accounts (with **[ENTITY TYPE]**'s assistance)
- Daily Sweep Account confirmations, if applicable
- Copy of current investment policies and bank depository agreements.

### Non-Payroll:

- A list of requested vouchers **[is attached OR will be provided]** so the **[ENTITY TYPE]**'s personnel may pull the information for us.
- 1099s issued in January **[20XX (and 20XX-1)]**

### Payroll Testing

- A list of requested employees/pay periods **[is attached OR will be provided]** so the **[ENTITY TYPE]**'s personnel may pull the information for us.
- New bargaining unratified agreements
- Federal 941s, Pension filings, and related supporting documentation (deduction reports and payment support)
- List of retired or terminated employees and related pay-out calculations
- Updated Negotiated Agreements for Unions (if applicable)(electronic format, if possible)
- W-2s issued in January **[20XX (and 20XX-1)]**

---

---

---

---

---

---

---

---

---

---

## Tips for an Efficient Audit (Cont'd)

### Receipt Testing:

- Access to duplicate receipts or "pay-in book", if used.
- County Auditor tax settlement sheets.
- Income Tax Remittance Reports

### Budgetary Testing:

- All Original and Amended Certificates of Estimated Resources
- All appropriations resolutions and amendments, as applicable

### Other Items:

- Copies of bonded debt agreements and any other debt support for new debt issued or refunded
- Copies of public official bonds covering the audit period.
- Access to employee personnel manual and policies and/or copies of updated policies during the audit period.

### Federal Testing (if applicable):

- Schedule of Expenditures of Federal Awards
- Summary Schedule of Prior Audit Findings and Questioned Costs (if necessary), including corrective action taken.

---

---

---

---

---

---

---

---

---

---

## Tips for an Efficient Audit (Cont'd)

Understand compliance requirements (federal, state, etc.)

Gather and provide documentation to show that your entity is in compliance with applicable requirements

- Ohio Compliance Supplement (OCS) - <https://ohioauditor.gov/references/compliancemanuals.html>
- Federal (OMB) Compliance Supplement - <https://www.whitehouse.gov/omb/office-federal-financial-management/>
- Federal Award Compliance Control Records (FACCR) - <https://ohioauditor.gov/references/practicenotes/faccrs.html>

Good communication between the Fiscal Officer & auditors on the estimated date in which the report will be completed and filed with AOS

---

---

---

---

---

---

---

---

---

---



## What Will the Auditors Look At?

### No one size fits all audit

- Depends on the entity, the reporting basis, the activity, etc.

### Be prepared for the auditors to look at everything

- Nothing is off the table

### What the auditors plan to look at the start of the audit may change

- We follow the evidence

---

---

---

---

---

---

---

---

## What Will the Auditors Look At?

Audit Sampling is an audit testing method where less than 100% of the total items within the population or account balance are selected to be reviewed

- Auditors will provide you with a list of items selected for review in the Audit Sample.
- Examples of an audit sample request:
  - Non-payroll for selected expenditures
    - Checks
    - Invoices
    - Purchase Orders
  - Payroll Items for selected employees
    - Time Sheets
    - Employment Contracts
    - Leave Records



---

---

---

---

---

---

---

---

## Important Deadlines

---

---

---

---

---

---

---

---

### Important Deadlines

- Financial Statement Filing Requirements
- Single Audit Deadline
- GFOA Deadlines
- Other Regulator Deadlines
- Service Organization Control Reports (SOC 1 Reports)

Efficient • Effective • Transparent 28

---

---

---

---

---

---

---

---

### Ohio Administrative Code Financial Statement Basis

Financial Statement Filing Requirements (OAC 117-2-03(B) and (C))	
<b>GAAP</b> <ul style="list-style-type: none"> <li>• Counties</li> <li>• Cities</li> <li>• Schools, including ESCs and Comm Schools</li> <li>• Government Insurance Pools (some)</li> </ul>	<b>Special Purpose Framework</b> <ul style="list-style-type: none"> <li>• All Others</li> </ul>

Efficient • Effective • Transparent 29

---

---

---

---

---

---

---

---

### Uniform Guidance / Single Audit Financial Statement Basis

2 CFR 200.514(b)

↓

Requires auditors to determine whether the financial statements of the auditee are presented fairly in all material respects in accordance with GAAP.

↓

Therefore, auditees required to have a single audit (federal) are required for file on a GAAP basis of accounting regardless of OAC requirements.

Efficient • Effective • Transparent 30

---

---

---

---

---

---

---

---

## Financial Statement Filing Requirements

Ohio Rev. Code § 117.38 (ORC) requires that local public offices file their annual financial reports with the Auditor of State (AOS).

- Entities filing on a GAAP basis have 150 days following the end of the fiscal year to submit their financial reports to the AOS.
- Other entities required to file and GAAP-mandated entities choosing to not file on a GAAP basis, have 60 days following fiscal year-end to complete their submission to AOS.

### Section 117.38 - Annual reports.

*(Ohio Revised Code / Title 117 - Government / Chapter 117 - Auditor of State)*

*(Effective: November 2, 2010 / Amended: September 28, 2010 / Original enacted: 1999 / Original Subsequent: 1999)*

(A) Every public office, officer, other than a court agency, shall file a financial report for each fiscal year. The auditor of state may provide forms to aid in any financial reporting, and shall, for each report, if the auditor of state has not prescribed rules regarding the forms for the report, the public office shall submit its report on any form necessary to use those rules.

(B) This report shall be verified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year, except that public officers reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year. The auditor of state may extend the deadline for filing a financial report and establish terms and conditions for any such extension. At the time the report is filed with the auditor of state, the chief financial officer or an otherwise qualified individual of the local unit, shall publicly declare to a newspaper published in the political subdivision or trading district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or trading district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief financial officer.

---

---

---

---

---

---

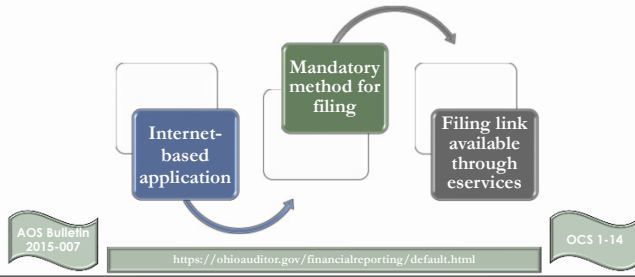
---

---

---

---

## HINKLE System Annual Financial Data Reporting System




---

---

---

---

---

---

---

---

---

---

## Required Financial Statement Elements

GAAP	Cash / Modified Cash	AOS Regulatory Basis
<ul style="list-style-type: none"> <li>• MD&amp;A</li> <li>• Basic Financial Statements</li> <li>• Notes to the Basic Financial Statements</li> <li>• Required Supplementary Information</li> </ul>	<ul style="list-style-type: none"> <li>• Government-Wide and Fund Financial Statements</li> <li>• Notes to Basic Financial Statements</li> <li>• MD&amp;A and other supplemental information are optional</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances</li> <li>• Notes to the Basic Financial Statements</li> </ul>

<https://ohioauditor.gov/references/shells.html>

---

---

---

---

---

---

---

---

---

---

## Single Audit (federal) Deadline

**September 30** is deadline for 12/31 fiscal year end clients

- 6/30 fiscal year end clients have different deadline

Must file audit report with the Federal Audit Clearinghouse (FAC)

- FAC distributes single audit reporting packages to federal agencies
- Database of completed audits

Filing Requirement Not Met = Not Low Risk Auditee

- Additional audit testing required for subsequent two audits = increased audit cost

---

---

---

---

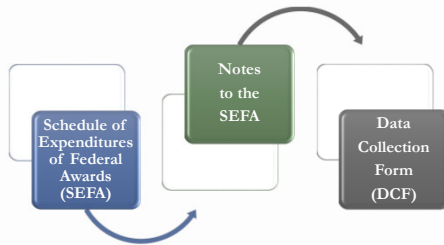
---

---

---

---

## Single Audit Reporting Items



<https://ohioauditor.gov/references/practiceaids.html>

---

---

---

---

---

---

---

---

## Schedule of Expenditures of Federal Awards (SEFA)

- List individual Federal programs by agency.
- Clusters must list Cluster and individual program names.
- Federal non-cash expenditures and cash expenditures are included for the year.
- Pass-through entity and identifying number assigned by the pass-through entity must be included.
- Total amount paid to subrecipients must be listed.
- COVID Funding must be identified separately.

---

---

---

---

---

---

---

---

## Important Notes!!

Uniform Guidance requires the government to prepare a schedule of expenditures of federal awards (SEFA).

Auditing standards require the auditor to determine and provide an "in relation to" opinion on whether the auditee's schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Auditors must be able to audit original records.

Auditing standards require the auditor to provide an opinion on each Major Federal Program Compliance Requirement.

---

---

---

---

---

---

---

---

## How Do I Know How Much in Federal Funds My Government Has Spent?

It is **VERY IMPORTANT** that the Fiscal Officer has a method in place to track federal expenditures by Assistance Listing (AL) # / Cluster!

As an example: Each federal grant is tracked in a separate fund &/or cost center. At year end, as part of closing out the books, a Schedule of Expenditures of Federal Awards is prepared to determine if federal expenditures are \$750,000 or more.

---

---

---

---

---

---

---

---

## How Do I Know if a Program is Reported on the SEFA?

Governments **MUST** assess their grant relationship with their distributing agency!

- Relationships could be: Subrecipients, vendors, and for some programs, like CRF & SLFRF, beneficiaries
- Review the terms and conditions of the award
- Subrecipient relationships are reported on the SEFA
- Vendor and beneficiary relationships are not reported on the SEFA.

---

---

---

---

---

---

---

---

## Notes to the Schedule of Expenditures of Federal Awards (SEFA)

Prepared by the Fiscal Officer

Reporting Entity Description

Summary of Significant Accounting Policies

Other Information

---

---

---

---

---

---

---

---

## Data Collection Form via General Services Administration (formerly Census)

The auditor's portion is filled out on the Federal Audit Clearinghouse at the end of the audit by your auditors.

Data Collection Form should agree to the Schedule of Expenditures of Federal Awards.

---

---

---

---

---

---

---

---

## AOS Bulletin 2022-008 Alternative Compliance Examinations (ACE)

Assistance Listing #21.027 Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) Compliance Examination Alternative to Single Audit

Reduce the burden of a full Single Audit on eligible recipients and auditors

A full financial statement audit is not required at the time of the ACE engagement. However, the regular financial audit will still be performed on its usual audit schedule.

No SEFA since the Auditor opines directly on compliance for CSLFRF

---

---

---

---

---

---

---

---

## AOS Bulletin 2022-008 Alternative Compliance Examinations (ACE)

- Only required to obtain an understanding of relevant portions of internal control over compliance sufficient to plan the engagement and to assess control risk for compliance with specified requirements.
- The engagement still involves testing of the compliance requirements
- One compliance examination opinion is issued
- Audit findings are reported in a similar manner to how they are reported for Single Audits

Efficient • Effective • Transparent 43

---

---

---

---

---

---

---

---

## GFOA Deadlines

<p style="text-align: center;"><b>Certificate of Achievement For Excellence in Financial Reporting</b></p> <ul style="list-style-type: none"> <li>• Annual Comprehensive Financial Report (ACFR)</li> <li>• Additional reporting requirements beyond GAAP</li> <li>• Must be submitted within 6 months after the fiscal year end</li> </ul>	<p style="text-align: center;"><b>Popular Annual Financial Reporting Award</b></p> <ul style="list-style-type: none"> <li>• Extraction of high level information from ACFR for use of general public</li> <li>• Must submit ACFR to participate</li> <li>• Must be submitted within 6 months after the fiscal year end</li> </ul>
---	---

Efficient • Effective • Transparent 44

---

---

---

---

---

---

---

---

## Other Regulator Deadlines

Debt covenants	MSRB/SID-Municipal Securities	Contractual agreements
Other Government Agencies	Bond Ratings on subsequent debt issuances	

Efficient • Effective • Transparent 45

---

---

---

---

---

---

---

---

## Service Organization Control Reports (SOC 1 Reports)

Service organizations (SO) provide services for governments such as:

- Payroll processing
- Self Insurance Third Party Administrators
- Investment Purchasers



---

---

---

---

---

---

---

---

## Service Organization Control Reports (SOC 1 Reports) (Cont'd)

Auditors have responsibility to evaluate internal controls related to all of the government's significant financial activity

If significant financial activity is handled by SO, a separate report on the internal controls at the SO needs completed by a separate auditor, a SOC 1 report

Your government needs to ensure that all service organizations will have a SOC 1 report available for the audit period

Your government should review the SOC 1 report for any significant subservice organizations identified and review the subservice organization's SOC 1 report as well

SOC 1 report needs provided to AOS or IPA auditor as soon as it is available

---

---

---

---

---

---

---

---

## Resources Available on AOS Webpage

---

---

---

---

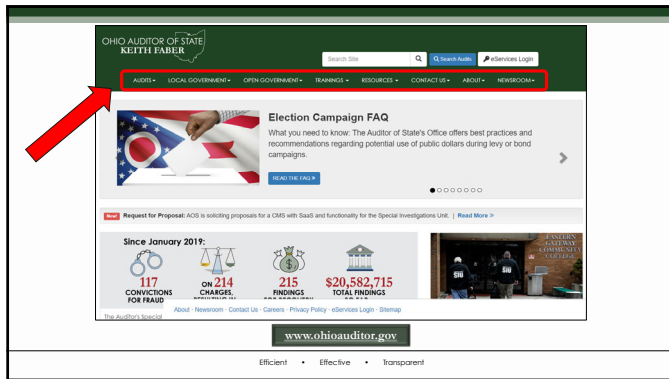
---

---

---

---






---



---



---



---



---



---



---



---

### Resources on AOS Webpage

**Audits**

- Search Audits Released
- ORC 9.24 Certified Finding for Recovery Search

**Local Government**

- New Fiscal Officer Resources
- Reference Materials – OCS, Financial Statement & Footnote Shells, Single Audit Practice Aids, FACCR's, AUP's, ORC/OAC, Publications & Manuals (Checklist for an Outgoing FO, Handbooks, Manuals, Best Practices, Bulletins, Advisory Memos, etc), Responsibilities of Those Charged with Governance
- Hinkle System
- UAN

Efficient • Effective • Transparent 50

---



---



---



---



---



---



---



---

### Resources on AOS Webpage

**Trainings**

- MANY free webinars!
- Registration for AOS conferences

**Resources**

- Federal
- eServices
- Ohio Checkbook

Efficient • Effective • Transparent 51

---



---



---



---



---



---



---



---

## Resources on AOS Webpage

### Contact Us

- Report Fraud
- Request a Speaker

### Newsroom

- Unauditable List

---

---

---

---

---

---

---

---

## AOS Regional Office Numbers

Central	800-443-9275
East	800-443-9272
Northeast	800-626-2297
Northwest	800-443-9276
Southeast	800-441-1389
Southwest	800-368-7419
West	800-443-9274



---

---

---

---

---

---

---

---

Kelly Berger-Davis  
[Kmberger-davis@ohioauditor.gov](mailto:Kmberger-davis@ohioauditor.gov)

---

---

---

---

---

---

---

---