Ready or Not, Here They Come!

2014 GGFOA Annual Conference
September 30, 2014
Planning for the Audit – Planning Meeting

Hold a planning meeting with your auditors and key staff members. This meeting should be held before year-end with enough time to address any issues that arise during the closing process.

The discussion should include:

Significant events during the year

a. Unusual and/or complex transactions outside the normal course of business

b. Changes in Finance Department staff (new personnel, changes in duties)

c. New GASB standards

d. Changes in state law or local ordinances effecting revenues, expenditures, etc. (Adoption of a different Hotel/Motel Tax rate)
Planning for the Audit – Planning Meeting

Hopefully you have kept in communication with your auditor during the year and this discussion is how issues were handled, not what should be done. It may be too late!
Planning for the Audit – Planning Meeting

The audit schedule needs to be more than just the dates of the fieldwork.

a. Establish a calendar of documents
   • When will the document be ready?
   • Who will prepare the document, the auditor or staff?
   • What are the deadlines for completion of fieldwork and issuance of the report?

b. Determine potential scheduling conflicts, such as vacations, conferences, other work related deadlines (property tax bills)

c. Ensure the time frame is reasonable and provides some cushion for unforeseen events

d. Put the schedule in writing, if necessary
Client-prepared workpapers

a. In what format would the auditors like them?
   • Electronic format is usually preferred (Excel, Word)
   • Convert hard copies of documents to PDF, unless otherwise requested

b. Have supporting documents for each balance sheet account
   • This needs to be more than just a print-out of the general ledger detail
Planning for the Audit – Planning Meeting

Your auditor should provide a document request letter

• The letter should identify any information required prior to fieldwork
• Reports should be identified by name and any parameters required (date range) listed
Planning for the Audit – Planning Meeting

Changes in internal controls

• New accounting or other financial (utility billing) software, new processes, changes in personnel or structure, new risks identified and addressed (actual or potential fraud)

• Management comments from prior year
  • Review the Report on Internal Control and Compliance and the separate comment letter, if one was issued
  • How were the comments addressed?

Review notes from the prior year

• What worked well; what didn’t work

• How can things be done differently to make the audit more efficient, both for your staff and the auditors
Select one individual to be the primary liaison with the auditors

- Someone who will be available each day the auditors are onsite and can manage requests for information and documents
- Someone who will be able to discuss financial issues such as significant estimates in the statements, significant variances (budget-to-actual, or current-to-prior period), or the need for allowances on significant receivables
- Someone who can manage the audit schedule
- Are the auditors getting things on time and are they staying on schedule. Have issues arisen that make changes to the schedule necessary?
- Consider holding periodic meetings with the audit team to assess the progress of the audit
Planning for the Audit – Fieldwork

Be Ready!

- Be prepared to discuss changes in:
  - Internal controls
  - Operational structure
  - Grant programs
- Be prepared to discuss significant estimates used in the financial statements.
- Explain significant actual-to-budget and prior-year variances
  - Differences in expectations.
- Be open during your audit interviews. You are both working toward the same goal of strong internal controls and financial reporting.
Planning for the Audit – Fieldwork

Hold an exit conference between auditors and management

- Journal entries
- Management comments
- No surprises
- Are we on schedule
Planning for the Audit – Wrap-Up

Go over schedule for after fieldwork.
  • What is left? When will these items be ready and who is responsible for their completion? Is a return visit required?
  • Create a To-do List

When will draft of report be ready?
  • Communicate turn-around time.
  • How will changes to report be handled?

Meeting date for presentation

Who will submit report?
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