

HOW TO PREPARE FOR AN AUDIT

RYAN PRESTON – DIRECTOR OF AUDIT SERVICES
CHASE LENON – ASSISTANT DIRECTOR OF AUDIT SERVICES

TYPES OF SBOA ENGAGEMENTS

- Single Audit
 - Required for Townships that exceed the threshold of federal grant expenditures
- Examination
 - Required for Townships that have outstanding debt
- Compliance
 - Required for Townships that do not have outstanding debt, but are assessed at a High level of risk
- Centralized Compliance
 - Required for Townships that do not have outstanding debt, but are assessed at a Moderate or Low level of risk

ENTRANCE CONFERENCE

THE ENTRANCE CONFERENCE

- Examiners should explain objective of engagement.
 - Testing for non-compliance, obtaining assurance if applicable...
- Explanation of Management's responsibilities
- Informing management of fees, records to be requested, estimated timeline of engagement...
- Please ask any questions if you are not clear on anything the examiner provides or requires!

COMPLIANCE PROCEDURES TO EXPECT

- Comparisons of AFR to Township ledger
- Expenditures in excess of appropriations
- Monthly bank reconcilements
- Salaries paid in accordance with contracts
- Payroll remittance to IDOR + IRS
- Proper disbursements with supporting documentation
- Officials properly bonded
- Prior comments resolved

WHAT WE WILL ASK FOR

- Board Minutes (include to current date)
- Resolutions
- Contracts
- Financial Records (ledger)
- Reconcilements
- Register of Investments
- Debt Documents
- Receipts
- Payroll records

SBOA CHECKLIST

- Before an audit starts be sure to have the following things in order:
 1. Monthly bank accounts reconciled.
 2. Make sure all schedules are complete (capital asset listing, investments, inventory etc...).
 3. Supporting documentation for expenses are in an orderly fashion.
 4. Proofs of publication for legal advertising orderly.
 5. Check that employee pay was correct.
 1. Withholding filings (W-2/941/WH3), form 17, and entries in the ledger to paychecks and contracts.
 6. Verify policies are updated.
 7. Come with a list of questions!

TIPS

- During the year track restricted grants, gifts, donations etc...
- Keep internal control documentation and supporting documentation together.
- Respond quickly to inquiries – smaller audit bill.
- Establish an 'auditor' file:
 - Could include: regulatory agency correspondence, contracts, lawsuits, reconciliations...

ASK US QUESTIONS!

- HB 1031 – repeat comments have consequences.
 - Make sure to get an idea on how to fix problems before the examiner leaves.
 - If not, contact us at schools.townships@sboa.in.gov
- Implement fixed immediately!
 - 4 year audit cycles – a comment could only pertain to one year, overshadows compliant years.

WHAT NOT TO DO

- Panic!
- Try to hide things – we are here to help!
 - The auditor should be viewed as a resource, not an adversary.
- Be afraid to ask questions.
- Try not to look at an audit as something to complicate your life!
 - An audit is a irreplaceable tool to ensure your finances are in order.

EXIT CONFERENCE

THE EXIT CONFERENCE

- **Draft** report provided and discussed.
- Official given chance to respond to comments (Form 4) – 10 days.
- Official's term, email and physical addresses verified.
- Again, please ask any questions if you are not clear on anything the examiner talks about!


