

How to Prepare for an Audit

Presented by:

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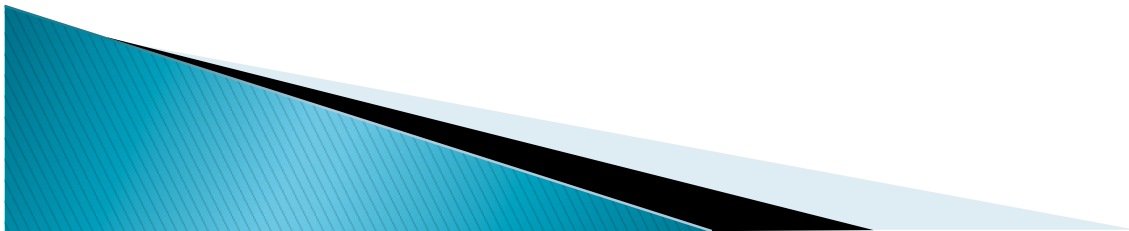
Almquist, Maltzahn, Galloway & Luth, P.C.

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How to Prepare for an Audit

1. Nebraska Department of Education – get familiar with these resources
 - A. Rule 1 – School Audit Procedures
 - B. Rule 2 – Uniform System of Accounting for NE Public School Districts
 - i. Fund accounting – defines the various funds used by school districts
 - ii. Revenue sources
 - a. Local, County, State, Federal (See account codes on AFR)
 - b. Non-Revenue Receipts – loans, transfers from other funds
 - c. Non-Program Receipts – result from temporary intra-agency transactions with an offsetting entry in the non-program expenditure account (receipt of transfers from a savings account to a checking account)

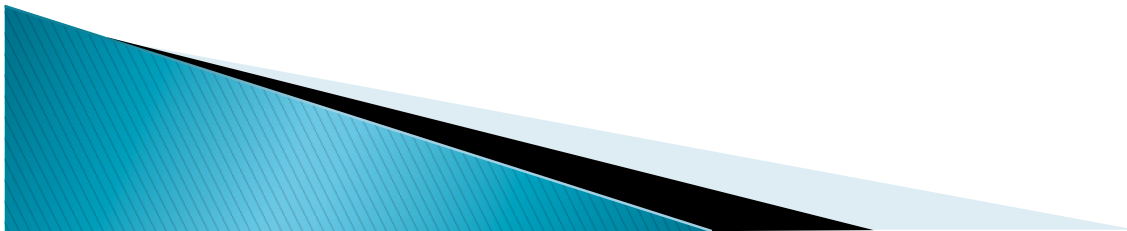


How to Prepare for an Audit, continued

iii. Expenditure dimensions

a. Function

1. Instruction
2. Support Services-Pupils
3. Support Services-Staff
4. General Administration
5. Office of Principal
6. Business
7. Maintenance and
Operation of Buildings
and Sites
8. Transportation
9. Community Services
10. State Categorical Programs
11. Federal Programs
12. Debt Services
13. Summer School
14. Adult Education
15. Transfers
16. Non-Program Charges



How to Prepare for an Audit, continued

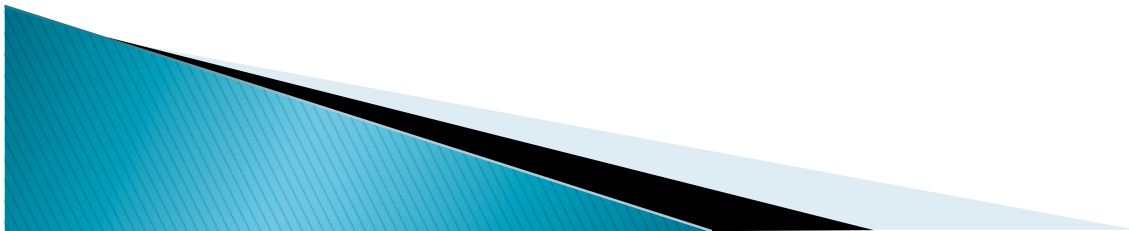
iii. Expenditure dimensions, continued

b. Object – seven major categories

1. Salaries
2. Employee Benefits
3. Purchased Services
4. Supplies & Materials
5. Capital Outlay
6. Transfers
7. Other

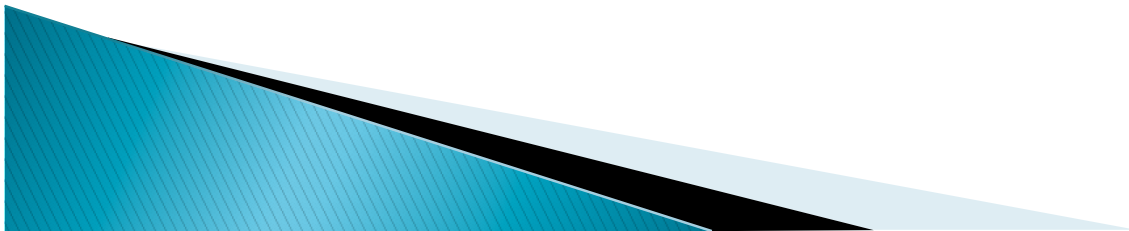
c. Level of instruction (elementary/secondary or individual grade levels)

iv. Student membership and attendance reporting



How to Prepare for an Audit, continued

2. Document controls
3. Bank reconciliations – perform monthly!
 - A. Scrutinize reconciling items – ask “do these make sense”
 - i. Deposits in transit – should NEVER be outstanding more than one or two days – or:
 - a. Erroneous/duplicate entry of deposit
 - b. Checks have been held for an excessive period before depositing (control issue)
 - c. Deposit was lost or stolen

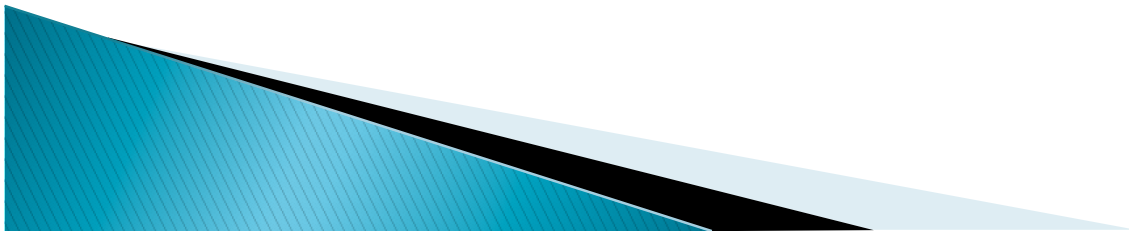


How to Prepare for an Audit, continued

- ii. Outstanding checks – why haven't checks been cashed?
 - a. Was check held and not issued – should not be a cash disbursement until issued
 - b. Was the check lost and reissued, but never voided on the books?
 - c. Is the vendor just holding the check

- 4. Proof of cash – perform monthly – best practice for cash accounts
 - A. Balance cash receipts and disbursements per the books to bank statement deposits and disbursements

- 5. Activity accounts – resolve any negative cash balances before year end



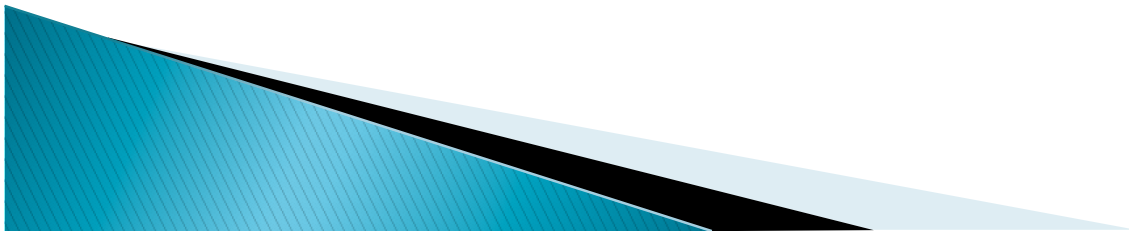
How to Prepare for an Audit, continued

6. County treasurer cash

- A. Make sure deposits get posted to correct funds (sometimes counties issue one check for all funds)
- B. Recalculate the county treasurer commission
- C. Compare tax collections to the levied tax

7. Capital assets

- A. Government-wide financial statements should present capital assets
- B. Code capital asset additions to proper object codes
- C. Keep a spreadsheet showing additions – pull invoices at year end
- D. Update the depreciation schedule for disposals
- E. Construction commitments – get copies for the auditors



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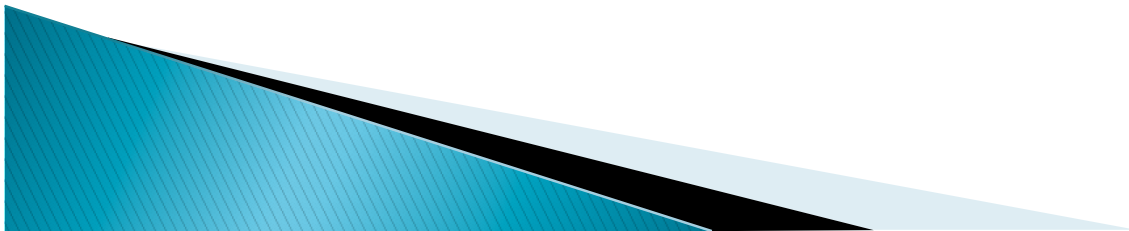
8. Long-term debt
 - A. Government-wide financial statements should present capital assets
 - B. Keep copies of bond and debt amortization schedules in one file
 - i. Post the principal and interest payments accurately based on the amortization schedule
 - ii. Auditors will need copies of any new bond/loan documents issued – forward to them during the year

9. GASB 54 – Classification of governmental fund balances
 - A. Nonspendable – rarely used on School Districts
 - B. Restricted – by donors or statute/law
 - C. Committed – formal action by school board to be used for a specific purpose
 - D. Assigned – by administration (or board) to be used for a specific purpose
 - E. Unassigned



How to Prepare for an Audit, continued

10. Grant revenue – reconcile to NE Department of Education website
11. Grant expenditures – code Federal and State grant expenditures to the proper expense account. Have you properly documented expenditures of all grant revenue?
12. Single Audit – track expenditures of Federal awards through the year so you are not surprised at year end by the need for additional (and more costly) Single Audit procedures.
 - A. Currently required if expenditures of Federal Awards > \$500,000 during the year
 - B. For years beginning after January 1, 2015, the Single Audit threshold will increase to > \$750,000
 - C. Get the CFDA number for all Federal grants



How to Prepare for an Audit, continued

13. Payroll reconciliation – keep a spreadsheet that shows the expenses on the general ledger reconcile to:
 - A. Gross payroll
 - B. FICA/Medicare expense
 - C. Retirement expense

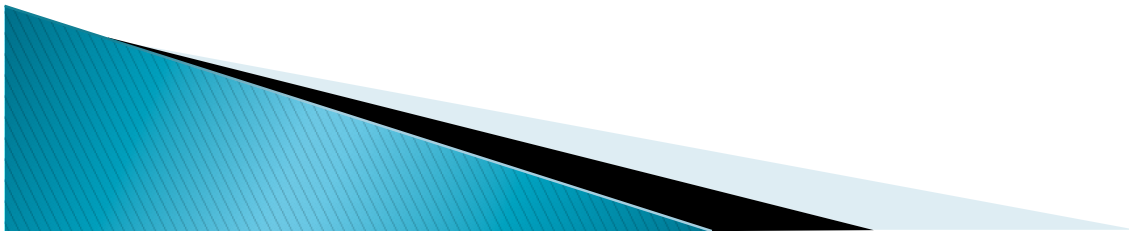
14. NPERS pension disclosure – GASB 67, *Financial Reporting for Pension Plans*
 - A. Will need to disclose Net Pension Asset or Liability on financials this year
 - B. NPERS will need to provide this information to each district

15. Budgetary compliance – monitor this throughout the year
 - A. Look at this for each fund's actual disbursements vs budgeted appropriations
 - B. Cannot spend SPED appropriations for non-SPED purposes
 - C. Amend budget if needed before 8/31



How to Prepare for an Audit, continued

16. Management's Discussion and Analysis (MD&A)
 - A. Required by Rule 1
 - B. Should be written by school district personnel (not the auditor)
 - C. Keep a word document for each year listing:
 - i. Significant items that impacted District financials
 - ii. Major capital asset additions
 - iii. New bond/debt issues
 - iv. Contractual commitments
 - v. Major items expected to impact the next fiscal year



How to Prepare for an Audit, continued

17. Effective communication with your auditor is crucial
 - A. Ask questions throughout the year
 - B. Auditor should send an audit planning letter so you can prepare needed info

18. Good preparation will eliminate the dread of the annual audit!
 - A. Lower stress
 - B. Save time
 - C. Save the District money
 - D. Make auditors happy





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