



Getting Ready for Your Audit – Don't Give Your Auditor Heartburn

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Agenda

Every accredited institution has a professional audit every year. It's what we do to affirm our financial integrity. Getting ready is a crucial part of the process... but critical details are often overlooked wasting time and creating tension.

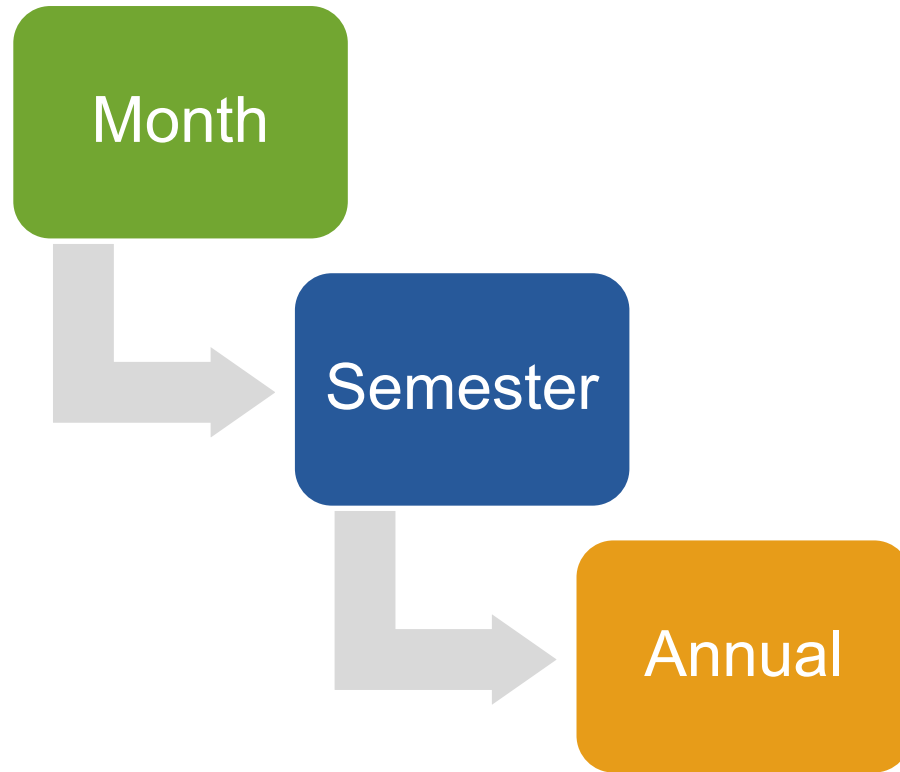
Let's walk through the process.

Agenda

- Best practices for audit preparation – getting ready
- Normal snafus and omissions – meeting expectations
- Seeing the process through – steps of every audit



Collecting and Preparing Information Auditors Need



Overview of the Audit Preparation Process

1. Analyze, review, and reconcile significant trial balance accounts

2. Meet with your auditor to confirm the audit plan and timeline

3. Talk to your internal accounting team

4. Inform others in your organization about what to expect

5. Finish recording all the activity for the year

6. Have everything ready for the audit team BEFORE they arrive

7. Don't forget to communicate (non-stop)

1. Analyze, Review, and Reconcile Significant Trial Balance Accounts

- Work on implementing a system to have a standardized reconciliation process for ALL significant accounts on at least a quarterly basis.
- Implement a formal checklist to ensure the appropriate individuals are reconciling and reviewing. (Document that review!)
- Create work papers that are clear and easy to follow (with links to supporting documents).
- Don't chase every penny! Materiality is our friend for audit purposes.
- Think about what the auditors will likely ask for when you are reconciling.

2. Meet with Your Auditor to Confirm the Audit Plan and Timeline

- Lay out an agreed-upon timeline and document it.
 - Key dates to provide information
 - Key auditor work dates
 - Key reporting deadlines
- Solidify Board/Committee meeting dates as early as possible.
- Make it reasonable and achievable.
- Hold your team to that deadline.
- Hold the auditors to that deadline.



3. Talk to Your Internal Accounting Team

- Delegate responsibilities based on roles — move the work down.
 - Controller
 - Staff accountants
 - Interns/student workers
- Develop a timeline internally to align with the auditor's timeline (give yourself a cushion).

3. Talk to Your Internal Accounting Team

- Discuss how you can better organize the work year-round to plan for the audit.
 - Filing system
 - Large agreements/contracts
 - Reconciliation processes
 - Internal control improvements
 - Leveraging technology

4. Inform Others in Your Organization About What to Expect

- Board and Audit Committee
- President
- Leadership/Cabinet
- Student Financial Aid
- Information Technology
- Facilities
- Legal counsel
- Financially significant vendors



5. Finish Recording All the Activity for the Year

- Focus on significant accounts reconciliation (and documenting that independent review).
- Gather supporting documents for significant amounts or reconciling items.
- Prepare variance analysis in advance for large fluctuations in accounts year-over-year.
- Do your research on new standards and how they might impact the audit.

6. Have Everything Ready for the Audit Team BEFORE They Arrive

- Work through the entire audit preparation list and have it to the auditors before they come out (or start work remotely).
- If you know they will ask for something that's not on the list, go ahead and prepare it.
- Upload the information to one secure site (avoid email when possible).

7. Don't Forget to Communicate (Non-stop)

- Set designated check-in times during the day (think of office hours for professors).
- Ask for a single list of questions to be prepared and provided from questions from all team members.
- Follow-up quickly on internal individuals (departments) who aren't responding in a timely manner.

7. Don't Forget to Communicate (Non-stop)

- Hold the auditors to their agreed timeline.
- After fieldwork – check in with them at least weekly.
- Understand that last-minute questions/requests will occur – plan ahead and ask when those are likely to happen.
- Ask for a preliminary list of audit adjustments/management letter comments at the end of fieldwork.



Avoiding Snafus and Omissions – Meeting Expectations

Close the Books

- Develop solid month-end, semester-end, and year-end closing procedures
 - Document with appropriate checklists, assigning responsibilities and due dates
 - Include schedules that will be requested by the auditors

Calendar

- Develop an institution-wide audit and compliance calendar
- Include all services, audit, UG, tax, EBP(s)
- Provide access to key constituents
 - Consider all the people who will interact with the auditors
 - Schedule all the interactions
 - Check in regularly

Caution

- Don't “wait” on the auditors to do those historically last-minute items:
 - Net asset reconciliation
 - Functional expense statement or note disclosure
 - Statement of Cash Flows
 - Footnote preparation

Lessons Learned from Past Audits

- It will always take longer than you think!
 - Budget preparation time for all services
- Start with reconciling beginning net assets.
 - Rollforward and capture activity in the net asset accounts.
- Investments and endowments are complicated.
- Property and equipment are not complicated.

Lessons Learned from Past Audits

- Leases are complicated.
- Statement(s) of functional expense should not wait until the end.
- You cannot recover from lack of preparation once fieldwork starts.
- Get some help!

Virtual Audit Tips and Tricks

Key benefits include:

- Flexibility
- Decreased travel costs/time
- A new approach to transmitting information

Potential pitfalls include:

- Additional time communicating via email
- Lack of face-to-face time
- Additional scanning/uploading time

Virtual Audit Tips and Tricks

- Virtual audits take administrative discipline and organization.
 - Assign the right person to track scheduling.
- Set daily check-ins.
- Push back on requests that seem superfluous.
- Ensure you have a centralized repository site for document submission.

Virtual Audit Tips and Tricks

- Brainstorm with your auditors on information that might be overly burdensome to provide electronically.
- Ask for communication that fits your style — call, video conference, email.
- Lay out a roadmap for the week — what areas will your auditors tackle first?
- Be flexible!



The Basic Structure of Every Audit

Overview of the Audit Process

- Planning
 - Client communications
 - Engagement letters
 - Board minutes
 - Professional services
 - Confirmations

Overview of the Audit Process

- Risk assessment
 - Understanding the entity
 - Financial reporting system documentation
 - Information systems and technology
 - Consideration of tax compliance
 - Preliminary analytical review
 - Journal entries

Overview of the Audit Process

- Brainstorm
 - If something could go wrong. . .
 - Consideration of fraud
 - Consideration of revenue recognition
 - Consideration of risk of material misstatement
 - Documentation of audit plan and response
 - Audit committee communications

Overview of the Audit Process

- Execution
 - “Field work”
 - Audit plan applied from cash to miscellaneous expense

Overview of the Audit Process

- Wrap
 - Related parties
 - Disclosure requirements
 - Consideration of management's assertion as to the ability to continue as a going concern
 - Commitments and contingencies
 - Subsequent events

Overview of the Audit Process

- Reporting
 - Independent Auditors' Report
 - Financial statements
 - Notes to financial statements
 - Management letter
 - Consideration of deficiencies in internal control
 - Audit committee matters

Overview of the Audit Process

- Uniform Guidance for Federal Awards Reporting
 - Independent Auditors' Reports:
 - Supplemental Information
 - Compliance – GAGAS
 - Compliance Major Programs and Internal Controls

Overview of the Audit Process

- Uniform Guidance for Federal Awards Reporting
 - Schedule of Expenditures of Federal Awards
 - Schedule of Findings and Questioned Costs
 - Financial Responsibility Supplemental Schedule
 - Corrective Action Plan

Questions?



Thank you.

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