WHAT TO EXPECT FROM AN AUDIT
and
HOW TO PREPARE

Required Audit

- Indiana Code 5-11-1-9
  Requires the State Examiner to examine all accounts and all financial affairs of every public entity

- Federal Grant Agreements
  Federal grant agreements commonly call for an annual audit

- Debt Covenants & Bond Rating Agencies
  Most financial institutions and bond rating agencies accept the SBOA audit report for their purposes
Goals of an Engagement

- Provide Opinions on Financial Information Presented by Auditee
  - Unmodified, or “clean” opinion, lets readers know the information is materially correct
  - Modified opinion lets readers know there are issues that need to be taken into consideration when it comes to the information presented

- Provide Reader with Noncompliance of Federal Requirements for Major Programs and State Requirements
  - Federal: Section II (Financial Statement Compliance); Section III (Major Program Compliance)
  - State: Audit Results and Comments (significant or impactful to the unit and/or public)

- Provide Management with less Significant Noncompliance of State Requirements

Prior to Start of an Engagement

Necessary Information Prior to an Engagement:

- Form 7 – Understanding Internal Controls
  General understanding of your city/town and existing controls/policies

- Form 9 – Understanding the Entity and its Environment
  Understanding of your specific city/town and the surrounding environment

- Form 45 – Understanding of Controls for Significant Audit Areas
  Controls in significant audit areas – like cash, receipts, disbursements, payroll, etc.

- Form 13 – Management Oversight of Nonaudit Services
  Acknowledgement of responsibility for financial statements
Entrance Conference

Who is invited?
- Those charged with governance – Council President
- Management – Fiscal Officer: Clerk-Treasurer or Controller

What is discussed?
- Introduction to the Field Examiners that will be working on the audit
- General overview of:
  - Audit Objectives
  - Management Responsibilities
  - Audit Procedures (general, internal control, compliance)
  - Informing Management of general records that will be requested
  - Start date & expected issuance date
Entrance Conference

Continuing Expectations

- Provide and inform attendees with a method to allow for continued communication throughout the audit process

Field Examiners will:

- Explain the objectives of the engagement
- Explain what responsibilities management has
- Inform management of audit fees
- Answer any questions regarding the audit process

Items / Records We Will Be Needing

- Financial Ledger
- Bank Statements and Reconcilements
- Claims / Receipts / Supporting Documentation
- Minutes of Meetings (include to current date)
- Ordinances / Resolutions
- Contracts
- Policies and Procedures – including Internal Controls
- Financial Reports – filed with State and/or Federal Government
- Grant Documents
  - Federal
  - Grant Applications and Agreements are key
Single Audit of Federal Programs

- Schedule of Expenditures of Federal Awards (SEFA)
- Selection of Major Programs
- Audit of Major Programs

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Identify Subsequent Events

What Happened After The Audit Period:

- Debt Issued
- Change in Financial Situation
- Lawsuits
- Any Other Situations with Material Impact

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Concluding Fieldwork

Determine Opinions

Compile Audit Findings/Comments
Concluding Fieldwork

Compile Management Letter

Audit Conclusion & Exit Conference

First Review by Audit Manager

Exit Conference
- Who is invited
- What is discussed
- Options to respond

Second Review by Audit Coordinator

Office Review
Audit & Related Reports Issued

Who gets a copy of reports?

- Official(s) examined
- President of governing bodies
- Other Requested Officials

Audit Reports Posted to Website:

- https://secure.in.gov/apps/sboa/audit-reports/##/
Contact Information

Todd Caldwell, CFE  
Director of Audit Services

Susan Gordon, CPA, CFE  
Director of Audit Services

cities.towns@sboa.in.gov

www.in.gov

317-232-2513