WHAT TO EXPECT FROM AN AUDIT & 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
TYPES OF ENGAGEMENTS

• Federal Single Audit
  – Expenditures of Federal assistance exceeds $750,000
• Examination
  – Performed for units that have outstanding debt
• Compliance Reports
  – Performed for units that do not have outstanding debt
  – Have revenues confirmed by outside sources
  – Have a limited amount of funds
• Centralized Compliance Reports
  – Performed for smaller units
  – Ease of records to be transmitted to SBOA central office in Indianapolis
  – Units of low risk

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
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

AUDIT PROCESS

Getting Started:

➢ Identification of Risks
➢ Testing
IDENTIFICATION OF RISKS

• Risks Associated with Significant Audit Areas
• How City/Town Addressed Risks
• How Will Risk Impact Audit Procedures Performed

TESTING

• Internal Controls
• Substantive
• Compliance
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
IDENTIFY SUBSEQUENT EVENTS

What Happened After The Audit Period:

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

CONCLUDING FIELDWORK

Determine Opinions
CONCLUDING FIELDWORK

Compile Comments

CONCLUDING FIELDWORK

Compile Management Letter
AUDIT CONCLUSION AND 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/##/
QUESTIONS?

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