REQUIRED AUDIT ENGAGEMENTS

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
• Rare for Soil & Water Conservation Districts
• Federal grant agreements commonly call for an annual audit.
TYPE OF ENGAGEMENTS

Audits
Reviews
Compliance Reports
Special Investigations

ENGAGEMENT GOALS

Reviews
• Conducted in accordance with Statements on Standards for Accounting and Review Services
• Provide conclusion as to whether material modifications are made to financial data

Compliance
• To determine compliance with statutory requirements and accounting guidelines

Special Investigation
• Determine if fraud is present
FINAL REPORTS

- Review Report
- Compliance Report
- Management Letter

FINAL FORMS

Review & Compliance Reports
- Provide management and citizens with significant noncompliance of State requirements

Management Letters
- Provide (only) management with less than significant noncompliance matters
REMOTE/VIRTUAL ENGAGEMENTS

• Electronic Communication
• COVID-19 Protocol
• Forms Prior to Audit
• Direct Request Emails
• Monthly and Annual Uploads
• Computer Webcam / microphone or telephone

ENTRANCE CONFERENCE
ENTRANCE CONFERENCE

Who is invited?

• Those charged with governance – Board President
• Management – Executive Director, Fiscal Officer / Bookkeeper

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

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
 Pursuant to statute authority, the Board of Accountants has been assigned to perform a review of the records of the Marshall County Soil and Water Conservation District. The scheduled review period is from January 1 through December 31, 2021.

Management has determined that the financial statements will be presented on the basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as provided by IC 5-11-1-6, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The State Board of Accounts has determined that it is an acceptable basis of accounting.

We will prepare the financial statements of the District, for the period of January 1, 2021 through December 31, 2021 and the related notes to the financial statements, and perform a review engagement with respect to those financial statements.

Scope and Objective

The objective of our engagement is to:

a. prepare the financial statements in accordance with the basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as provided by IC 5-11-1-6, which is a comprehensive basis of accounting other than generally accepted accounting principles.

b. obtain limited assurance as to the financial statements in order for the statements to be in accordance with the reporting requirements established by the State Board of Accounts as provided by IC 5-11-1-6.

We will conduct our review engagement in accordance with Statement on Standards for Accounting and Review Services (SSARS) pronouned by the Auditing and Assurance Services Committee of the AICPA, and comply with the AICPA’s Code of Professional Conduct, including ethical principles of integrity, objectivity, professional competence, and due care.

A review engagement includes primarily applying analytical procedures to your financial data and making inquiries of management. A review engagement is substantially less in scope than an audit engagement; the objective of which is the expression of an opinion regarding the financial statements as a whole. A review engagement does not contemplate obtaining an understanding of the entity’s internal control, assessing fraud risk, testing accounting records to obtain sufficient appropriate audit evidence through inspection, observation, confirmation, or other procedures, or obtaining sufficient understanding of the entity’s operations to perform an audit engagement. Accordingly, our engagement does not include an understanding of the entity’s internal control or the testing of the effectiveness of the entity’s internal control.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by error or fraud, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations. However, we will share the appropriate level of management or any material controls and any material weaknesses in internal control.

In addition to our review of the 2021 financial statements, we will also report to you any information or observations that came to our attention during the performance of our review engagement that may have occurred, unless they are clearly immaterial.

We are not providing any assurance as to the nature or amount of any financial statement misstatements, including those caused by error or fraud, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

We consider you and your management to be responsible for maintaining internal control and for providing reasonable assurance regarding the fair presentation of the financial statements.

Direct Requests for Uploads

The engagement to be performed is conducted on the basis that you acknowledge and understand that we will not perform an audit, in accordance with the reporting requirements established by the State Board of Accounts as provided by IC 5-11-1-6 and to obtain limited assurance as to the financial statements.

Weekly contact

➢ Teams Video Calls
➢ Telephone Calls
➢ Emails

Items to be discussed

➢ Records or Information needed
➢ Questions related to audit work
➢ Progress of the audit
➢ Schedule
➢ Any concerns you may have
UPLOADING DOCUMENTS FOR AUDIT

Monthly and Annual Engagement Uploads

Use the form below to find and upload documents required for audit support. Note: This information is for the State Board of Accounts internal use only and will not be made available on the Gateway Public site.

File Upload Status: The current upload status is viewable in the table below. Any objects with a red X need to be uploaded. To view a previous upload, click on the download icon in the table. To delete a previous upload, click on the delete icon for that record in the status table.

To upload new files: Select which set of files need to be uploaded using the Select Upload Group dropdown. Next, select the specific file from the Select File Type dropdown on the right. The user will be able to upload files using the Browse and Upload buttons in the Provide File section. In some cases, an option will appear in the Provide File section allowing a user to provide a link instead of uploading a file. To do this, select the Web Link option and paste the link in the field labeled Provide Link.

To complete the entry: Click on the button marked Submit. The status table will be updated. Multiple files may be uploaded for each Upload Group and File Type. If a file needs to be relocated, the user should delete that file from the status table first.

Select Upload Group: Direct Request
Select File Type: Audit Request
Provide File

Status 2019 Required Uploads Upload Date Uploaded By Download Delete

You can see what files you’ve uploaded under “direct requests”

Direct Request

Audit Request
DelegationForm 3/17/2020 2:41:57 PM akarl@sboa.in.gov

GAAP FILES
DelegationForm 3/17/2020 2:42:34 PM

Audit Request
007_UnderstandingIC_2001 3/19/2020 2:20:49 PM akarl@sboa.in.gov

GAAP FILES
006_UnitEnvironmentCounty_2001 3/19/2020 2:20:47 PM

Audit Request
16-INF-02 5/21/2020 6:36:16 AM sgrondon@sboa.in.gov
UPLOADING DOCUMENTS FOR AUDIT

“How do I know a request has been made?”
✓ Email from no-reply-gateway@sboa.in.gov
✓ Request for specific file or item with detailed description
✓ Instructions on how to upload through ‘Monthly & Annual Engagement Uploads’

“What do I do?”
✓ Acknowledge request
✓ Provide time-frame
✓ Email field examiner when item has been uploaded

WHAT DOCUMENTS ARE NORMALLY REQUESTED?

- Written policies and procedures (Internal Controls, etc.)
- Meeting Minutes (include to current date)
- Contracts
- Financial Records (ledger)
- Bank Reconcilements & Bank Statements
- Capital Assets Schedule
- Receipts
- Accounts Payable Vouchers w/supporting documentation
### WHAT ARE THE AUDITORS LOOKING FOR?

<table>
<thead>
<tr>
<th>Understanding of Internal Controls</th>
<th>Prior Period Follow Up</th>
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<tbody>
<tr>
<td></td>
<td>• Audit Results and Comments</td>
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<td>• Management Letter Comments</td>
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<td></td>
<td>• Verbal Comments</td>
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<td></td>
<td>• Significant or Unusual subsequent events</td>
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<table>
<thead>
<tr>
<th>Financial Statement Information</th>
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<tbody>
<tr>
<td>Receipts</td>
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<tr>
<td>Disbursements</td>
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<tr>
<td>Compliance</td>
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</tbody>
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### HOW CAN I PREPARE FOR AN AUDIT?

- File AFR, 100R, Monthly and Annual Uploads on time
- Document Internal Control Procedures and Evidence of Procedures
- Maintain a file of all policies (credit cards, etc.)
- Reconcile bank accounts monthly
- Post records timely
- File supporting documentation for expenses in an orderly fashion
- Issue receipts and deposit money on a timely basis
- Keep explanations for unusual items
- Keep a list of questions or items you want to tell the field examiner
- Call Todd and Susan!
EXIT CONFERENCE

COMMUNICATION OF ENGAGEMENT RESULTS

Exit Conference

- Conclusion of engagement
- Review report(s), including draft comments
- Board and Management invited
- Official Response discussed (OR); ORs are included in the report.
- Engagement results **CONFIDENTIAL** until report is filed by the State Examiner

Comments can include:

✓ Results and Comments
✓ Management Letters
✓ Verbal Comments
SAMPLE RESULT & COMMENT

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT
Condition and Context

The District's Annual Financial Reports for 2017, 2018, and 2019 were not filed electronically until March 5, 2018, March 11, 2019, and June 22, 2020, respectively, which was 4, 10, and 114 days past the due date.

Criteria

Indiana Code 5-11-1-4(s) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

RESULTS & COMMENTS - REPEATS

IC 5-11-5-1.5 – effective July 1, 2017, report findings of noncompliance that were also a written comment in the prior report require a written corrective action plan.

- Make sure to get an idea on how to fix problems before the field examiner leaves.

✓ File Correction Action Plan (CAP) using the SBOA Template

✓ Implement corrections immediately
**AUDIT COSTS**

Flat Rate per IC 5-11-4-3(d) = $175/day
Technology Fee per IC 5-11-4-3(f) = $40/day
Processing Fee per IC 5-11-4-3(f) = $350

Review engagement ~ 7 days

**Keys to minimize time billed toward engagement:**
- Organized Records
- Uploading of the required documents
- Availability/Responsiveness to questions from SBOA