AUDITS: PURPOSE, PREPARATION, AND RESULTS

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
GOALS OF AN ENGAGEMENT

Purpose of the Audit:
- To place an opinion on the financial statements of the county
  - 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

Reporting Noncompliance by:
- Finding within the Audit Report
- Management Letter
- Discussion only

COUNTY DEPARTMENT AUDITS

What departments are included in the audit of the county?
- All department within a county are subject to an audit

Are all departments audited every time?
- No

How are departments selected for audit?
- We determine which departments are material to the Financial Statements
- We review information submitted to our office
- We review the prior report
- Auditor Judgement
THE CLERK’S OFFICE HAS BEEN SELECTED FOR AUDIT!

(Most likely to be selected every audit)

AUDIT PROCESS

Getting Started:

- Identification of Risks
- Internal Controls
- Testing
  - Internal Controls
  - Substantive
  - Compliance
IDENTIFICATION OF RISKS

➢ Risks Associated with amounts reported on the Financial Statements

➢ How the Clerk’s office Addressed Risks

➢ How Will Risk Impact Audit Procedures Performed

INTERNAL CONTROLS

➢ The field examiner assigned will need to determine what controls are in place throughout the office and whether they have been properly designed and implemented.

➢ This can be done through:
  ❖ Inquiry with official and staff
  ❖ Observation of the process
  ❖ Inspection of documents

➢ Field examiner will communicate any deficiencies found

➢ Policies and Procedures that have been instituted will be tested to ensure that they are sufficient and are working as intended.
TESTING - SUBSTANTIVE

Financial Statements:
- Field Examiners will perform procedures to determine if financial statement information is materially correct. All Cash, Receipts, and Disbursements within the Clerk’s Ledger should be represented on the Financial Statements

- All receipts, disbursements, and balances should be recorded in the Fee & Cash Book (Ledger).

- The Fee and & Cash book should be in agreement with the Clerk’s Report of Collections and the receipts on the Auditor’s Ledger (with the exception of the Trust account)

TESTING – SUBSTANTIVE
Continued…

Cash – Bank Reconcilements:
- The ending bank balance should reconcile to the ending ledger balance for the department
- All reconciling items should have supporting documentation
- Reconciliations should be done monthly

<table>
<thead>
<tr>
<th>Bank Balance As per your Bank Statement</th>
<th>The Bank Reconciliation Statement tests the difference between</th>
<th>Bank Balance As per your Accounting Systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>i.e. this is the figure the Bank says you have.</td>
<td>i.e. this is the figure you say you have.</td>
<td></td>
</tr>
</tbody>
</table>
TESTING – SUBSTANTIVE
Continued…

Receipts:
- Money was actually received and belongs to the county
- Properly recorded and for correct amount
- Recorded in the correct accounting period
- Recorded in the proper fund

Disbursements (includes Payroll):
- Actual obligation belongs to the county
- Properly recorded and for correct amount
- Recorded in the correct accounting period
- Recorded in the proper fund

TESTING - COMPLIANCE

Field Examiners will perform procedures to determine that the county is in compliance with laws and regulations.

Receipts:
- Recorded in a timely manner
  - Posted Daily
  - Cash and Check Deposited Intact
- From an allowable source
  - Fee collected should agree to Statute
- Posted to correct fund
  - Fees turned over to Auditor monthly with the Report of Collections.
TESTING – COMPLIANCE
Continued…

Disbursements:
➢ Recorded in a timely manner
➢ Appropriate party
➢ Approved by court

***Payroll is not audited as part of the Clerk's Audit but is apart of the overall County Audit.

FEDERAL GRANTS

▪ If your county has qualified for a federal audit the field examiners may have additional information they need.

▪ IV-D Child Support Enforcement is the grant most likely to audited for your office. Here are a few things to keep together for the field examiners if determined to be a major program:
  ❖ Monthly Expenditure Claims
  ❖ Quarterly Incentive Expense Forms
  ❖ List of Employees paid from IV-D funds
  ❖ Time Records for all IV-D employees
  ❖ Cooperative Agreement Annual Budget Addendum
  ❖ Inventory / Equipment Lists
  ❖ Incentive Policies
ITEMS / RECORDS NEEDED FOR AUDIT

- Departments Financial Ledger, includes receipts, disbursements, and balances
- Bank Statements and Reconcilements
- Report of Collections
- Report of Collections
- Claims / Receipts / Supporting Documentation
- Policies & Procedure – Including Internal Control
- Supplement Annual Financial Reports
- Federal Grant Documents

SUBSEQUENT EVENTS

What Happened After The Audit Period:

- Change in Financial Situation
- Lawsuits
- Any Other Situations with Material Impact
CONCLUDING FIELDWORK

Determine Opinions

Compiling Findings:
1) **Section II** – Findings related to the financial statements
2) **Section III** – Findings related to a major program
3) **Audit Results and Comments** – Significant Noncompliance with statute or an SBOA uniform compliance guideline
4) **Management Letter** – Not significant noncompliance with statute or an SBOA uniform compliance guideline – Not public
5) **Discussion Only** – Immaterial noncompliance with statute or an SBOA uniform compliance guideline – Not public
AUDIT CONCLUSION

Communication:
- Field Examiners will discuss any issues throughout the audit process
- No surprises at Exit

AUDIT CONCLUSION – EXIT CONFERENCE

- Field Examiners will discuss any issues found that will be in the Audit Report
- Commissioners and Council will also be informed of issues
- An official response can be made to appear in the report as well
AUDIT REPORTS

➢ Audit Reports are sent to:
   Current and Prior Official(s) examined
   President of governing board
   Other requested officials

➢ Audit Reports are posted to our website:
   https://secure.in.gov/apps/sboa/audit-reports/#/