

Audits A-Z



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Agenda

- What is an audit?
- Types of audits
- Do I need an audit?
- Other options
- Audit Process

Financial Audit

What's an audit?

Formal review of an organization's financial records

- Audits always conform to GAAP (Generally Accepted Accounting Principles).
- Audits are always prepared by an outside CPA (Certified Public Accountant).

Why is an audit important?

- Can help identify inefficiencies
- Can help identify ways to improve operations
- Fraud prevention
- May be required for some grants/funding

Types of Audits



Internal vs External Audit

- Internal Audit
 - Conducted by internal staff, usually large organizations
 - Assess internal controls, risk management, governance processes
- External Audit
 - Performed by independent auditors
 - Provide an unbiased opinion on an organization's financial statements
 - Review of internal controls, risk management, governance processes

Types of Audits

- Financial Audit
- IRS Audit
- Other
 - Work Comp
 - Payroll
 - Operational
 - I.T.

Do I need an audit?



Factors to consider

- Budget size
- Revenue sources
- Size of organization (i.e. locations, staff)
- Required by state law
- Requirement of grant/funding
- Organization risk

Other Options



What else can our organization do?

- Financial Review
 - Performed by outside audit firm
 - Limited level of assurance that financials are free of material misstatements
 - No review of internal controls
- Compilation
 - Financials based on management presentation
 - No review of internal controls, transaction testing

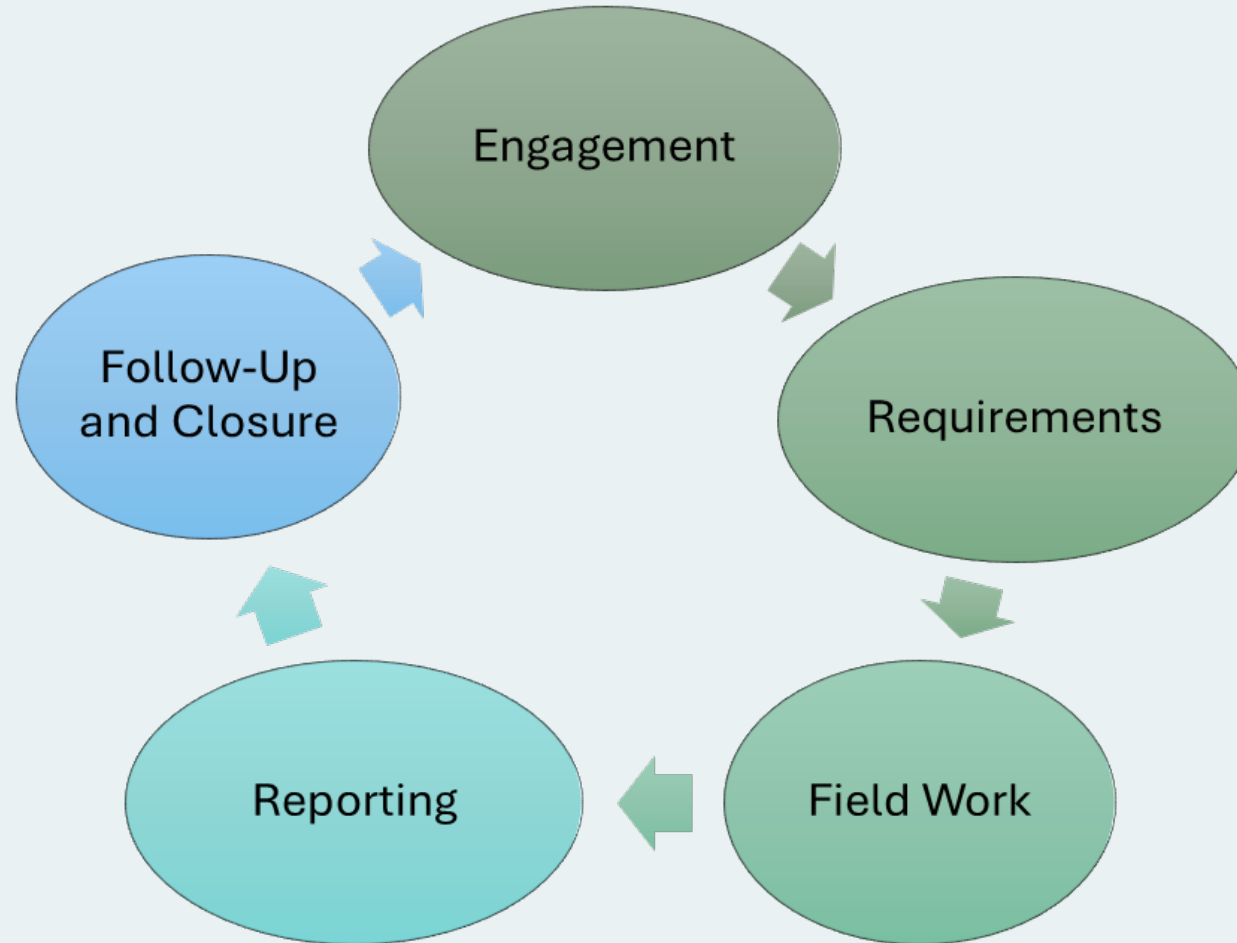
What else can our organization do (cont'd)

- Prepared Financial Statements
 - Reviewed by Board or Finance Committee
- Do you work with an accounting firm or outsourced bookkeeping?
- Demonstrate financial acumen

What happens during an Audit

- Review of Accounting Practices
- Evaluation of financials reports
 - Review bank balances
 - Fixed assets
 - Liabilities
- Internal control review/test
- Review policies and procedures
- Adjustments based on GAAP

Audit Process



Engagement Phase

- Identify what services will be performed
- Identify where services will be performed
- Identify organization staff are responsible for
- Scope of services for Auditors
- Fees
- Start and completion date

Planning Phase

- Develop timeline and deadlines
- Document gathering – this will be a long list
- May have pre-audit meeting
 - Which staff members are involved?
 - Manage expectations of audit process including field work
 - Logistics

Field Work Phase

- Review of documentation (not an exclusive list):
 - Bank statements, deposits, reconciliations
 - Grant documents
 - Leases, contracts
 - Fixed assets, depreciation schedule
 - Board minutes, policies
- Interview management, key staff, board members
- Internal control testing
- Time intensive!

Reporting Phase

- Review of draft audit report by staff and audit committee
- Ask questions, changes made if needed
- Management Letter
 - Identifies possible areas for improvement
 - Material weaknesses or significant deficiencies

Follow-up and Closure

- Board meets with Auditors
 - Was management forthcoming with information and cooperative
 - Review of accounting policies, recommendations
 - Material weaknesses addressed from previous audits
- Board accepts audit report

What's in the Audit Report?

- Audit Opinion
- Statement of Financial Position
- Statement of Activities
- Statement of Functional Expenses
- Statement of Cash Flows
- Footnotes
 - Includes subsequent events

Tips for managing an audit

- Find a firm early (RFP process, interviews)
- Audits take time!
 - Manage staff time
 - Set appropriate schedule
- Keep financial records in order, make adjustments as needed
- After the first year, audit prep happens throughout the year
- Rely on your audit team, don't be afraid to ask questions or clarification
- RELAX

Q&A



Thank
you