

The logo for FORVIS, featuring the word "FORVIS" in a bold, red, sans-serif font. A small "TM" trademark symbol is positioned to the upper right of the letter "S".

**FORVIS**<sup>TM</sup>

# **Audit Preparation Roundtable**

Sarah Loghin / February 2024

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**“We need to prepare for our audit.  
Organize a game of dodge ball!”**

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## **Sarah Loghin, CPA CMA CFE**

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# Interactions

*Use the chat feature*

*Raise your hand*

*Share constructively*

*Ask for advice*

# Let's Talk About Audit Prep

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# Agenda

- What's Your Biggest Audit Prep Time Commitment?
- Auditor/Client Communication
- Documenting Controls
- Begin With the End in Mind

# What Takes the Most Time?

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# Survey Results

- <Insert results after registrations>



**WAITING FOR CLIENTS TO PROVIDE DOCUMENTS**



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# Things to Consider for FY 2024

- ERC
- Crypto Assets (ASU 2023-08, eff FYB after 12/15/2024)
- Reference Rate Reform (ASU 2022-06)
- Updating Lease Schedules (FASB)



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# What to Communicate & When

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# Things to Tell Your Auditor About

- New/discontinued programs
- Strategic plans
- Economic impacts
- Political impacts
- Turnover of key management
- Debt covenants
- Federal/state grants
- Desk reviews/monitoring reports
- Valuation of investments
- Significant or unusual transactions
- Lawsuits
- Insurance claims
- Bylaw changes
- Fraud



# When to Tell Them

Early & often!

- Timely email
- Pre-audit planning meeting
- Interim fieldwork
- Fieldwork

Don't wait until you get a draft!

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# Documenting Controls

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# Common Control Documentation Formats

- Control Matrix
- Process Flowchart
- Narrative

# Good Times to Update Them

- Turnover/reorganization
- New systems or processes
- New transaction cycles
- During audit prep

# What Should You Document?

- Focus on major transaction cycles
- Document
  - Origin of transaction
  - Steps in process & who does them
  - What could go wrong?
  - What prevents it from going wrong?
  - Who is monitoring? How?

# Auditors Can't Rely on Controls They Can't Test

So don't forget ...

## Document the PERFORMANCE of the controls

- Audit trails recorded by software
- Positive evidence of the monitoring controls
- Documentation of review



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# Begin With the End in Mind

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# Get (& Keep) Your Stuff Together!

- Changes to bylaws
- Board packets, agendas, & minutes
- Debt agreements
- Leases
- Construction contracts
- Grant agreements & budgets
- Other significant contracts
- Major fundraising solicitations
- P&L from special events

# Leverage Your Periodic Close Processes

- Start with PY audit schedules
- Roll forward each period
- Gather third-party reports & statements
- Maintain documentation in a central place



# Sample Close Process List

## Monthly

- Balance Sheet Accounts
- Depreciation
- Contracted Revenues
- Significant Contributions
- Payroll Expenses

## Quarterly

- Expense Allocations
- Search for Unrecorded Pledges
- Net Asset Releases
- Form 941 Reconciliation

## Annually

- Bad Debt Allowance
- Lease Obligations
- Endowment Distributions
- Functional Expenses

# Examine Estimates

- Allowance for Bad Debt
- Depreciation
- Amortization
- Prepaid Expenses
- Deferred Rent
- Investment Values
- In-Kind Revenue/Expense



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# Summary

- Plan ahead
- Gather your stuff
- Communicate early & often
- Leverage your close processes
- Have a great audit!

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**#1 Provider of Audits**

**#1 Preparer of Form 990<sup>1</sup>**

**Financial Sustainability Tools & Consulting**

**Accounting Outsourcing**

**Accounting Operations Consulting**

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# Thank you!

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