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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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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?

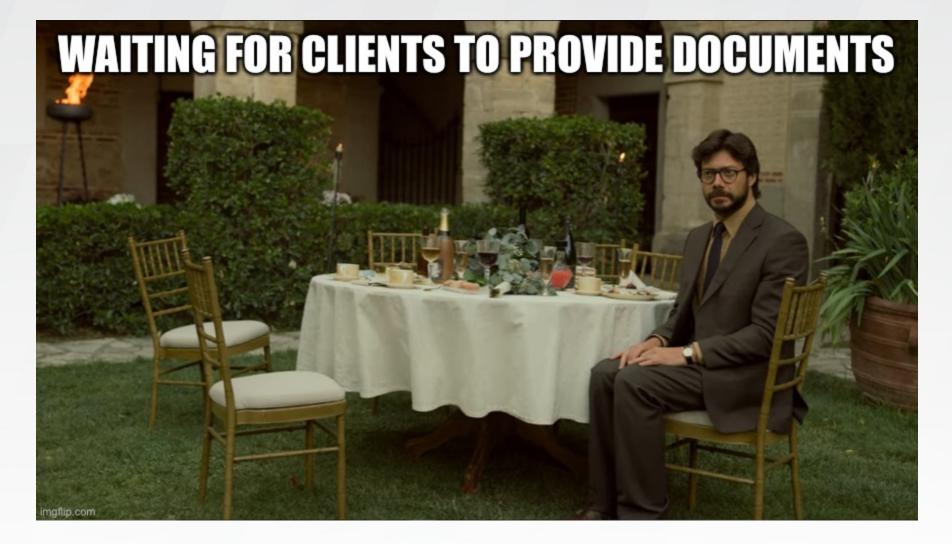


Survey Results

Insert results after registrations>



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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)







What to Communicate & When



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

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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



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







Begin With the End in Mind



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

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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



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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

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Examine Estimates

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







Summary

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



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Thank you!

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