



Reeths-Puffer Schools



**Hungerford
Nichols** CPAs +
Advisors

Where good ideas add up

Understanding and Preparing for Your Annual Audit – A View from the Outside and the Inside

MSBO Annual Conference

April 19, 2018

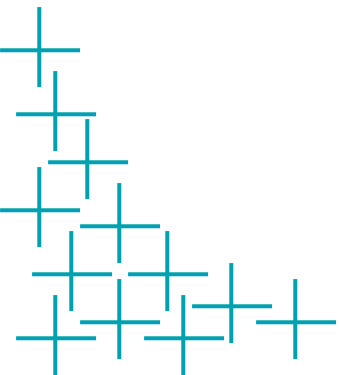
Presented by:

Jason Helsen, Director of Finance

Reeths-Puffer Schools

Adriane Schrauben, CPA, MBA, Shareholder

Carol Schachermeyer, CPA, Senior Manager

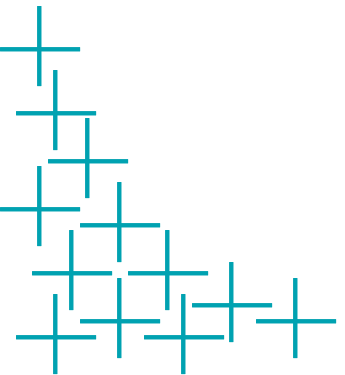


Objectives:

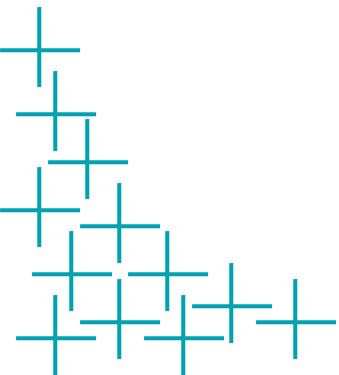
1. Learn new and efficient ways to prepare for your annual audit.
2. Learn new techniques for utilizing digital work papers and communications.
3. Learn internal digital documentation procedures to save time and paper.
4. Discuss how to better communicate audit results to the Board of Education and the public.



Why is this important?

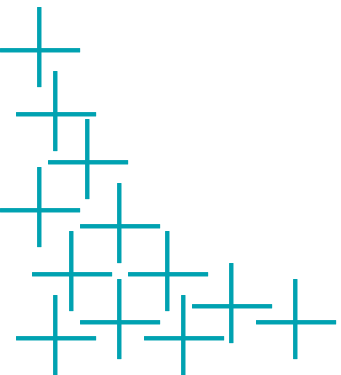


What Auditors Do (and Don't Do)



What Auditors Do

- Talk to staff, management, directors, and governing body members – in person & electronically
- Review certain transactions
 - Materiality
- Review many documents
- Report deficiencies noted during the audit
- Provide reasonable assurance that financial statements are materially correct



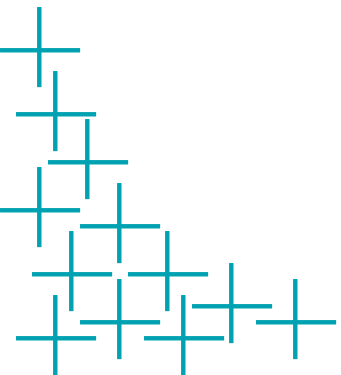
Audit Concepts

- Reasonable Assurance
 - High, but not absolute, level of assurance that the financial statements are materially correct. Often results in auditors relying on evidence that is persuasive rather than convincing.
- Materiality
 - A misstatement or omission in the financial statements that makes it probable the judgment of a reasonable person relying on the information would have been changed or influenced. Includes both quantitative and qualitative factors.
- Opinion units

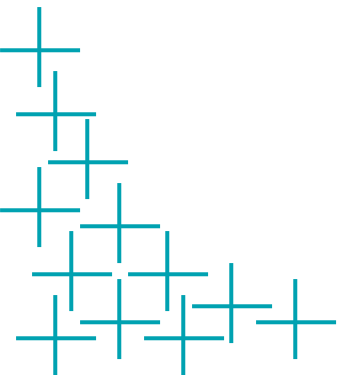


What Auditors Do Not Do

- Check or verify every financial statement figure
- Provide an opinion on the internal controls of the organization
- Look at every individual transaction
- Judge the appropriateness of business strategies or decisions
- Comment on the quality of management or corporate governance
- Replace or fulfill responsibilities of management or the governing body

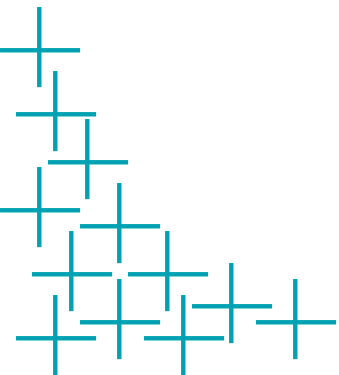


The Single Audit



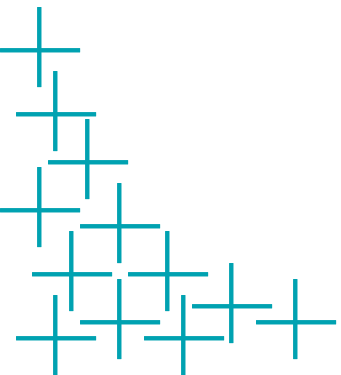
Why does my district need a separate Federal audit (Single Audit)?

- Why is it called a “Single Audit?”
- Districts **expending** >\$750,000 in Federal funds must have a Single Audit
 - **Even if you do not need a Single Audit, your district is still responsible for complying with Federal regulations if you receive Federal funds. Your district could be audited by other agencies.**



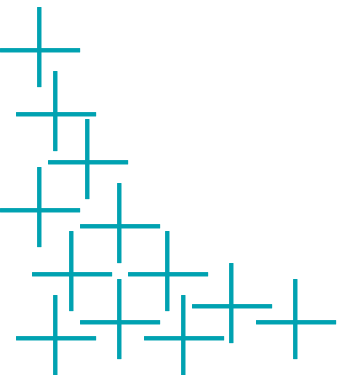
What's included in the Single Audit?

- Letters
- Schedule of Expenditures of Federal Awards (SEFA)
- Notes & Reconciliation to Federal revenue on the financial statements
- Schedule of Findings and Questioned Costs
 - Auditor's Summary
 - Findings
- Corrective Action Plan, if applicable



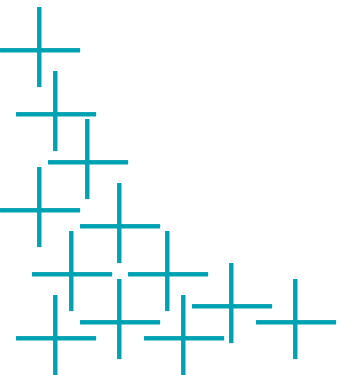
What do the auditors test for the Single Audit?

- Two things
 - Internal controls
 - Compliance
- Major programs
 - Type A vs Type B
 - Determine if Type A programs are high or low risk
 - New programs (high-risk)
 - Not audited in past 2 years (high-risk)
 - PY Material Weakness in Internal Control (high-risk)
 - PY modified opinion on Major Programs

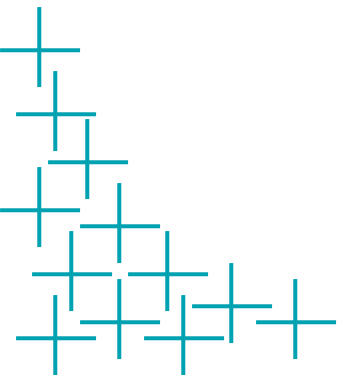


Be Aware

- Federal Compliance regulations are substantial!
- Your Business Office personnel must do A LOT of tracking, careful record keeping, and required documentation for the Federal funds.
- Proper segregation of duties is hard to achieve with the current budget crunches.
- Please support your Business Office staff by giving them the help they need!



Understanding Internal Controls



What are internal controls?

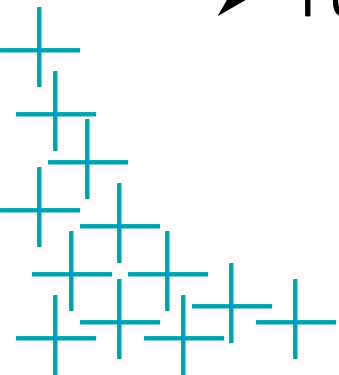
Any worthy accounting system should establish and vigorously enforce effective internal controls. Basically, additional forms and procedures over and above what's needed to strictly move operations along.

These additional procedures serve to deter and detect multiple errors, whether honest mistakes, or any form of dishonesty by employees, customers, suppliers, and even managers themselves.

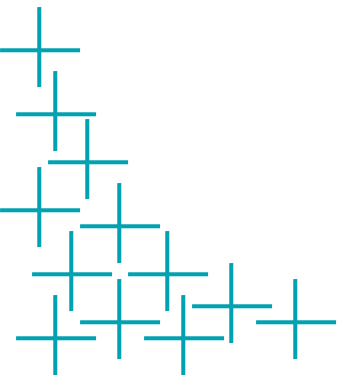


Why internal controls don't always work

- Inadequate knowledge or communication of policies
 - “I didn't know that!”
- Inadequate segregation of duties
 - “We trust that person.”
- Form over substance
 - “You mean I'm supposed to do something besides initial it.”
- Control override
 - “I don't care how it gets done. Just get it done.”

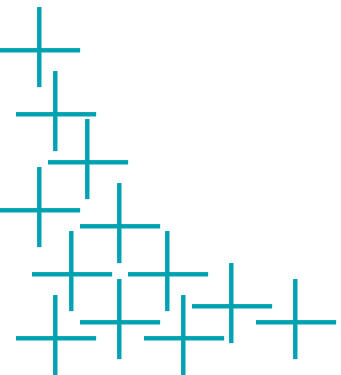


Digital Prep for the Audit Process

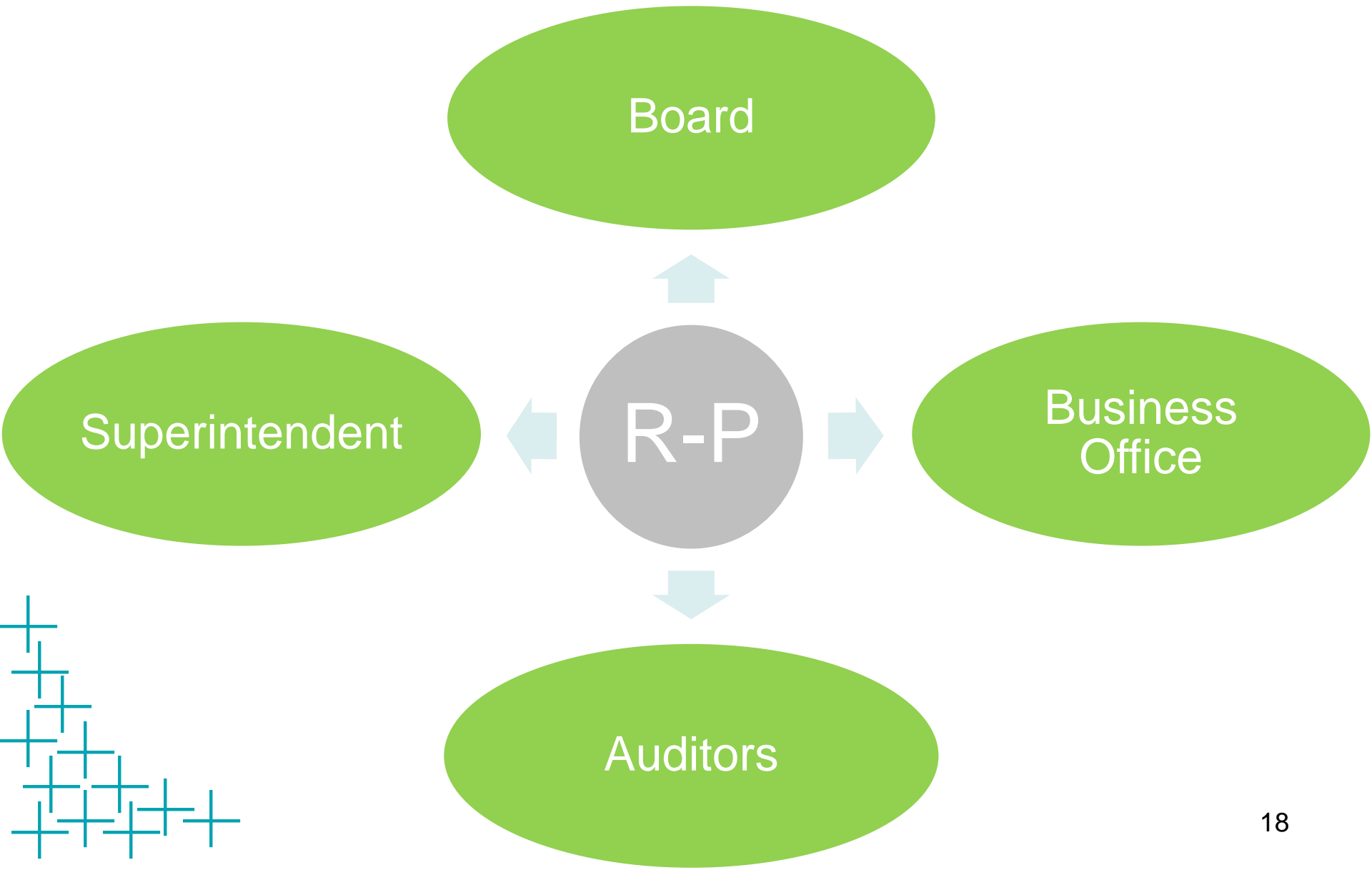


Digital Audit prep – Auditor's Prospective

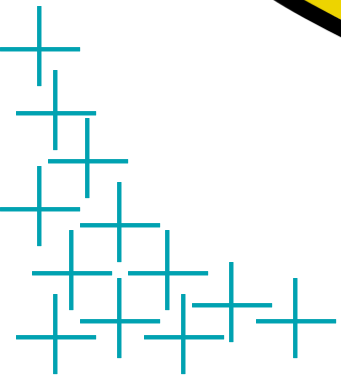
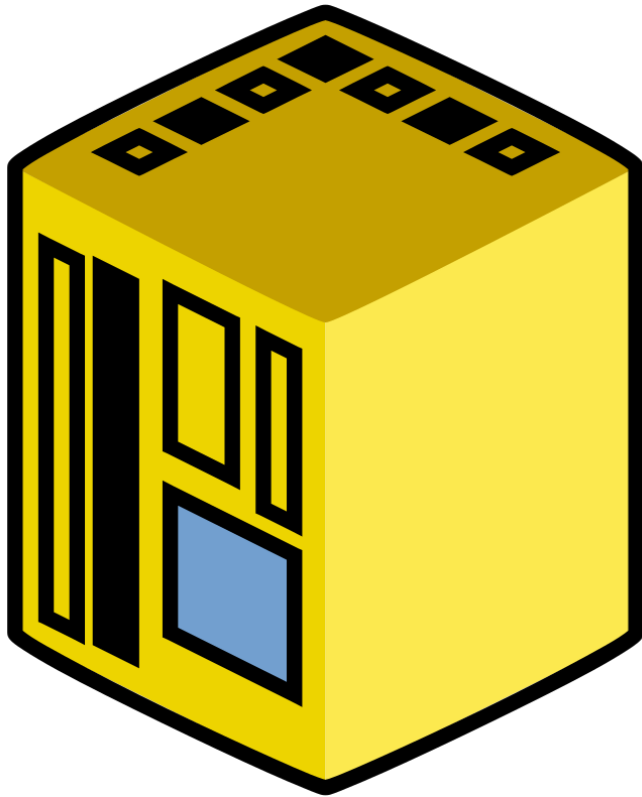
- DocuSign – Digitally sign your Engagement Letter & Mgt Rep Letter
- Auditor PBC List
- Provided Templates – don't recreate the wheel!
- Use of Portal



R-PS Business Office Perspective



Digital Audit Prep – R-P Perspective



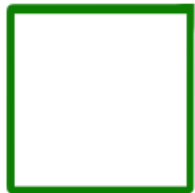
Digital Audit Prep – R-P Perspective



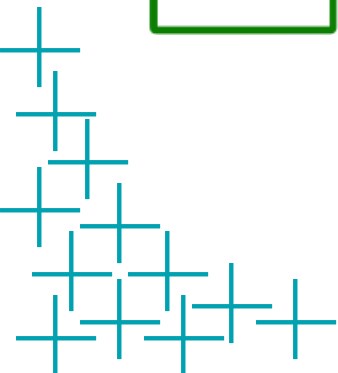
EXCELLENT



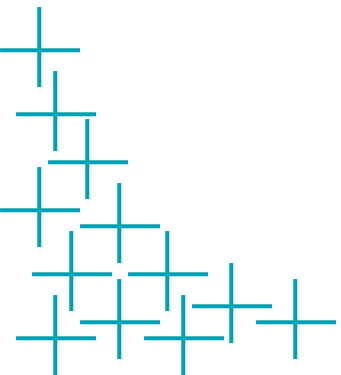
GOOD



AVERAGE

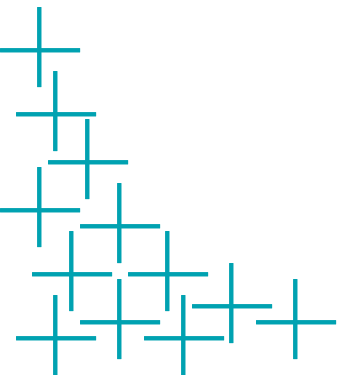


Reporting to Governing Body



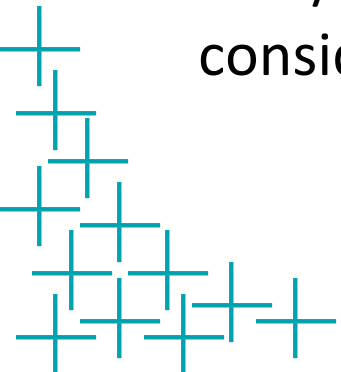
Auditors' Report

- Identifies the responsibilities of management and the auditors
- Discloses the standards under which the audit was performed
- Gives opinion as to whether the basic financial statements are presented fairly (materially accurate)
- Discloses level of opinion for other statements and sections of the annual financial report



Audit Findings

- The Good...
 - Help management address issues
 - May identify problem areas
 - Indication of value received for audit services
- The Bad...
 - Critical, technical language often used in audit findings
 - Expectation of no audit findings
 - Evaluation of the effort of management and staff
- There should not be an expectation of no audit findings
- Cost/benefit considerations of internal controls must be considered



Governing Board Responsibility

- Ultimately the responsibility for the financial statements lies with the Governing Board.
 - *The financial statements and supporting schedules reflect, in all **material** respects, the financial position and results of operations and cash flows for the year in accordance with generally accepted accounting principles.*
- **Reviewing** the financial statements with management, in detail, and
- **Approving** the financial statements for release.



Governing Board Responsibility



The Certificate of Excellence in Financial Reporting
is presented to

Reeths-Puffer Schools

for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.

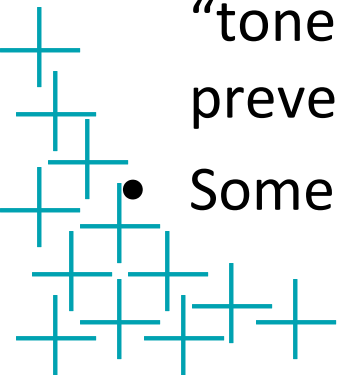



Anthony N. Dragone, Ed.D., RSBA
President


John D. Musso, CAE, RSBA
Executive Director

Board Communication on Fraud

- Important for the Board to recognize their role in preventing, deterring, and detecting fraud
- One common misconception is that the auditors are responsible for detecting fraud
- Unfortunately most frauds which occur in an organization do not meet the audit materiality threshold
- Not even the most well-designed internal controls or procedures can prevent and detect all forms of fraud
- The active involvement by the Board in setting the proper “tone at the top” increases the likelihood that fraud will be prevented, deterred, and detected
- Some basic steps that should be taken to help prevent fraud





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Thank You

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