

OHIO AUDITOR OF STATE
KEITH FABER

How to Prepare for an Audit

Government Finance Officers Association
(GFOA)

September 22, 2021

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Auditor of State, Center for Audit Excellence

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What We Will Be Covering

- What is an Audit?
- Audit Where, When, and Who
- Reporting Items
- How do Auditors know what to test?
- How to Prepare for an Audit
- Single Audit
- Miscellaneous Info



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What is an Audit and Why do I Have to Have one?

An Audit is...

- Evaluation of the Financial Statements
- Evaluation of Internal Control and Compliance

↓

Purpose of an Audit...

- Gain Assurance over Financial Statements
- Add Credibility to Financial Statements
- Express an Independent Opinion

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How Often Do I Need An Audit?

Ohio Law-
biennial

Federal
Single Audit
- \$750,000 in
Federal
Expenditures

Anytime –
Public Office
Request or
AOS
Initiative

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Important Deadlines to Consider

Financial Statement Filing Requirements

Single Audit Deadline

Other Regulator Deadlines

GFOA Comprehensive Annual Financial Report Deadline

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Impact on Single Audits – OMB Memo 21-20 Six Mo. Extension

Fiscal Year End	Normal Due Date*	Extended Due Date*	Fiscal Year End	Normal Due Date*	Extended Due Date*
March 31, 2020	December 31, 2020	June 30, 2021	January 31, 2021	October 31, 2021	April 30, 2022
April 30, 2020	February 1, 2021	July 31, 2021	February 28, 2021	November 30, 2021	May 31, 2022
May 31, 2020	March 1, 2021	August 31, 2021	March 31, 2021	December 31, 2021	June 30, 2022
June 30, 2020	March 31, 2021	September 30, 2021	April 30, 2021	January 31, 2022	July 31, 2022
July 31, 2020	April 30, 2021	October 31, 2021	May 31, 2021	February 28, 2022	August 31, 2022
August 31, 2020	May 31, 2021	November 30, 2021	June 30, 2021	March 31, 2022	September 30, 2022
September 30, 2020	June 30, 2021	December 31, 2021			
October 31, 2020	July 31, 2021	January 31, 2022			
November 30, 2020	August 31, 2021	February 28, 2022			
December 31, 2020	September 30, 2021	March 31, 2022			

Automatic extension applies to all audits not submitted to FAC prior to March 19, 2021 (date of Memo). Supersedes prior extensions. Must document COVID-19 reasons for delay. Do not have to receive COVID-19 funding to receive the extension.

* Per 2 CFR 200.512 if the filing due date falls on a Saturday, Sunday, or Federal Holiday the due date will be the next business day.

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Who Will be Doing the Audit?

The diagram features two boxes. The left box is light green and contains the seal of the Auditor of State of Ohio, with the text "Auditor of State" below it. The right box is dark green and contains the logo for the Independent Public Accountant (IPA), with the text "Independent Public Accountant" below it. A white double-headed arrow spans the width of both boxes, indicating a collaborative relationship.

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Preparing for an Audit

The flowchart consists of three green boxes connected by arrows. The first box is "Reconcile", with an arrow pointing to the second box "File Annual Report". An arrow from the second box points to the third box "Maintain Public Records". To the right of the flowchart is an illustration of a 3D white figure holding a key and a red tag labeled "SECURITY".

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Annual Reporting Items

The items are listed in four stacked green boxes. From top to bottom: "Management Discussion and Analysis", "Financial Statements", "Notes to the Financial Statements", and "Required Supplemental Information".

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Single Audit Reporting Items

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Schedule of Expenditures of Federal Awards (SEFA)

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Schedule of Expenditures of Federal Awards (SEFA)

- List individual Federal programs by agency.
- Clusters must list Cluster and individual program names.
- Federal non-cash expenditures and cash expenditures are included for the year.
- Pass-through entity and identifying number assigned by the pass-through entity must be included.
- Total amount paid to subrecipients must be listed.
- COVID Funding must be identified separately.

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How Do You Know How Much Federal Funds You Spent?

It is **VERY IMPORTANT** that the Fiscal Officer has a method in place to track federal expenditures!

As an example: Each federal grant is tracked in a separate fund &/or cost center. At year end, as part of closing out the books, the Fiscal Officer must complete a Federal Expenditures to determine if it is over \$750,000.

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IMPORTANT NOTES!

Important

If the Charter School passes federal funds through to their Management Company to spend - the federal expenditures are determined when they are spent by the management company.

UG requires the auditee to prepare a schedule of expenditures of federal awards.

UG requires the auditor to determine and provide an opinion on, whether the auditee's schedule is presented fairly.

Auditors must be able to audit original records (i.e. when school utilizes a mgmt. co. auditors need mgmt. company records).

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Notes to the Schedule of Expenditures of Federal Awards (SEFA)



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Schedule of Expenditures of Federal Awards (SEFA) and Notes

<https://ohioauditor.gov/references/practiceaids.html>

SINGLE AUDIT REPORT SHELLS

- Sample Corrective Action Plan Uniform Guidance
- Schedule of Expenditures of Federal Awards Uniform Guidance 111KB
- Notes to the Schedule of Expenditures of Federal Awards Uniform Guidance 41KB
- Schedule of Findings and Questioned Costs Uniform Guidance 28KB
- Schedule of Prior Findings and Questioned Costs Uniform Guidance 23KB

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Data Collection Form

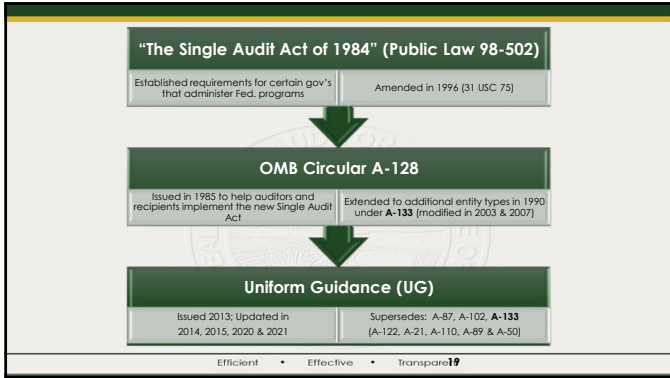
The auditor's portion is filled out on the Federal Audit Clearing house at the end of the audit by your managers.

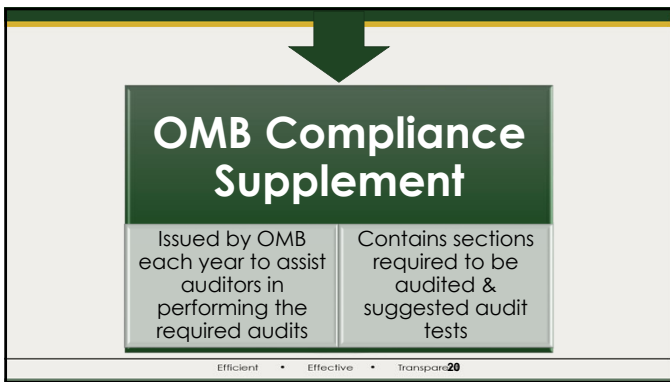
Data Collection form should agree to the Schedule of Expenditures of Federal Awards.

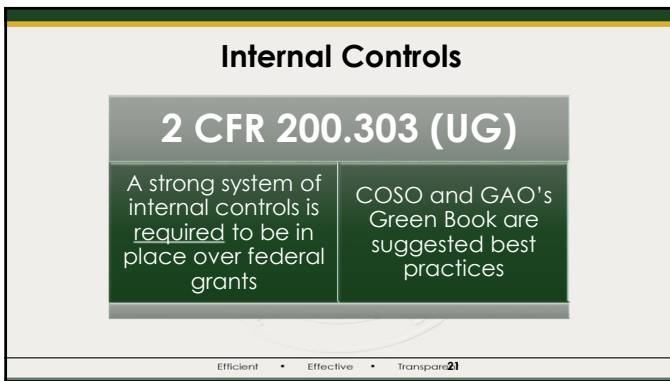
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How Do Auditors Determine What to Test in a Single Audit?

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12 Compliance Requirements

A Activities Allowed or Unallowed	B Allowable Costs / Cost Principles	C Cash Management
E Eligibility	F Equipment & Real Property Mgmt.	G Matching, Level of Effort, Earmarking

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12 Compliance Requirements

H Period of Performance	I Procurement, Suspension & Debarment	J Program Income
L Reporting	M Subrecipient Monitoring	N Special Tests & Provisions

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Auditors Only Test Sections Direct & Material to the Program & Entity

Requirement	A	B	C	E	F	G	H	I	J	L	M	N	
Program Number	Activities Allowed or Unfunded	Allowable Costs Cost	Cash Management	Eligibility	Employment (But, Priority Management)	Matching, Level of Effort, Farming	Period of Performance	Procurement	Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
10.000	Y	Y	Y	N	Y	N	N	N	Y	Y	N	Y	
10.551/10.561	Y	Y	N	N	N	Y	N	Y	N	N	Y	Y	
10.553/10.555/10.556/10.559	Y	Y	Y	Y	N	N	Y	Y	Y	N	N	Y	

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Potential Records Needed for an Audit

Examples include:

- | | |
|---|--|
| <ul style="list-style-type: none"> Financial Statements Ledgers / Transaction Logs Minutes Resolutions / Ordinances List of Officials / Employees Policies / Policy Manual Transaction Cycle Narratives Payroll Documents Receipts / Pay-ins Nonpayroll Vouchers / Invoices | <ul style="list-style-type: none"> Contracts Insurance / Bonds Debt Agreements / Documents Grant Award Letters Budgetary Documents Capital Asset Records Bank reconciliations Bank Statements Billing Records (i.e. Utilities or Taxes) |
|---|--|

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What can I do to keep audit costs low?

- Complete, organized, and easily accessible records
- Stay ahead of routine responsibilities
- Be aware of special circumstances and be knowledgeable about potential compliance and accounting impact
- Improve internal controls
- Keep up with monthly bank to book reconciliations, including the reconciliation between the treasurer and auditor
- Available relevant personnel during the course of the audit

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Tips for An Efficient Audit

- Good communication with auditors before planned start date that auditors will arrive
- Provide information in an electronic format / ledgers in excel for sorting, searching, etc.
- Will personnel be available for audit inquiries (vacations, etc.)?
- Discuss items auditors could gather ahead of starting the audit (minutes on website?)
- Provide auditors with a list of who the 'go-to' person is for each area (to make inquiries/obtain documents)

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Tips for An Efficient Audit (cont'd)

- Pull items chosen before audit is started
 - Property Taxes or Utilities (billing stubs, daily reports, etc.)
- Prepare box of items auditors look at every audit
 - Nonpayroll Vouchers
 - Pay-Ins
 - Bank Statements
 - Reconciliations
 - Investment records/ledgers

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Tips for An Efficient Audit (con't)

- Understand compliance requirements (federal, state, etc.)
- Gather and provide documentation to show that your entity is in compliance with applicable requirements
 - Ohio Compliance Supplement <https://ohioauditor.gov/references/compliancemanuals.html>
 - Federal (OMB) Compliance Supplement <https://www.whitehouse.gov/omb/office-federal-financial-management/>
 - Federal Award Compliance Control Records (FACCR) <https://ohioauditor.gov/references/practice-aid/faccrs.html>
- Good communication between the Fiscal Officer, auditors, and GAAP compilation accountants (if applicable) on the estimated date in which a GAAP report will be completed and filed with AOS


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Internal / External Auditors

What is the difference?

- **External auditors**
 - Follow AICPA AU-C Professional Standards
 - The purpose of an audit is to provide financial statement users with an opinion by the auditor on whether the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
 - An auditor's opinion enhances the degree of confidence that intended users can place in the financial statements. (AU-C Preface.01)
- **Internal auditors**
 - The role of an internal auditor is to gather relevant and objective information about the organization. An internal auditor is the eyes and ears of the government's management and those charged with governance. Some areas include:
 - Monitoring, analyzing and assessing the risks and controls of the government
 - Reviewing the government's compliance with state and federal policies and laws
 - Making reassurances and recommendations to management and those charged with governance

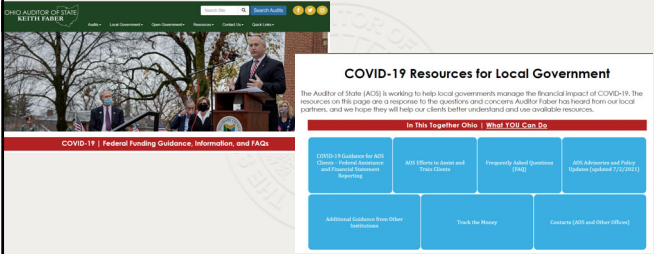
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Single Audit Miscellaneous Info

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AOS Resources



COVID-19 Resources for Local Government

The Auditor of State (AOS) is working to help local governments manage the financial impact of COVID-19. The resources on this page are a response to the questions and concerns Auditor Faber has heard from our local partners, and we hope they will help our clients better understand and use available resources.

In This Together: Ohio | What YOU Can Do

COVID-19 Guidance for AOS Clients: Internal Auditors and Financial Statement Reporting	AOS Roundtable Series and Thrive Grants	Emergency Audit Opinions (EAO)	AOS Administrative and Policy Update (updated 7/22/2021)
All Related Guidance From Other Resources	Track the Money	Contacts (AOS and Other Offices)	

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AOS Bulletins, Advisories, Manuals

Advisories and Policies:
https://ohioauditor.gov/resources/covid19/Advisories_Policy_Updates.pdf

Bulletins:
<https://ohioauditor.gov/publications/bulletins/2021/default.html>

Manuals:
<https://ohioauditor.gov/publications.html>

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Frequently Asked Questions

Federal and State FAQs

[In This Together Ohio | Back to COVID-19 Resources Page](#)

- General AOS FAQs, including CARES Act (updated 8/12/2021)
- American Rescue Plan (ARP) Act Auditor of State FAQs (updated 9/16/2021)
- AICPA State and Local Government Expert Panel (SLGEP) FAQ (new 7/16/2020)
- Federal OMB FAQs & COVID-19 Assistance Listing (new 7/2/2020)
- Ohio Public Meetings Guidelines
- More Federal and State Information

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AOS has received high volume of Unemployment Insurance Claims...

February 26, 2021

Advisory: Auditor Faber Addresses Local Government Reimbursement of Fraudulent Unemployment Claims

Columbus – Auditor of State Keith Faber has heard concerns from a number of local government officials over the past few weeks regarding the reimbursement of fraudulent unemployment compensation claims.

The Auditor’s Office understands that various local governments received guidance from the Ohio Department of Job and Family Services (ODJFS) that reimbursing employees would be responsible for payment of the employer’s share of unemployment compensation claims – even when the claim was clearly fraudulent.

This advisory should serve as clear guidance to our clients facing this issue. The Auditor of State will not issue a finding for recovery; nor make an adverse audit finding where a local government elects to pay the invoice from ODJFS as a reimbursing employer for potentially fraudulent claims. Under normal circumstances, outside a pandemic and the crisis of fraudulent claims, this would be a proper public expenditure. Likewise, if a local government elects to not pay the ODJFS invoice for a known fraudulent claim for unemployment benefits, the Auditor will also not make an audit finding of non-compliance where the entity relies on a well-reasoned legal opinion. Of course, local governments should continue to do their part in reporting fraud to ODJFS.

Additionally, Auditor Faber stands ready to work with Lieutenant Governor Husted, the General Assembly, our local government partners, associations, and the Ohio Department of Job and Family Services to fix this problem. Ohio’s local governments should not be made to bear the burden and cost of fraudulent unemployment claims during this pandemic and the accompanying surge of fraud.

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Federal COVID-19 Programs for Local Governments

Many new programs with historical amounts of Federal funding

- Must keep CARES Act, Consolidated Appropriation Act, and American Rescue Plan (ARP) funding segregated in separate funds.
 - FFATA and Ohio Rev. Code Chapter 5705 require this for most entities.
- Due to the unprecedented funding amounts, the risk of noncompliance and fraud will be high with this funding.
 - We anticipate Federal OMB will make ARP programs higher risk for audit (meaning, we may have to audit more).
- Governments have a responsibility to provide advance notice to its depository institution when a large increase in the account balances is expected. Failure to provide notice may result in under-collateralization.

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Allocating Audit Costs to Federal Programs

- The Uniform Guidance in §200.425 allows "A reasonably proportionate share of the costs of audits required by, and performed in accordance with, the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507), as implemented by requirements of this part, are allowable."
- However, some exceptions exist, including audits not performed in accordance with the Single Audit requirements (such as a performance audit) and audit costs for an entity which does not meet the single audit threshold of \$750,000.
- Therefore, the cost of your single audit may be considered an allowable cost, unless the terms and conditions of your grant award indicate otherwise.

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Impact on Single Audits - Challenges

Federal OMB anticipates issuing 2021 Compliance Supplement in installments:

1. General guidance and key programs were released August 12th,
2. New ARPA programs as they are finalized by the Agency

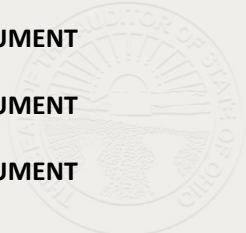
Federal agencies still determining if they will create new program assistance listing numbers for programs stemming from Consolidated Appropriation Act or ARP Act.

When available, recipients should refer to the Assistance Listing for detail on the specific provisions of UG that do not apply to these programs.

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KEY

- DOCUMENT
- DOCUMENT
- DOCUMENT



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