

Ways to Prepare for an Accounting Audit



By: Alison Schinner, Staff Accountant

Financial Statements

Rhode River Training Center
Statement of Activities
December 31, 2016

	2016	2015
<u>Revenue</u>		
Employer Contributions	850,000	775,000
Administrative Fees	65,000	50,000
Book Fees	35,000	23,000
Investment Income	32,000	35,000
Interest Income	20,000	25,000
Other Income	50,000	45,000
Total Revenue	1,052,000	953,000
Program Expenses	767,861	739,188
General & Administrative Expenses	159,406	130,784
Total Expenses	927,268	869,972
Net Income / (Loss)	124,732	83,028

Rhode River Training Center
Statement of Financial Position
December 31, 2016

	2016	2015
<u>Current Assets</u>		
Cash and Cash Equivalents	500,000	575,000
Accounts Receivable	15,000	15,000
Contribution Receivable	15,000	13,000
Investments	1,460,500	1,330,450
Total Current Assets	1,990,500	1,933,450
Classroom Equipment	265,000	212,000
Accumulated Depr.	(64,570)	(42,300)
Office Equipment	85,000	80,000
Accumulated Depr.	(45,000)	(33,500)
Other Assets	75,000	75,000
Building, net	840,000	870,000
Total Assets	3,145,930	3,094,650
<u>Current Liabilities</u>		
Accounts Payable	25,000	15,000
Taxes Payable	-	95
Pension Payable	2,000	-
Accrued Vacation	132,000	137,000
Note Payable, current portion	159,000	152,095
Total Current Liabilities	318,000	304,190
Note Payable, net of current	423,500	582,500
<u>Net Assets</u>		
Unrestricted	2,279,698	2,124,932
Temporarily Restricted	-	-
Net Income/(Loss)	124,732	83,028
Total Equity	2,404,430	2,207,960
Total Liabilities & Equity	3,145,930	3,094,650

Overview

- Prepared by Client List
- Internal Controls
 - Separation of Duties
 - Bank Reconciliation
- During the Year
 - Reports
 - Fixed Assets
 - Documentation
- Just Prior to Audit

Prepared by Client List

Alison's Awesome Auditors			Entity:	Rhode River Training Center	Prepared By
			Year:	December 31, 2016	Client
Rhode River Training Center					
12/31/2016 Audit Request List					
Item	Audit Area	Description of Request	Date requested to Alison's Awesome Auditors	Responsible Party	Date provided to Alison's Awesome Auditors
Prior to fieldwork					
1	Planning	Electronic version of FY 2016 General Ledger detail as of date of trial balance	as soon as available		
2	Planning	Electronic version of FY 2016 trial balance, with all closing and other adjustments already posted	as soon as available		
3	Planning	Financial statements as of 12/31/16 with all required footnotes	as soon as available		
Fieldwork - Scheduled to begin: 2/6/2017					
4	Cash	Copies of all bank reconciliations and statements as of 12/31/16, including outstanding checks list. As well as access to January 2017 bank statement.	1st day of fieldwork		
5	Investments	Copies of investment reconciliations and statements as of 12/31/2016.	1st day of fieldwork		
6	Revenue	Schedule of Employer Contributions	1st day of fieldwork		
7	Revenue	Schedule of Administrative/Book Fee income			
8	Accounts Payable	AP Aging Schedule as of 12/31/16	1st day of fieldwork		
9	Accounts Payable	Subsequent disbursement listing (check register) from 1/1/16 to present date. For any invoices paid over \$10,000, please provide access to invoice.	1st day of fieldwork		
10	Accounts Payable	Schedule of Accrued vacation as of 12/31/16	1st day of fieldwork		
11	Fixed Assets	Copy of fixed asset listing and depreciation calculation	1st day of fieldwork		
12	Fixed Assets	Access to invoices of 2016 fixed asset additions	1st day of fieldwork		
13	Fixed Assets	Calculation of gain/loss on disposed items	1st day of fieldwork		
14	Expenses	Prepare analytical comparison between 12/31/15 and 12/31/16 expenses by natural category and operation. Please explain variances greater than \$100,000.	1st day of fieldwork		
15	Expenses	Copies of 941s for all quarters in fiscal year 2016	1st day of fieldwork		
16	Expenses	Access to TD/ATD expense report folders	1st day of fieldwork		
17	Expenses	Access to any legal invoices	1st day of fieldwork		
19	Perm File	Copy of all relevant internal policy documents, such as an accounting manual, employee manual, investment policy, employee expense reimbursement policy, etc.			1st day of fieldwork
20	Perm File	(in FY 2016)	1st day of fieldwork		

Internal Controls

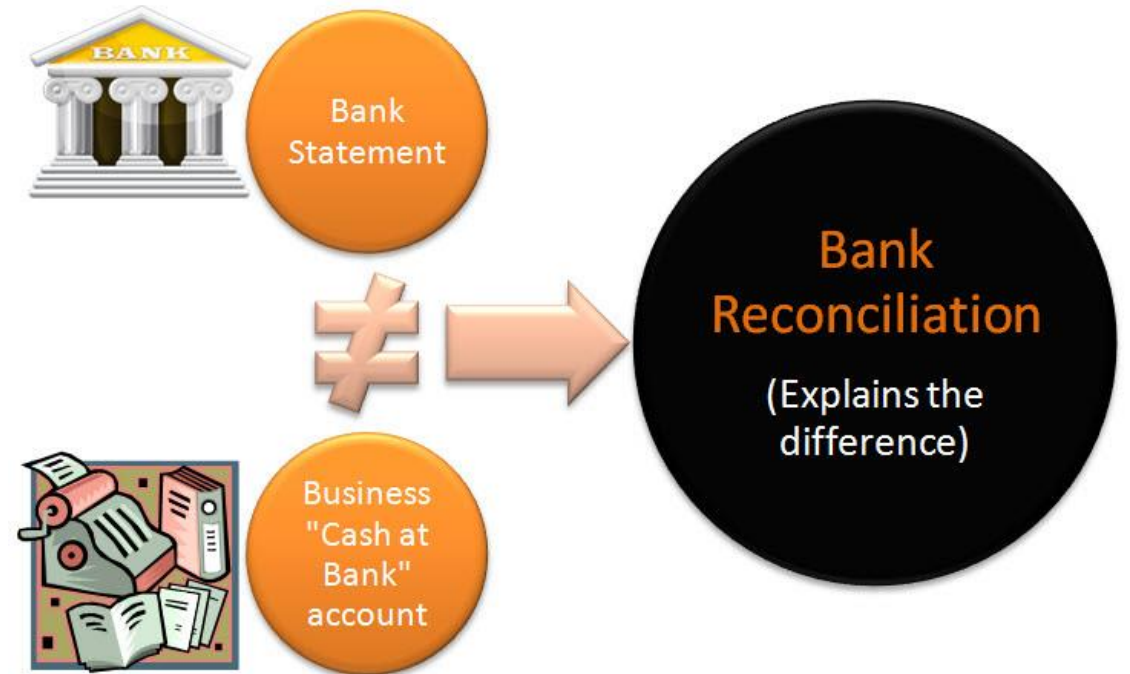
- What is internal controls?
 - Fancy Definition: “Internal Control is a process effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following three categories:
 1. Reliability of financial reporting
 2. Effectiveness and efficiency of operations
 3. Compliance with applicable laws and regulations” (pg. 173)

Internal Controls

- Separation of Duties
 - Why is it important?
 - It's not just about fraud prevention, it's good practice.
 - By separating duties among different people, you are more likely to catch minor, as well as some major, errors.
 - Two heads are better than one.

Internal Controls

- Bank Reconciliations
 - Monthly
 - Proper Separation of Duties
 - Good way to detect fraud



Reports

- Employer Contribution Report
- Schedule for Long Term Obligations or Notes Payable/Receivable (if applicable)
- Schedule for any Prepaid Expenses
- Schedule for Book and Administrative Fees
- Schedule of Accrued Vacation
- Monthly Financial Statements

Financial Statements

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Fixed Assets

- What is a Fixed Asset?
 - How is it different from an expense?
- What Auditors will want to know:
 - Any new Fixed Assets added
 - Any Fixed Assets that have been disposed of
 - Gain/Loss
 - Invoices

Fixed Assets

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16	Expenses	Access to TD/ATD expense report folders	1st day of fieldwork		
17	Expenses	Access to any legal invoices	1st day of fieldwork		
18	Perm File	Copy of all lease agreements applicable to the period 1/1/16-12/31/16	1st day of fieldwork		
19	Perm File	Copy of all relevant internal policy documents, such as an accounting manual, employee manual, investment policy, employee expense reimbursement policy, etc.	1st day of fieldwork		
20	Perm File	Copy of Association's bylaws and/or articles of incorporation (if any changes were made in FY 2016)	1st day of fieldwork		

Fixed Assets

GL Acct	Description	Beginning Balance	Additions	Deletions	Ending Balance
130.A	Classroom Equipment	212,000.00	53,000.00	-	265,000.00
131.A	Office Equipment	80,000.00	5,000.00	-	85,000.00
Account Depreciation					
131.D	Classroom Equipment	42,300.00	22,270.00	-	64,570.00
131.D	Office Equipment	33,500.00	11,500.00	-	45,000.00

Additions to Assets

GL Acct	Vendor	Date	InvoiceNo.	Amount	Description
130.A	Computer Supplies	1/25/2016	CS-102	25,000	Computers for new computer lab
130.A	Fancy Desks	1/30/2016	FD-550	15,000	Desks and chairs for new computer lab
131.A	Computer Supplies	5/25/2016	CS-150	1,050	Computer to replace TD's old one
131.A	Computer Supplies	7/30/2016	CS-167	1,050	Computer to replace OM's old one

Fixed Assets- Hyperlinked Invoice

INVOICE

Computer Supplies

DATE:
INVOICE #: CS-102
CUSTOMER ID: RRTC

BILL TO

Rhode River Training Center
ATTN: Accounting
555 Address Name Here
Rhode River, MD 21037
410-240-3355

SHIP TO

Steve Strickland
Rhode River Training Center
555 Address Name Here
Rhode River, MD 21037
410-240-3355

JOB

PAYMENT TERMS

Job or Project

Due on receipt

DESCRIPTION	Qty	AMOUNT
Computers	35	\$35,000.00

TOTAL \$35,000.00

Make all checks payable to Computer Supplies. Thank you for your business!

7000 Address Name Here Rhode River, MD 21037

Documentation

- Files
 - Organized
 - Easy to Understand
 - Easy to locate
- Electronic Files
 - Ensure integrity, accuracy, authenticity and reliability
 - Maintained in safe location
 - Easily accessible for inspection

Just Prior to an Audit

- Ask for the Prepared by Client List
 - Enables you to prepare for your audit better and faster.
- Match to General Ledger
- Look for anything that looks goofy

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What they might ask for:

Bank Reconciliations, Bank Statements, Deposits, Disbursements

Invoices, Customer/Contractor Payments, Confirmations

Investment Statements/Reconciliations

Schedule of Additions/Disposals, Accumulated Deprc., Vendor invoices

Deed/Other Doc., Confirmation from Bank on Note Payable

Disbursements

Schedule of Accrued Vacation

Schedule of Note Payable, Confirmation from Bank

Questions?

