15 SUGGESTIONS TO PREPARE FOR AN AUDIT

This document is a job aid to assist you in preparing for an audit of your department. This list may not be all-inclusive.

1. Be prepared to discuss any changes in the following:
   - Governance, management
   - Operations, raw materials, distribution
   - Technology, personnel, union relations
   - Economic/industry developments and their impact on your operations

2. Prepare to discuss significant estimates used in the financial statements, such as allowance for uncollectible accounts and percentage of completion.

3. Explain significant actual-to-budget and prior-year variances. Be prepared to discuss the results of the year based on your expectations going into the year.

4. Determine contact people for specific areas under audit and any potential scheduling conflicts, such as vacations, scheduled medical procedures, work schedules, out-of-town needs and holidays.

5. Discuss with the auditor the need for assistance and establish a high priority for agreed-upon items.

6. Request templates and clarification so that you can prepare information in a format acceptable to the auditor.

7. Discuss procedures to be performed with management, timing of the engagement and deadlines.

8. Reconcile detail to general ledger account totals. For example, reconcile all bank accounts, accounts receivable, accounts payable and equipment lists. Ensure all reconciliations have proper reviewer signoff and date.

9. Auditors may perform substantive testing of:
   - Assets - All assets placed in service or disposed of should have appropriate documentation.
   - Liabilities - Vendors should be set up appropriately with contracts properly signed and dated.
   - Expenses - Transactions for PCard, travel, GL, etc. should have proper approvals and approvals should be timely.
10. You may ask why a particular schedule is requested to ascertain if there is a better source for that information. For example, it may already exist in an alternative format.

11. Alert the auditor to any outside consultants, regulatory agency inquiries or future plans. Provide related reports and correspondence.

12. Be open and candid. You'll be asked about questionable accounting practices or pressures, fraud risk factors and known deficiencies in accounting systems.

13. Establish an “auditor” file to compile helpful information. This may include regulatory agency correspondence, copies of new/revised documents, fixed asset additions/disposals, debt agreements, leasing arrangements, law suits, complex transactions, technology modifications, new customers and new vendors.

14. Be open with the auditor about difficult areas you've encountered, concerns or questions.

15. Stay informed of policy or procedural changes throughout the year regarding any significant changes in entity, personnel, debt, ownership, business direction, business plan and chart of accounts. Direct inquiries or questions for clarification to the Office of the Controller.