



Date
November 2, 2022

Time
9:00 AM – 10:00 AM

Instructors
Tiffani Dorsa, CPA,
Director
Postlethwaite &
Netterville APAC
and
Diane B. Allison, CPA,
CGMA, CGFO, Director of
Local Government
Services

Location
Live-Streamed and
Onsite at Louisiana
Immersive Technologies
Enterprise (LITE)

Method of Delivery
Classroom instruction

Learning Level
Basic

CPE Hours
1.0 Hours

CPA Subject Matter
Accounting and Auditing

Prerequisite
None

An Auditor's and Auditee's Approach to the Annual Audit

Description

The audit comes around every year, and each year seems to take on its own unique characteristics, from natural disasters to new grant funding to change in staffing, new software, new accounting standards, and new procedures. In this session an auditor and auditee will describe the audit process and give practical advice on how to prepare for this annual event from their different perspectives so that we all understand the process, know what to expect, and approach it with a positive mindset to learn something new from each other and provide better reporting to the public.

Objectives

To provide an overview of the audit process:

- Learn practical steps to take to prepare for the annual audit
- Develop an audit calendar
- Learn the documentation requested by auditors, including schedules and reconciliations

Who Will Benefit

- Elected Officials/Appointed Officials
- Local Government Employees/Local Government Auditors

About the Instructors

Tiffani Dorsa is a Director in the Postlethwaite & Netterville Accounting and Assurance Services Group. She joined the firm in 2004, and became a Director in 2013. Prior to joining P&N, Tiffani worked for a New Orleans CPA firm for nine years. With over 23 years of experience, Tiffani has experience in all aspects of audit engagements, including planning, evaluating internal control systems, substantive audit testing, regulatory compliance testing, supervising and monitoring of staff, and the preparation of the financial statements and footnote disclosures. Tiffani's practice areas include governmental and non-profit organizations. Tiffani's not-for-profit practice includes several foundations, as well as, those not-for-profit organizations that receive federal assistance covering a variety of services related to the mission of these organizations. Tiffani's governmental audit engagements include cities, retirement systems and school boards. Tiffani also serves several apartment management companies with audits of entities that receive assistance from the Department of Housing and Urban Development (HUD) through loans or Section 8 HAP assistance. In addition, her client base includes many organizations that require a Single Audit under the Uniform Guidance.

Diane Allison joined the Louisiana Legislative Auditor's office in May 2021 as the Director of Local Government Services, having served as chief financial officer in three different local governments for a combined total of 17 years. LLA's Local Government Services oversees the work of more than 200 independent CPA firms that conduct over 3,600 audits and other types of engagements, prepares fiscal and actuarial notes for the Louisiana Legislature, educates local governments on governmental accounting and internal controls, and performs various advisory services. Diane's areas of expertise are accounting and financial reporting, financial management, budgeting, fiscal policies, school activity funds, accounting for the expenditure of tax-exempt bond proceeds, tax and fiscal compliance, and internal controls. Diane has over 30 years of accounting experience, including for-profit manufacturing, not-for-profit, public accounting, and local government sectors. She has been a Certified Public Accountant for over 20 years and also holds certifications as a Chartered Global Management Accountant and Certified Government Finance Officer. Diane has presented at national, state, and regional accounting conferences, including the American Institute of CPAs (AICPA), Society of Louisiana Certified Public Accountants (LCPA), Government Finance Officers Association (GFOA), Accounting and Financial Women's Alliance, and both the Southern and Louisiana Associations of School Business Officials. In addition, she has written articles for various professional publications. She has served on and chaired various LCPA state and chapter committees. She currently is Chair of the national GFOA Accounting, Auditing, and Financial Reporting committee; serves on the LCPA state and local Governmental Accounting and Auditing committee; President-Elect of the Accounting and Financial Women's Alliance, New Orleans Chapter; and board member of the Women in Public Finance, Louisiana chapter.

An Auditor's and Auditee's Approach to the Annual Audit



Presented by:

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Audit Director
Postlethwaite and Netterville

Diane B. Allison, CPA, CGMA, CGFO
Director of Local Government Services
Louisiana Legislative Auditor

November 2, 2022

Approaching the Annual Audit

- What an audit is
- Who requires an audit and why
- Selecting and engaging the auditor
- Preparing for the audit
- The Single Audit
- Following up
- Being ready for next year

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What an Audit Is

- A systematic examination and verification of the accuracy of the entity's financial statements
- Performed by an independent certified public accountant (CPA)
- In accordance with a set of standards
- In order to express an opinion about whether financial statements are free from material misstatements in accordance with the applicable financial reporting framework
- Provides reasonable assurance not absolute assurance

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5 Misconceptions about an audit

1. Auditors are only here to find errors or fraud
2. Audits are unnecessary
3. Auditors are only concerned about the past
4. Auditors are responsible for the financial statements
5. Auditors try to be a nuisance

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Principles Underlying An Audit

- Purpose and Premise
- Responsibilities of the auditor
- Performance
- Reporting

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Risk Assessment and Response

- Understanding the entity and its environment and assessing the risk of material misstatement
- Materiality in planning and performing the audit
- Performing audit procedures in response to assessed risks and evaluating the evidence obtained
- Evaluation of misstatement identified during the audit

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Auditor Assertions

Balance Sheet

1. Accuracy and valuation
2. Existence
3. Completeness
4. Rights and obligations
5. Presentation and disclosure

Income Statement

1. Occurrence
2. Completeness
3. Accuracy
4. Classification
5. Cut-off

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How an Auditor Gathers Evidence

1. Inspecting documents
2. Observing employee performance
3. Inquiring about policies, procedures, transactions, events
4. Confirming balances and transactions with outside parties
5. Performing analytical procedures to determine reasonableness of transactions and balances

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Audit Documentation

Defined: The record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached

- Prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the nature, timing, and extent of the audit procedures performed and the audit evidence obtained and significant findings or issues arising during an audit and the conclusions reached
- Documentation of the who, what, when and where along with abstracts or copies of significant contracts or agreements

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The Single Audit

- An organization-wide financial statement and federal awards' audit of a non-federal entity
- Applies to entities that expend \$750,000 or more in federal awards in a fiscal year
- Provides assurance to the federal government that federal grant funds are used in compliance with program requirements

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Who Requires an Audit

- The Legislative Auditor per R.S. 24:513-514, the Audit Law
- The Securities and Exchange Commission, for all issuers of publicly-traded debt (emma.msrb.org)
- Regulators (Uniform Guidance, HUD, LDOE, etc.)
- Bankers and creditors
- Researchers
- Legislators
- The public

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Louisiana Local Government Finance Laws That Other States Don't Have

1. Louisiana requires all recipients of public funds to file annual reports with our office (R.S. 24:513-514)
2. Non-Compliance List (R.S. 39:72.1)
3. Three Strikes Rule (R.S. 24:554(B))
4. Fiscal Administration (R.S. 39:1351-1357)
5. Fiscal monitoring in other states can go on for years



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Required Reporting to the LLA

Revenues and Other Sources	Type of Report	Due Date
\$75,000 or less	Sworn financial statements	90 days after close of fiscal year
\$75,001 to \$199,999	Compilation	6 months after close of fiscal year
\$200,000 to \$499,999	Review/attestation	6 months after close of fiscal year
\$500,000 or greater	Audit and Statewide Agreed-Upon Procedures	6 months after close of fiscal year

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What an Independent Auditor Can and Cannot Do

Can Examples

- Make inquiries of management, staff, and third parties to obtain information necessary for the audit
- Evaluate system of internal controls
- Review documentation

Cannot Examples

- Set accounting policies and procedures
- Authorize or execute transactions on entity's behalf
- Record transactions in the entity's general ledger
- Reconcile bank statements

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Engaging the Auditor

- The engagement agreement is a contract between the entity and an independent CPA for an audit to be performed. Provides, among other things, details about the responsibilities of agency management and the auditor.
- The auditor must be on the LLA's [Approved CPAs List](#)
- Engagement agreements are due to the LLA by 60 days after the end of the fiscal year

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Preparing for the Audit – Major Events

1. Grants – discontinued, new, dollar amounts
2. Debt activity
3. Banking and investing activity – new accounts, purpose, investments
4. Changes in leadership or key personnel
5. Status of prior year findings, Management Letter comments, and statewide agreed-upon procedures exceptions

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Preparing for the Audit – Major Events

6. New procedures or accounting (such as began an inventory, change in accounting method, new fund, major contract, change in valuation, restrictions on fund balance, early implementing a standard, etc.)
7. Software implementation or changes and the effect on financial operations
8. Recognitions and awards, such as GFOA's Certificate of Achievement or budget award
9. Financial results – budget to actual, excess or deficit and why, major transactions

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Preparing for the Audit – Major Events

10. New fiscal policies, procedures, organization chart, or updated manuals
11. Auditee's concerns – things that didn't go well, accounts, funds, transactions that are challenging, procedures or changes the auditee isn't happy with, mistakes, etc.
12. New initiatives, such as preparing an ACFR, or implementing a new accounting standard
13. Effects and recovery from natural and other disasters
14. Capital projects

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Establish a Timeline With Key Due Dates and Persons Responsible

- Delivery of the trial balance to the auditor
- First day of field work, and approximate dates (weeks) the auditor will be on site
- IT review due date
- Date of contingent liability letters and due date for response
- Various audit schedules
- First draft of audit report
- Presentation to the governing body

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Audit Timeline for June 30 FYE

<u>Date</u>	<u>Event</u>
Friday, May 8, 2020	Pre-audit meeting with Finance staff and auditing staff Provide updated <i>Accounting Procedures and Policies Manual</i>
Tuesday, June 30, 2020	2019-2020 fiscal year ends
July 2020	Auditors comes on site for statewide agreed-upon procedures, internal control testing, etc.
Friday, July 3, 2020	Closed for July 4 holiday
Tuesday, July 7, 2020	Provide bank, revenue, and debt confirmations to auditors
July 2020	Start OPEB reporting process with actuary Arbitrage reports finalized Start gathering pension information
Tuesday, July 28, 2020	Auditor presents audit process to Budget and Finance committee (2:00 PM)
20 Thursday, July 30, 2020	Board adopts Louisiana Compliance Questionnaire <i>Documents are due July 22, 2020</i>



Audit Timeline for June 30 FYE

Friday, September 18, 2020	Last day to post to 2019-2020
Wednesday, September 30, 2020	AFR due to Louisiana Department of Education Budget Form A due to Louisiana Department of Education
Monday, October 5, 2020	Auditors come on site for start of field work Trial balance of all funds due to auditors
Thursday - Friday, Oct. 8-9, 2020	Louisiana GFOA conference in Baton Rouge
Friday, October 30, 2020	Clean AFR due to LDOE
Friday, October 30, 2020	Auditor completes IT portion of audit (AS 2110.28-.29)
Monday, November 2, 2020	Send contingent liability letters to attorneys
Monday, November 9, 2020	1st draft of ACFR
Monday, November 16, 2020	Contingent liability letters due from attorneys
November _ - __, 2020	LCPA Governmental Auditing and Accounting conference in Lafayette
Friday, November 20, 2020	Finalize findings and comments to management
²¹ Wednesday - Friday, Nov. 25 -27, 2020	Closed for Thanksgiving holiday



Audit Timeline for June 30 FYE

Friday, December 4, 2020	Finalize ACFR
Monday, December 14, 2020	Post ACFR on web site
Tuesday, December 15, 2020	Auditor present audit results to Budget and Finance committee <i>Documents are due December 9</i>
December 21, 2020 - January 2, 2021	Closed for winter break
Thursday, December 31, 2020	ACFR due to regulators: Post on Electronic Municipal Market Access (EMMA.msrb.org) Louisiana Department of Education Louisiana Legislative Auditor Creditors and bankers Rating agencies GFOA and ASBO for application for Certificate of Excellence
Friday, January 29, 2021	ACFR due to Federal Audit Clearinghouse



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Auditor Preparing for the Audit

1. Select and assign the appropriate audit staff
2. Schedule the audit on the firm's and auditing staff's calendars
3. Provide to the auditee as soon as possible and well in advance the preliminary list of items needed
4. Send confirmations to the auditee
5. Discuss internal control questionnaires with the auditee

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Auditee Preparing for the Audit

1. Communicate during the year, especially when unusual transactions or questions arise
2. Contract and start working with other consultants (other post-employment benefits, arbitrage, retirement, etc.)
3. Sign the Engagement Letter
4. Get the governing body to adopt the *Louisiana Compliance Questionnaire* at the first meeting after the end of the fiscal year
5. Meet and discuss the year's major events and transactions

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PBC List – Administrative/General

1. Access to all board and committee meeting minutes from start of fiscal year through end of field work
2. Trial balance reports as of the last day of the fiscal year for all funds – balance sheet, income statement, and trial balance report
3. A related party listing of all key personnel (board members and their employers)
4. Schedule of board members compensation
5. Retirement rate schedule (employer and employee rates)
6. Operating information (student count, etc.)

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PBC List – Single Audit and Budget

Single Audit

7. Schedule of Expenditures of Federal Awards (SEFA)

Budget

8. Proposed (adopted) and final amended budgets
9. Copy of the public notice advertised in the newspaper

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PBC List – Cash and Investments

10. Bank reconciliations for all bank accounts as of the last day of the fiscal year, including a listing of all outstanding checks for all funds, and the end of the first month of the next fiscal year
11. Collateral statement as of last day of fiscal year
12. Investment statement as of the last day of the fiscal year, including a list of investments and their maturities

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PBC List – Other Assets

13. A listing of accounts receivable, including grant reimbursement requests
14. Schedule of items inventoried (food, supplies, etc.), their value, and invoice or other documentation showing value
15. Documentation (invoices) for any prepaid items (expenditures, insurance, etc.)

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PBC List – Capital Assets

16. Roll forward schedule by major asset classification (land, buildings, vehicles, furnishings, etc.) showing prior year balance, additions, deletions, and year-end balance
17. Schedule showing current year depreciation and accumulated depreciation for each asset that ties to #16.
18. List of capital asset additions and deletions
19. For construction in progress, a schedule listing the total amount of the contract, cost incurred to date, and amount remaining to complete at year end
20. For land, provide the listing from the general ledger and the Assessor's report
21. List of all leases and the lease agreements in effect during the year

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Capital Asset Spreadsheet Columns

1. Identifying #
2. Location
3. Asset type
4. Asset
 - a. Beginning balance
 - b. Additions
 - c. Deletions
 - d. Ending balance
5. Depreciation
 - a. Start date
 - b. Years
 - c. Months
6. Accumulated depreciation
 - a. Beginning balance
 - b. Depreciation expense
 - c. Write-off
 - d. Ending balance
7. Net book value
 - Column 4a less column 5d

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Construction in Progress Spreadsheet Columns

- Project name and number
- Funding source (or fund #)
- Project status at end of year (complete or incomplete)
- Beginning balance and pay application #
- Additions, deletions, and final pay application #
- Date to start depreciating
- Ending balance
- Retainage payable
- Commitments

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PBC List – Due To/From and Transfers

22. Schedule of all inter-fund operating transfers during the year
23. Schedule of all inter-fund receivables (Due From) and payables (Due To) at year end

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PBC List – Payables and Accruals

24. Detailed schedule of (trade) accounts payable by fund type at year end showing amounts owed to vendors (vendor name, invoice #, invoice date, invoice amount), which should agree to the final trial balance (#2)
25. List of other accounts payable (accruals)
26. Schedule of accrued payroll for each fund (and payroll journals listing the salaries)
27. Construction retainage payable (on CIP spreadsheet)
28. Earned but unused paid time off (vacation, sick, comp time) balance for each employee as of the end of the fiscal year

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PBC List – Other Liabilities

29. Claims analysis and claims lag reports (for self-insured governments)
30. Payroll for the entire fiscal year by pay date, quarter, and annual
31. Other post-employment benefits information
 - a. Census data (employee name, birthdate, hire date, total wages, covered wages, etc.)
 - b. Covered payroll
 - c. Various claims, and policies if self-insured
 - d. Invoices for amounts paid to third parties

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PBC List – Other Liabilities

32. Retirement information for each retirement system
 - a. Retirement expenditure (ER share) trial balance and detail
 - b. Retirement liability (EE share) trial balance and detail
 - c. Covered payroll reports
 - d. Monthly distribution vouchers
 - e. Contribution rate sheets
33. Health insurance plans and rates
34. Any new debt agreements
35. All applicable EMMA submissions (budget, annual report, unaudited financial statements, etc.)
36. Debt service payments and interest payable

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Payroll Spreadsheet Columns

- Pay period end
- Pay date
- Columns for each type of gross wages paid (regular, overtime, comp time, etc.)
- Total gross wages
- Federal income taxes withheld
- State income taxes withheld
- Social Security and Medicare taxes withheld
- Retirement contributions withheld
- A column for each benefit withheld (health, dental, 403(b), etc.)
- Net wages

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PBC List - Revenues

37. Documentation from tax collectors for each amount remitted to the auditee
38. Reports for all major revenues (utility billing, cash register sales reports, tickets written, fines and fees billed and collected, etc.)
39. Bank statements for each account that earns interest
40. Investment statements for each month
41. Grant award documents
42. General ledger detail of "other revenues"

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PBC List - Expenditures

43. All 4 Forms 941
44. Legal fees detailed general ledger
45. General ledger detail of "other expenditures"
46. List of credit cards (cardholder name and title, card number)
47. Forms W-2 and W-3, and 1099s and 1096
48. All contracts for professional services
49. List of all purchase orders issued

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Following Up

- Auditee should act on auditor's recommendations as soon as possible and start working on resolving audit findings, Management Letter comments, and statewide agreed-upon procedure exceptions
- Auditee should identify where knowledge is weak and work during the year to increase that knowledge
- Both auditee and auditor should debrief with their teams to identify what went right and wrong and areas for improvement
- Get ready to engage an auditor for next year

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Being Ready for Next Year

- Now you know the process so create checklists and know what tasks to get started on early
- Perform key reconciliations monthly
- Start working on things that can be improved (policies, updating manuals, etc.)
- Become familiar with new accounting standards to implement
- Engage an auditor by 60 days after the end of your fiscal year, at the latest

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The Audit is Your Time to Shine!

- Shows how your government spent public funds and promotes transparency and accountability
 - Projects
 - Delivering on promises made
 - Improvements over prior years
- Shows compliance with laws and regulations
- Shows financial management and fiscal health

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Thank You!

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