

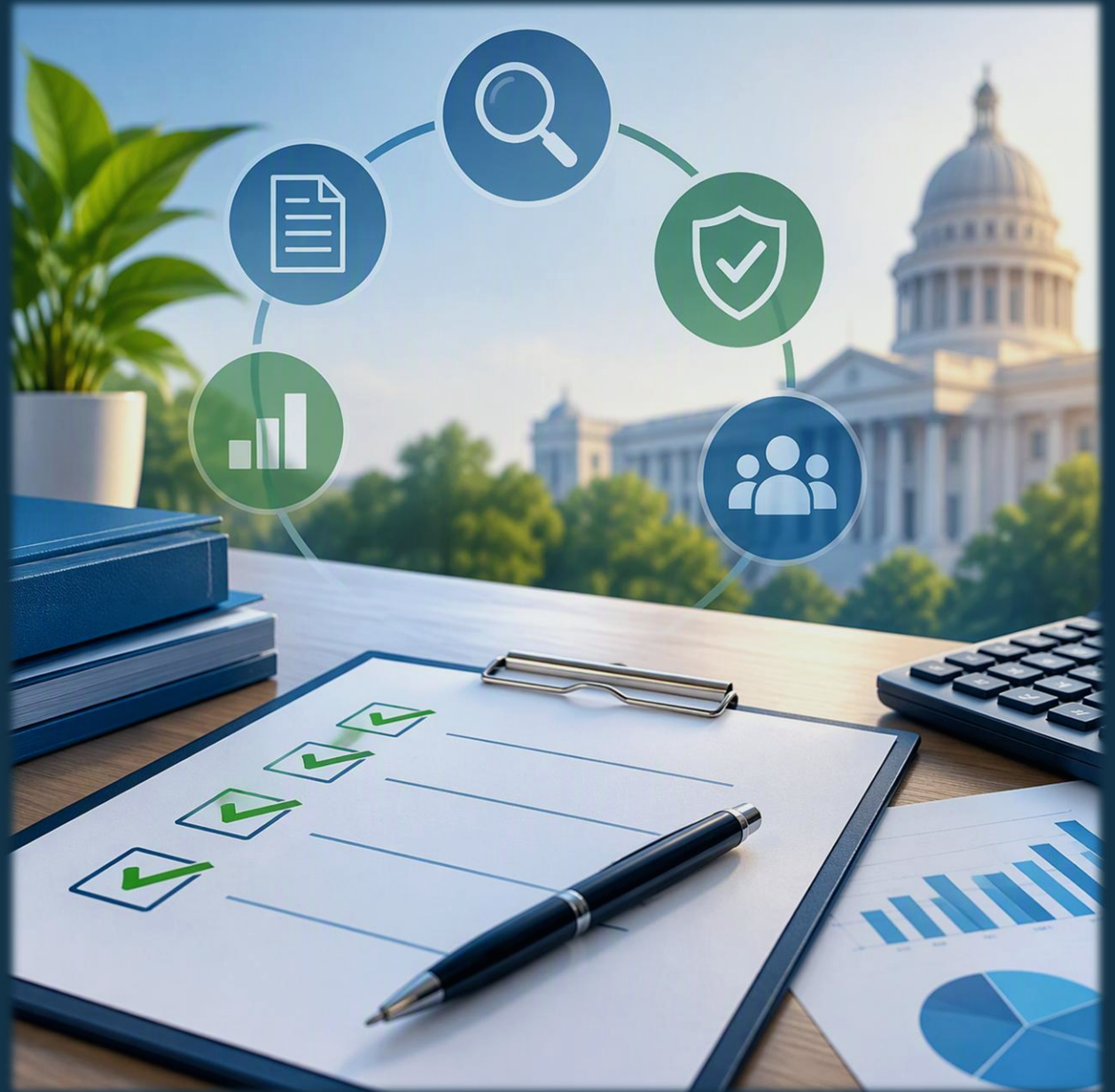
PREPARATION IS KEY

Preparing for and
Successfully Navigating an Audit

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Local Government Alternative Revenue Sources
and Public Finance Seminar
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A smoother audit starts long before the auditors arrive.



What would make this session useful?

Raise your hand if one of these sounds familiar:

Late schedules

The close is still moving when fieldwork begins.

Repeat requests

Support is hard to locate or does not reconcile.

Surprise issues

A new grant, fee, system, or transaction surfaces late.

Reporting crunch

Draft statements and review happen at the finish line.

Goal: leave with a practical playbook your team can use this year.

An audit is assurance, not an inspection of everything.

What the audit provides

- An independent opinion on the financial statements
- Reasonable, not absolute, assurance
- Risk-based testing and sampling
- Communication of significant matters and findings

What it does not provide

- A review of every transaction
- A guarantee that fraud or error does not exist
- A substitute for management's accounting and controls
- A clean bill of health for every operational process



The auditor owns the opinion. Management owns the financial information.

Three roles. One continuous cycle.

Reliable financial reporting depends on continuous, two-way communication.

MANAGEMENT

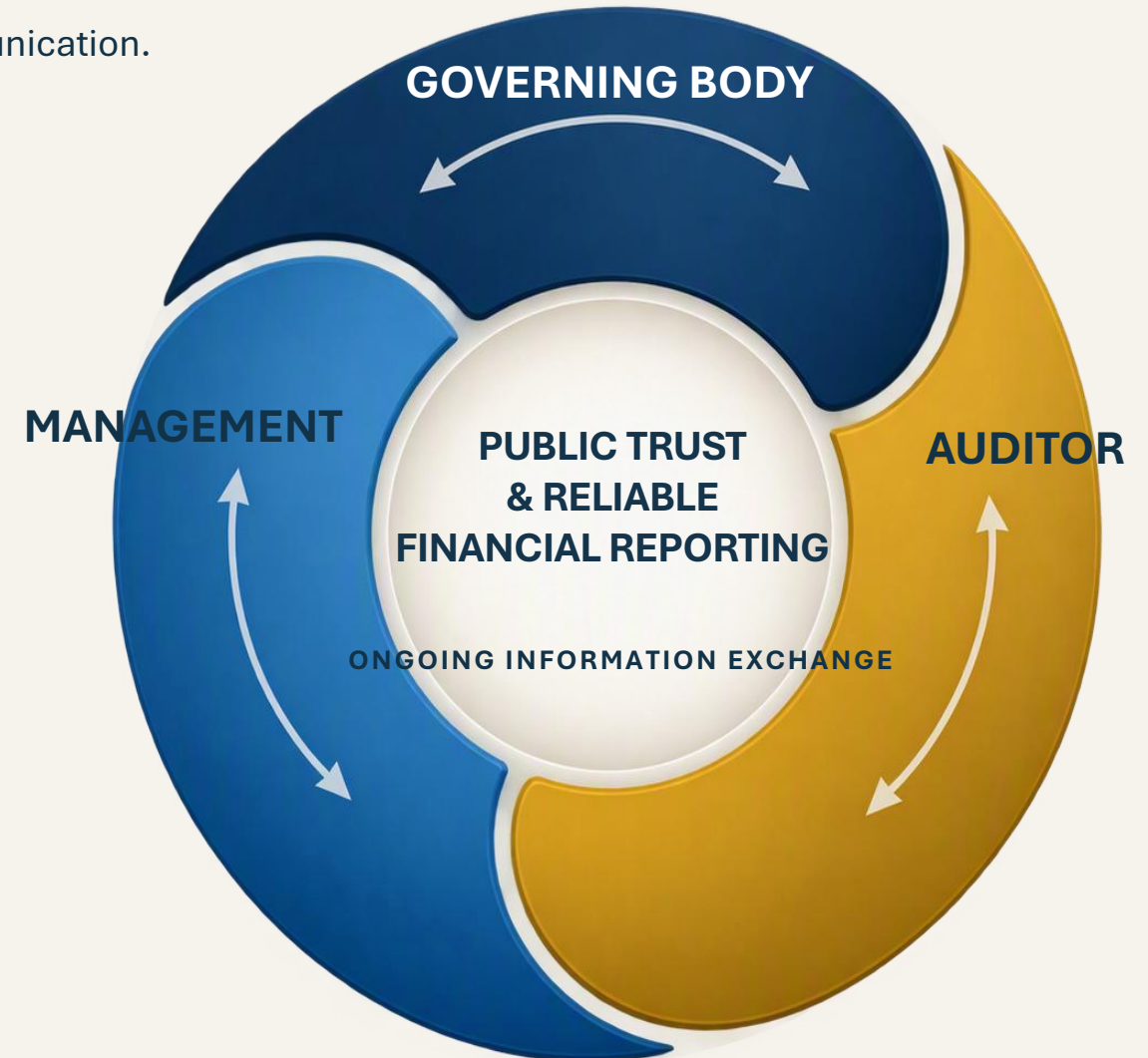
- Close the books
- Prepare schedules & statements
- Maintain controls
- Provide complete information

AUDITOR

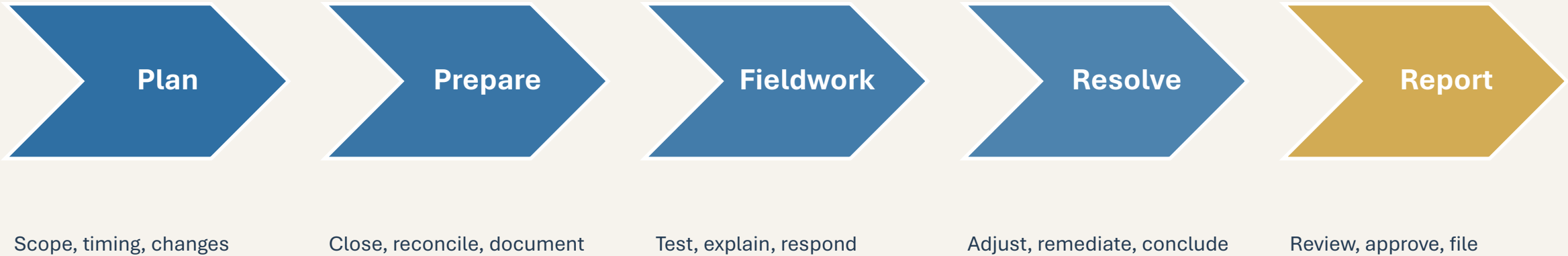
- Assess risk
- Test evidence
- Evaluate accounting and compliance
- Express an independent opinion

GOVERNING BODY

- Set the tone
- Oversee the process
- Ask informed questions
- Monitor findings and corrective action



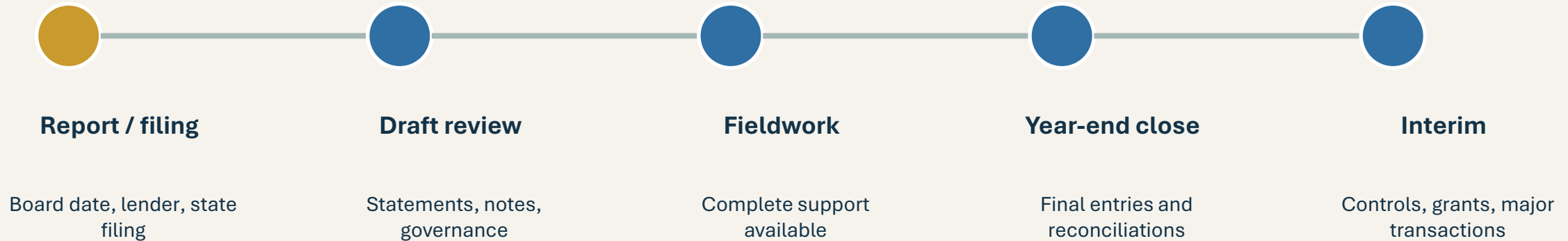
The audit starts months before fieldwork.



Audit readiness is a continuous flow, not a year-end event.

The best time to solve a reconciliation or documentation problem is when the transaction is fresh.

Build one calendar backward from the required completion date.



Make the timeline operational

Assign an owner, reviewer, due date, dependency, and status to every major deliverable.



Close cleanly before you “prepare for the audit”.



Cash and investments



Receivables and unavailable revenue



Payables and accrued liabilities



Capital assets and construction in progress



Debt, leases, SBITAs, pensions and OPEB



Interfund activity and fund balance / net position

Every balance should have a story: what it is, how it was derived, who reviewed it, and what supports it?

A good audit support package answers four questions:



1

What is this?

Clear title and purpose

2

Where did it come from?

Source and report parameters

3

Does it reconcile?

Tie to the ledger and statements

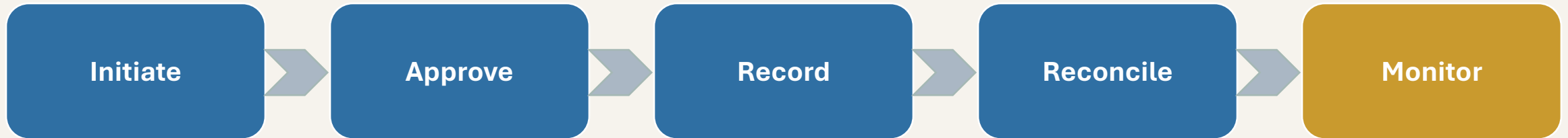
4

Who reviewed it?

Evidence of preparer and review



Document the process, not just the policy.



Who starts it?

Who authorizes it?

How is it entered?

Who checks completeness?

Who follows exceptions?

Auditors need evidence

A policy says what should happen. Evidence shows what actually happened.

Design for staff changes

Clear ownership and documentation protect continuity when roles change.

Alternative revenues create new audit questions.



Is the revenue legally authorized and properly classified?

Are rates, fees, assessments, or allocations calculated correctly?

Are restrictions, pledges, and allowable uses tracked?

Do billing, collection, and reconciliation controls work?

Are contracts, grants, and related disclosures complete?

New money often means new rules, new systems, and new evidence.

Grants: maintain the schedule all year.

Financial reporting file

- Award and amendments
- Assistance Listing / state project identifier
- Revenue and expenditures by program
- Pass-through and subrecipient data
- Match, program income, and restricted cash

Compliance evidence file

- Allowability support
- Procurement files
- Reports and draw requests
- Subrecipient monitoring
- Prior findings and corrective action



Treat major transactions like mini-audits.

Before approval

Accounting impact
Authority and restrictions
Required experts

At execution

Signed agreements
Board actions
Source documents

During the year

Entries and reconciliations
Compliance monitoring
Updated estimates

Before year-end

Disclosure support
Confirmations
Audit briefing memo

Examples: debt, leases, PPPs, acquisitions, settlements, major grants, new fees, system implementations.

Make fieldwork easy to navigate.

One coordinator

Route requests and monitor status.

Complete responses

Answer the question and attach the support.

Explain changes

Identify revised schedules and changed balances.

Escalate early

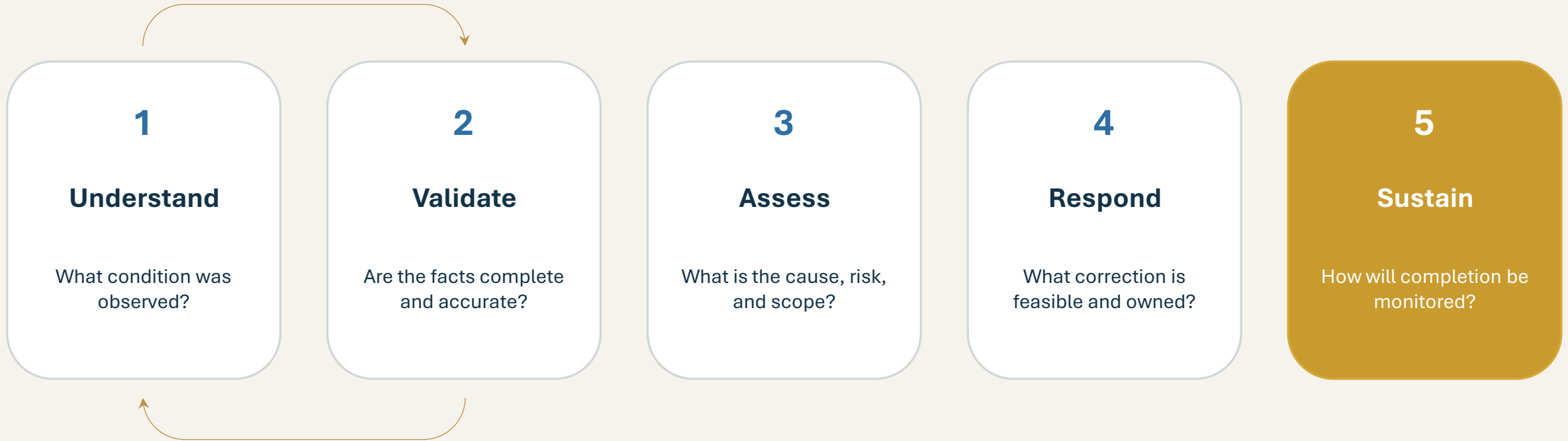
Raise delays, disputes, or missing evidence.

Protect focus

Use planned touchpoints instead of constant interruption.



When the auditor finds something:



Best response

Specific action + responsible owner + realistic completion date + evidence the fix will work.

Common audit bottlenecks and practical fixes:

Books still changing



Set a hard-close protocol and controlled post-close entries.

Schedules do not tie



Require preparer and reviewer signoff before upload.

Support is scattered



Use a standard evidence folder and naming convention.

New activity arrives late



Create a quarterly “what changed?” meeting.

Finance owns everything



Assign department-level document owners.

Prior findings repeat



Track corrective actions throughout the year.



Your 90-day audit readiness plan:

Days 1–30

Confirm filing and reporting dates
Assign audit coordinator
Review prior findings
Identify new activities and standards

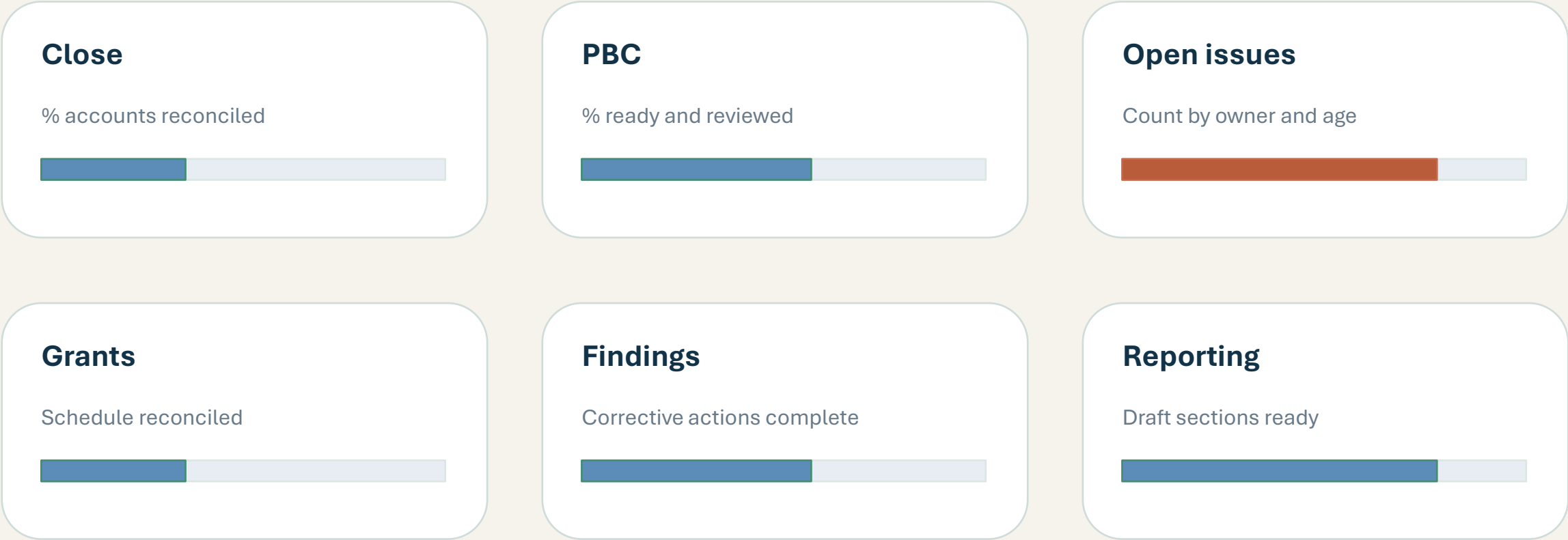
Days 31–60

Finalize close calendar
Update control narratives
Inventory confirmations and third parties
Start grant and capital schedules

Days 61–90

Dry-run key reconciliations
Review audit request package
Resolve known accounting issues
Brief governance and departments

Use a simple readiness dashboard:



The dashboard is not for the auditor. It is for management to see bottlenecks early.

What success looks like:



Fewer late adjustments

Shorter, calmer fieldwork

Clearer accountability

Faster issue resolution

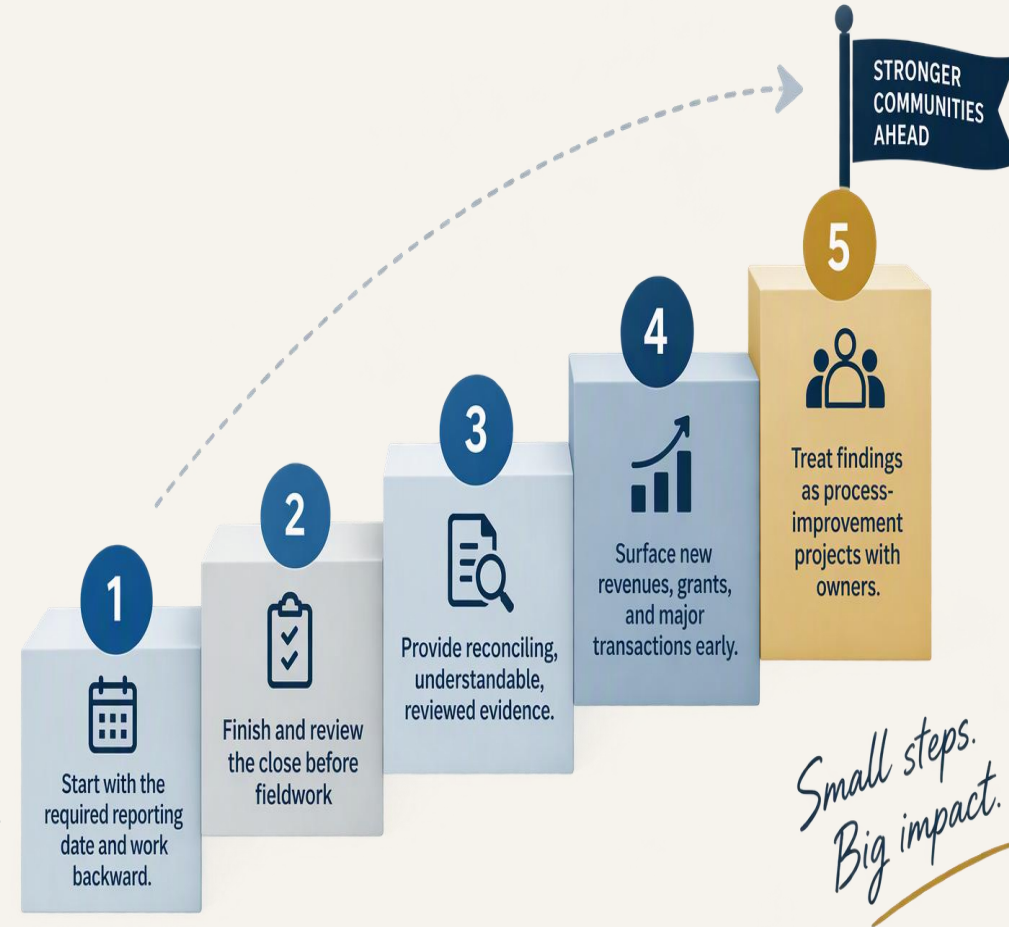
More timely reporting

Greater public trust

Preparation turns the audit from an annual disruption into a repeatable management process.

Five takeaways

- 1 Start with the required reporting date and work backward.
- 2 Finish and review the close before fieldwork.
- 3 Provide reconciling, understandable, reviewed evidence.
- 4 Surface new revenues, grants, and major transactions early.
- 5 Treat findings as process-improvement projects with owners.



QUESTIONS & DISCUSSION

What is the one audit bottleneck you want to solve before your next year-end?

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Thank you

