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Audit Survival Guide From Panic to Prepared

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Learning Objectives

- Understand common audit pitfalls and how to avoid them
- Improve communication with auditors
- Learn proactive planning strategies
- Implement year-round audit readiness!



... Why Audits Feel Overwhelming

- Tight deadlines
- Unpredictable requests
- Fear of being judged



The background image shows a group of people in a professional setting, likely an office or meeting room. They are gathered around a desk, looking at and pointing to documents. A laptop is visible in the lower right corner. The image is overlaid with a semi-transparent blue rectangle that contains the title text.

Common Audit Pitfalls (and How to Avoid Them)

... Common Audit Pitfalls

Documentation & Records

- Inconsistent record keeping & organization of documents
- Missing evidence to support conclusions
- Lack of ownership for maintaining documentation



... Common Audit Pitfalls, Cont.

Internal Controls

- Lack of internal controls
- Weak or poorly designed controls
- Controls exist but not operating effectively
- Overreliance on manual controls
- Lack of segregation of duties
- Failure to monitor control effectiveness



Common Audit Pitfalls, Cont.

Data & Systems

- Inaccurate or unreliable data
- Manual workarounds outside core system
- Weak access controls or user management
- Lack of audit trails in accounting system



Common Audit Pitfalls, Cont.

Staff & Training

- Staff are unaware of audit requirements
- Staff are unaware of organization's policies
- Staff have inadequate training on procedures and controls
- High staff turnover
- Key processes are dependent on one person



... Common Audit Pitfalls, Cont.

Risk & Compliance Management

- Failure to identify and assess risks regularly
- Reactive approach to compliance
- Not tracking regulatory changes
- Ignoring previous audit findings



... Common Audit Pitfalls, Cont.

Follow-Up & Remediation

- Weak or delayed corrective action plans
- No accountability for remediation
- Repeat findings from prior audits
- Lack of monitoring after fixes are implemented



FOLLOW UP

Common Audit Pitfalls, Cont.

Governance & Oversight

- Limited management or board oversight
- Unclear roles & Responsibilities
- Insufficient internal audit function support



... Common Audit Pitfalls, Cont.

Preparation & Readiness

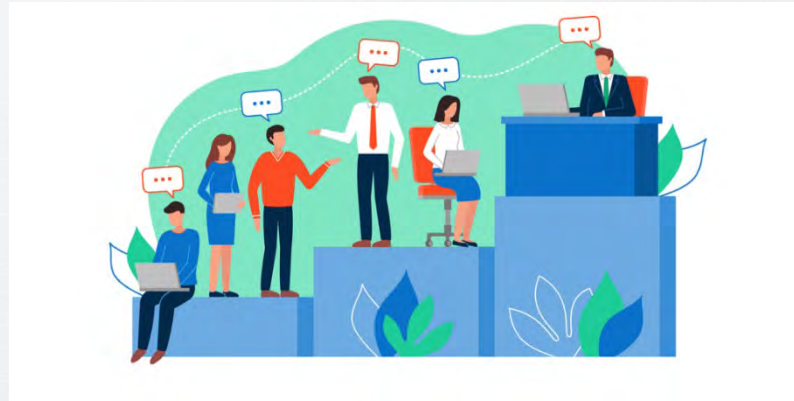
- Poor preparation of records
- Unclear on scope of information needed for audit
- Uncertainty of deadlines and expectations
- Lack of clarity and understanding of the audit process



... Common Audit Pitfalls, Cont.

Communication & Culture

- Defensive or uncooperative attitude to auditors
- Inconsistent responses to audit questions
- Fear or reporting issues or errors
- Poor tone at the top regarding compliance



A background image showing a business meeting. Several people are gathered around a table, looking at documents and a laptop. The image is overlaid with a semi-transparent blue rectangle that contains the title text. The text is in a bold, white, sans-serif font.

From Panic to Prepared: Best Practices for Audit Preparation

... Best Practices: Audit Preparation

Closing of Fiscal Year

- Bank Accounts
- Petty Cash Accounts
- Investment Accounts
- Prepaid Insurance
- Prepaid Expenses
- Accounts Receivable
- Fixed Assets
- Credit Card Accounts
- Accounts Payable
- Accrued Payroll
- Accrued Vacation
- Loan Accounts
- Line of Credit
- Deferred Revenue

... Best Practices: Audit Preparation, Cont.

Organizing Documentation

- Ask for Audit Request List (excel or word)
 - Or access to Audit Portal
- Maintain a central folder such as an "Audit" folder to save documentation
- Ensure documents are current and accurate
- Clearly label documentation

... Best Practices: Audit Preparation, Cont.

Organizing Documentation Continued

- Compiling Backup of Deposits
 - Checks received
 - Backup of ACH deposits via bank statement
 - Saving support electronically into Accounting Software



... Best Practices: Audit Preparation, Cont.

Organizing Documentation Continued

- Contributions Over \$5,000 – **Schedule B on 990**
 - Name of Donor
 - Address of Donor
 - Copy of Letter
 - Copy of Check
 - Or Bank Statement showing ACH deposit



... Best Practices: Audit Preparation, Cont.

Organizing Documentation Continued

- Compiling Backup of Expenses
 - Vendor Invoices
 - Vendor Receipts
 - Saving support electronically into Accounting Software
 - Support for all new Fixed Asset purchases



... Best Practices: Audit Preparation, Cont.

Organizing Documentation Continued

- Fundraising Events – **Schedule G on 990**
 - Revenue per event
 - Expenses per event
 - Cash Prizes
 - Non-Cash Prizes
 - Rent Facility Cost
 - Food & Beverages
 - Entertainment
 - Other Direct Expenses



... Best Practices: Audit Preparation, Cont.

Organizing Documentation Continued

- Current Contracts
 - Signed and notarized contracts
 - List of Grantors
 - Name of Grantor
 - Address of Grantor
 - Entity Type (Gov't)



... Best Practices: Audit Preparation, Cont.

Organizing Documentation Continued

- Statements & Reconciliation Reports
 - Bank Accounts
 - Investment Accounts
 - Loan Statements
 - Credit Card Statements
 - Line of Credit



Best Practices: Audit Preparation, Cont.

Organizing Documentation Continued

- Payroll Reporting
 - Save payroll reports per pay period
 - Quarterly 941 Reports
 - W-2s and W-3
 - Earnings of all employees through audit period
 - Any compensation paid to Board Members
 - Benefits paid by Organization for Executive Director
 - 1099-NEC filings for audit period



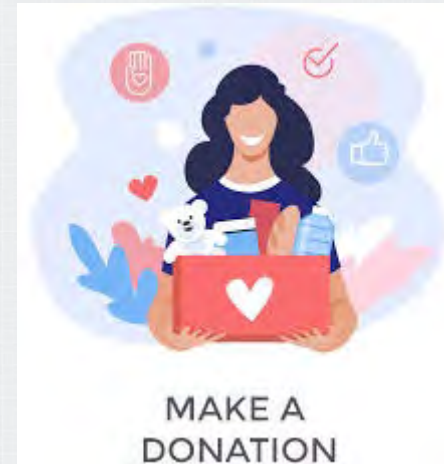
... Best Practices: Audit Preparation, Cont.

Organizing Documentation Continued

- In-Kind Donations

If the organization receives in-kind donations, it is important to track them on a spreadsheet

- Date of donation
- Description of donated item
- Value of donated item



... Best Practices: Audit Preparation, Cont.

Organizing Documentation Continued

- Policies & Procedures
 - Have established policies and procedures updated
 - Deposits
 - Disbursements
 - Journal Entries
 - Investments

Best Practices: Audit Preparation, Cont.

Organizing Documentation Continued

- Other Misc. Items
 - Final Board Approved Budget
 - Board Meeting Minutes
 - # of Volunteers



... Best Practices: During The Audit

Availability

- Coordinate with auditors for a time that works for both parties
- Be sure scheduled time allows for **proper preparation!**
- Typically, a week is scheduled for field work
 - Try not to schedule other meetings, trips, etc.
- Make yourself available after week of field work for any follow-up items needed or additional questions



... Best Practices: During The Audit, Cont.

Communicating With Auditors

- Keep responses, clear, direct and factual
- Provide documentation
 - Additional explanations when necessary
- Redirect question to correct person when necessary
- Ask for clarification on questions when needed



... Best Practices: During The Audit, Cont.

Timeliness

- Try to dedicate scheduled time to the audit as best you can
- Respond to auditors' inquiries as quickly as possible
- Provide selection support as quickly as possible



... Year-Round Readiness

Be Proactive!

Stay on top of documentation regularly!

- Create an electronic filing system to maintain records
 - Saving deposit support as they happen
 - Saving expense support as they happen
 - Saving statements each month
 - Saving Contacts once executed
 - Saving Payroll Reports after each processing
 - Save Board Meeting Minutes after each meeting

Questions





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