

January 2021

Private Foundations Bulletin

Planning Considerations for Foundations Undergoing Audits in the Coming Months

As a new year brings on a new audit season, foundations that undergo a financial statement audit need to ensure they are properly prepared to enable the process to proceed with minimal issues and disruption to their operations. Although most foundations likely had a portion or all of their prior year audit conducted remotely due to the outbreak of COVID-19, this will be the first year that a majority of the annual accounting functions and records are completed remotely by foundation personnel. Foundations will need to ensure that the collection of reliable audit evidence is compiled and readily available in order for the audit to be conducted smoothly.

Policy and Procedure Updates

Foundations will need to review their policies and procedures documentation ahead of the commencement of field work for any changes that have occurred as a result of foundation personnel working remotely due to the pandemic. As changes in internal controls may have occurred, auditors will rely on these newly-implemented control processes to determine the audit procedures and audit documentation required for testing. Due to the change in the audit environment, foundations need to prepare for potential changes in the historically-conducted audit procedures.

Communications

As a majority of inquiries were previously done in-person during on-site field work, foundations should now prepare for an increase in telecommunications, electronic and USPS mail, and video conferences to conduct required audit steps and procedures. As the completion of these audit steps and procedures could take longer utilizing these forms of communication, it is recommended that the foundation consider this when agreeing to a deliverables schedule with their auditors. When audit requests are provided, the foundation will need to determine the most efficient, effective and secure way that the supporting documents and information can be submitted. This pivot in the auditing process has resulted in foundations providing such documentation in a variety of ways such as:

- Uploading documents to a preferred portal;
- Mailing documents to the auditor's office or home; and
- Visual observations via video conferences.

Start to Prepare Now

Due to the continued uncertainty presented by the pandemic, foundations need to continue to support the continuity of the foundation's mission. Foundations should also be prepared for increased audit consideration regarding the valuation of year-end balances and subsequent market activity in 2021. If after discussions, it is determined that the audit cannot be conducted remotely, the foundation should discuss safety protocols with their auditors prior to them arriving on-site. Foundations reviewing these considerations ahead of the audit planning meeting and the start of field work can further ensure a smooth audit process.

We encourage foundations to reach out to their auditors during the preparation stages to confirm that the foundation's preparation is being conducted in a manner that aligns with the auditor's required audit procedures.

Contact Us

We welcome the opportunity to answer any questions you may have related to this topic or any other accounting, audit, tax or advisory matters relative to private foundations. Please call 212.286.2600 or email any of the Private Foundation Services team members below:

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