

Top 10 Ways to Prepare for Your Financial Audit

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As the June 30th fiscal year-end approaches, getting ready for the annual financial audit should be paramount. This is a challenging time for your accounting department staff because – on top of their day-to-day responsibilities – preparing for the audit will put pressure on their schedules.

With the goal of making this annual audit process easier and less stressful, we have put together a list of some of the best ways to prepare for your upcoming audit.

1. Make sure your trial balance is reviewed:
 - a. Check your opening balances against the prior year-end audit balances to ensure the accepted prior year audit entries have been posted.
 - b. Make sure all cash accounts have been reconciled.
 - c. Verify that equity accounts have rolled forward properly and review any activity posted in the past year.
 - d. Review account balances. Be on the lookout for accounts that don't appear accurate.
2. Prior to the audit start date, reach out to your independent auditors and ask them for a preliminary list of items needed for the audit. If possible, send them a trial balance. By sending a preliminary trial balance early, you will receive a more comprehensive list. This list is a great tool to get you ready before the auditors arrive for fieldwork.
3. Communicate with others in your organization the audit start date and inform them as to when they need to have their assigned schedules/reconciliations completed.
4. Reach out to your auditors throughout the year when you encounter significant issues or new accounting pronouncements that affect your organization. Consult with them if needed. By doing this early, you will avoid surprises and delays in completing your audit.
5. Respond to emails from your auditors; avoiding them will only delay the completion of your audit.
6. Reach out to your program directors and/or funding agencies and verify funding sources to determine if there is any federal funding. By doing this, you will be able to prepare your schedule of federal awards early and determine if you will need a single audit.
7. Identify related parties and related party transactions. Inform your auditors if you have any or if there have been any changes. This will allow them to plan accordingly.
8. Update internal control narratives/procedures if changes occurred. Provide these to your auditors so that they can update their permanent files.
9. Have your human resources department review employee files and make sure they contain all relevant forms/documentation.
10. Reach out to program directors and provide them with a date as to when you need invoices so that if they need to be accrued it can be done before the accounts are closed.

Exit Note

To be prepared is half the victory the Spanish writer from the 1600s Miguel de Cervantes tells us. Still true. In addition, many organizations use preparing for their annual audit as a way to check on their

accounting “fitness” uncovering areas which could use fiscal improvement. So, welcome your annual audit as it serves two purposes when efficiently prepared for and completed.

Contact Us

For more information about preparing for your annual audit, contact the partner in charge of your client account or Matt McCrosson, Partner at mmccrosson@pkfod.com or Oscar Urena, Senior Manager at ourena@pkfod.com.

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