

## What to Ask Your Auditor

Presented March 2, 2019  
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## What Your Auditors Bring to the Table

- An experienced auditor brings years of breadth and depth of school district specific knowledge to your district
- Remember – they are consultants too, not just number crunchers
- A good audit firm is a partner with the district – not just a policeman
- Auditors are an independent voice

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## What Your Auditors Bring to the Table

- Hire audit firms that provide auditing services to many districts and other governmental and nonprofit organizations
- Use their knowledge and experience – there is no charge for answering your questions



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## When Can I Ask Questions

- If questions arise during the year, follow your District communication protocol
- At audit time:
  - Auditing standards require communication between the auditor and the district before audit work begins
    - You should be provided a copy of the engagement letter by your finance department/superintendent



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## When Can I Ask Questions

- Auditors are also required to communicate directly with those in governance at the beginning of the audit – SAS 114/SAS 115 – you see the final result of that communication in the form of a letter in your audit report
  - Make this pre-audit meeting part of a finance committee or committee of the whole so that you can have interaction with the audit firm before the audit ramps up



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## When Can I Ask Questions

- The auditor will ask some standard questions in this meeting related to controls, known weaknesses, what is new in the district, any new key employees and are there any areas of concern where audit attention should be devoted
- Conclusion of the audit
  - Have a finance committee or committee of the whole meeting before the formal board meeting presentation to review the audit report and other communications in more depth
  - Get a copy of the reports in advance of presentations



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## What Kind of Questions Should I Ask

- Financial Audit
  - What type of opinion did the audit firm issue on the district's financial statements?
    - Answer needs to be "unmodified", aka "clean"
  - Did the auditors find or propose any material correcting entries
    - If they did have material corrections it may be an indication that the district has some control weaknesses and financial data reported to the Board throughout the year may not have been accurate



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## What Kind of Questions Should I Ask

- Financial Audit – continued
  - Did the district implement any new accounting pronouncements and what was the effect on the district's financial reports?
  - We have many funds in the district and approve budgets for them, why don't I see them all in the audit report?



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### What Kind of Questions Should I Ask

- Financial Audit – continued
  - Fund Balance – what is our General Fund Balance and what is that as a percentage of our expenditures?
    - What is the right percentage?
  - Debt – where is our total outstanding long-term debt reported?
    - We refunded/refinances debt this year – how much money was saved?



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### What Kind of Questions Should I Ask

- Financial Audit – continued
  - We have a sinking fund or a bonded capital projects fund
    - Did you audit those expenditures and where would I find the results/conclusions related to those procedures?
  - I see a footnote that say we have more uninsured than insured funds sitting in our bank accounts – why is that, and is it normal?



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## What Kind of Questions Should I Ask

- Federal Programs
  - Did we require a separate audit of our federal programs?
  - What program(s) were tested?
  - How did we do?
    - Any control deficiencies?
    - Compliance violations?
    - Questioned costs?



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## What Kind of Questions Should I Ask

- Federal Programs
  - Where are those reports and is there 1 page that I could look at to see those results summarized?
  - You have reported a compliance finding and/or and internal control deficiency in our audit – what does that mean for the District?



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## What Kind of Questions Should I Ask

- Internal Controls
  - What kind of audit work was done related to the internal controls at the district?
  - Did you have any concerns?
  - Where would your concerns be reported?
  - Do we have enough people/processes to make sure we have proper segregation of duties?
  - We instituted a new electronic payment system this year, did you test that new system?



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## What Kind of Questions Should I Ask

- Internal Controls – continued
  - District or Organization XX was just in the news because money was stolen from fundraising accounts. Have we as a district addressed how we control and account for these types of accounts?



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## What Kind of Questions Should I Ask

- Compliance with laws & regulations
  - What are some of the major items in this area that we should be concerned with?
    - Budgeting Act
    - Transparency Reporting
    - Categorical state aid
    - Early warning legislation
    - Sinking fund / bonded capital project requirements



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## What Kind of Questions Should I Ask

- Compliance with laws & regulations – con't
  - Where are such matters reported if there was an issue?
  - Consequences?



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## What Kind of Questions Should I Ask

- **Comparatively Speaking**
  - How do we compare to other districts/our peers on cost of services?
    - Cost of Transportation
    - Cost of Custodial and Maintenance
    - Cost of Administration
    - Cost of Business Services, etc.
    - Cost of our General Fund debt load



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## What Kind of Questions Should I Ask

- **Comparatively Speaking - continued**
  - How do our revenue streams compare to other districts/our peers?
    - Local revenues
      - Property taxes
      - Building rentals
    - State revenues
      - Foundation allowance
      - Categoricals



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## What Kind of Questions Should I Ask

- Comparatively Speaking - continued
  - Intermediate Sources
    - ACT 18
    - Countywide Enhancement Millages
  - Federal Sources



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## What Kind of Questions Should I Ask

- Best Practices
  - Are you seeing other Districts doing things differently than us that we could look at implementing?
  - What new things are other Districts doing that you don't see us doing?
  - We don't have a sinking fund. How is this actually or potentially impacting us?



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## What Kind of Questions Should I Ask

- On the Horizon
  - Are there any new accounting pronouncements, contemplated state legislation or federal mandates in the near future that will impact our district?
  - Any changes to the way our state aid will be calculated?
  - Any changes to the retirement or OPEB systems we need to be aware of?



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## Questions

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