

Board Training Series

Part V

Financial Oversight and the Audit Process

May 15, 2018

Basic Fiscal Literacy for the Board

- Overall duties of Board members
 - Fiscal Oversight:
 - Understanding non-profit financial statements
 - Purpose of a financial statement audit
 - Internal controls
 - Fraud
 - Single audit
 - Monitoring budgets
 - Key ratios
 - Relationship with auditor:
 - Hiring auditor
 - Independence

Board meeting with auditors

What's involved from an Auditor's perspective for the audit to run smoothly?

- Pre-audit meeting:
 - What auditors should be talking about
 - Timing of audit and deliverables
 - Planned Audit scope and approach
 - Responsibilities of management and the Board
 - Responsibilities of the audit firm
 - Industry developments
- Post-audit meeting
 - Auditor's report
 - Financial statement highlights
 - Ratios and benchmarks
 - Communications with those charged with Governance
 - Communicating internal control related matters
 - Significant findings (GAS report)
 - Control deficiencies
 - Significant deficiencies
 - Material weaknesses
 - Repeat comments

What's involved from an in-house/financial services provider's perspective for the audit to run smoothly?

- Prepare for the Interim Testing in the April-June Timeframe
 - Understand exactly which types of documents the auditors may review for Quarters 1, 2 & 3: Student Records, HR files, Cash Disbursements, etc.
- Prepare for the Audit in the Summer
 - Understand the punchlist of items the auditors may ask for related to the tests they will perform including but not limited to:
 - FPPM, HR Manual, Student Records (Q4), HR Files, Contracts, Leases, Loans
 - Trial Balance per School, Cash Disbursements (Q4 & in new FY to date)
 - Bank Reconciliations/Cash Balances, Revenue Reconciliation
 - Quarterly Payroll Reconciliations, A/P Schedule
 - Accrued Expense Schedule, Prepaid Expense Schedule, Fixed Asset/Depreciation Schedule
 - Board Meeting Minutes/Finance Committee Meeting Minutes
 - Budget vs. Actuals, Prior FY Actuals vs. Current FY Actuals, Statement of Functional Expenses

Common mistakes that schools make and potential best practices to help them avoid repeating those mistakes

Top 10 things to consider:

- 1) Financial Policies and Procedures Manual
- 2) Don't wait until year-end to do a hard close
- 3) Accrued salaries
- 4) Communicate with auditors throughout the year
- 5) In-kind goods/services
- 6) Grant management/revenue recognition
- 7) SPED concerns
- 8) Insurance
- 9) Credit cards
- 10) Escrow accounts

Other considerations to keep in mind

- Questions to ask a potential auditor
- Replication
- Replicating into different states
- Merging
- CMO