

# Audit Prep

Thursday 8-18-22 Part I  
Thursday 8-25-22 Part II

# Audit Prep Goals



- Preparing Business Officials to have a successful and informative audit.
- General knowledge about Audits & Auditor's role.
- Understanding of CDE & State Auditor Requirements & Timelines.
- Knowledge of available CDE resources
- Identify universal items with Audit implications.

# Audit Prep Topics

1. Role of Auditor
2. Types of Opinions
3. Colorado School District/BOCES Audit Deadlines & Extensions
4. Summary of Audit Procedures
5. CDE Contacts and Trainings
6. CDE School Finance Website Resources
7. Auditor Communication
8. First Steps
9. Universal Balance Sheet items
10. Wrap Up and Part II

# Role of the Auditor



- The primary role of the auditor is to render an opinion on the accuracy of the financial statements.
  - Heavy emphasis on the Balance Sheet.
  - Modified Accrual vs Cash Basis
- Auditors are Independent Reviewers
  - Independence means that the district should be booking all transactions and year-end audit entries, and Auditor reviews entries. Perhaps, adding some entries to correct submitted.
- It is not the auditor's primary responsibility to detect fraud, although they do have to perform procedures to check for it.
  - The auditor has a responsibility to **plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement**, whether caused by error or fraud.

# Types of Audit Opinions

## The four types of auditor opinions are:

- Unqualified opinion-clean report. **99% of Districts receive this opinion.**
- Qualified opinion-qualified report.
  - The qualifying [opinion](#) is the type of modified audit opinion where auditors conclude after their testing that there is a material misstatement found in the financial statements. However, those misstatements are not pervasive. Pervasive here is a bit subjective as it is based on the auditor's judgment.
- Disclaimer of opinion-disclaimer report.
  - [Disclaimer of opinion](#), by the way, is different from both qualified and adverse. The auditor issued the disclaimer of opinion where they could not obtain and were unable to access the audit evidence for an individual item or in aggregation to support their testing.
- Adverse opinion-adverse audit report.
  - [The adverse opinion](#) is issued to the financial statements where auditors examined and concluded that those financial statements are materially misstated and pervasive. Compared to qualified opinion, [adverse opinion](#) is more serious.

**Note: Single Audit Opinions (for Federal Grants) are separate from regular audit opinions**

# Colorado Pre-K12 Audit Deadline

## CDE Reporting Requirements

- Complete PDF or bound annual financial statements covering all funds and activities, including appropriate combining and individual fund statements, & “final” auditor’s data integrity report must be prepared, audited and submitted to the state auditor no later than **December 31** of each year. Additionally...
- CDE requires the Audit document sent to the state auditor by **December 31**, along with:
  - [“Assurances for Financial Accreditation”](#) and any [Amendment A](#) for non-compliance.
  - Finalized Pipeline reports:
    - Reconcile the Warnings on the 1st Tier Error Detail (account code check) & 2nd Tier Edit error Detail Roll-Up report (Business Rules check).
    - Grant Revenue Reconciliation Report

# Timeline July-December

## Late July/Early August

### Reports and Activities posted on School Finance website

- Financial Data Warehouse Sub-Recipient Report FY 2022
  - Shows on a “**Cash Basis**” grant revenue that was distributed from CDE. Revenue Source Code 3000 for State & 4000 for Federal
- State revenue check figures (XLS)
  - Check figures for State Share, ELPA, Charter & CPP allocations
- [PERA: Modified Accrual Calculation \(XLS\)](#) The District/BOCES percentage to populate the Calculation Worksheet is available on the School Division Trust Fund report accessed through the PERA STARS portal.
- USDA Foods check figures (XLS)
  - Shows the amount to book for commodities
    - *Revenue Source Code 4010, not distributed by CDE*

## August/September/October/November

Pipeline opens up

- Received an email on 8/1/22 through the Listserv from Yolanda Lucero
- Suggestion to submit early to pass 1st Tier Error Detail Report (*Chart of Account combination elements*)
  - *All Tier 1 errors must be resolved before moving to Cognos reports & Tier 2 errors*
- Pipeline Tier II error corrections
  - Submit financial data through Pipeline to pass Tier 2 errors & edits (*Business Rules-comparing amounts expected to be reported, required Grant reporting, & other requirements*)
  - *All Tier 2 errors must be resolved before final submission.*
- Auditor Review & Draft financial statements



# Timeline-Continued



## Before December 31

- Final Audit must contain a district provided Management, Discussion and Analysis (MD&A)
  - Should have a template from previous year
  - Specific detail must be covered, work with Auditor
- Finalize, Report **(No Action)** to BOE, send in documents to State Auditor & CDE, and post the Audit on your Financial Transparency webpage.

# Audit Extension



- Extension request sent to State Auditor, who then either grants or denies the extension request.
  - *CDE honors the State Auditor's decision.*
- Extensions **MAY** be granted to March 1st
- No Extensions are allowed after March 1st
- What happens if you go past March 1st
  - *State Auditor notifies the County Treasurer to suspend Property Tax Remittances*

# Summary of Auditor Procedures

- Primary procedures of the auditor are to verify every single balance sheet account (*Assets, Liabilities, & Fund Balance*)
  - If the Balance Sheet is accurate, the income statement has to be accurate.
  - *Pipeline report Bolded Balance sheet after tier 2 edits are passed.*
- Secondary procedures on the income statement are more summarized and analytical
  - ***Budget to Actual & Prior Year Variances will produce a better budget next year.***
- Auditors will do extensive procedures on **internal controls** in order to determine if they can “rely” on the accuracy of transactions
  - Especially in the IT area.
  - Develop with help of Auditor.

# Audit Prep

## CDE Website Pipeline Resources

### Universal Balance Sheet Items

## Upcoming CDE Trainings

<https://www.cde.state.co.us/cdefinance/upcomingschoolfinancetownhallsandtrainings>

- **Thursday, September 22, 2022 Financial Policies & Procedures**
- **Monday, September 26, 2:00pm-3:00pm: Flow Through Accounting & Internal Service Accounts**
- **Thursday, September 29, 9:00am-10:30am: Bank Reconciliations**
- **Monday, October 10, 2:00pm-3:00pm: Data Pipeline Submission - An Open Office hours to answer district questions about Finance December or data pipeline.**
- **Thursday, October 20, 9:00am-10:00am: Single Audit Process**

## CDE support staff Contact information

### **Yolanda Lucero- Fiscal Data Coordinator**

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Contact for questions about: Year-end audit reviews, finance December data pipeline submission, Financial Transparency website, CDE 40 submission, grant codes, indirect cost rates

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Contact for questions about: School finance team / individual training and support

### **Glenn Gustafson - Part-Time School Finance Program Manager**

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Contact for questions about: School finance team / individual training and support. Technical accounting questions

# Audit Prep-Pipeline

***DATA Pipeline is the avenue that you submit data to State School Finance Website <https://www.cde.state.co.us/cdefinance> Bottom Right Corner***

## ***Training presentation***

- **Monday, October 10, 2:00pm-3:00pm: Data Pipeline Submission** - An Open Office hours to answer district questions about Finance December or data pipeline.
  - [Link to Meeting](#)

[Data Pipeline: Quick Reference \(PDF\)](#)

[Data Pipeline: Reconciliation Checklist \(PDF\)](#)

[Data Pipeline: Finance December Details](#)

[Data Pipeline: Helpful Hints for Business Rules -NEW](#)

[Data Pipeline: Single Sign-on \(Need Login from District LAM\)](#)

[Assurances for Financial Accreditation](#)

[Where Do I Send My Audit?](#)

## Auditor

- *Auditor is your friend!*
- Contact your Auditor for schedule & the Performed By Client - PBC list
  - Schedules needed to review financial information
- Auditor is an Independent reviewer. They should be reviewing your work and giving an opinion
  - Some of your Auditors may be doing some of the closing entries for you.
  - However, the ultimate goal is that the Auditor doesn't give you any entries to book.



# Audit Prep - First Steps

- Confirm that Ending FY21 balance sheet and income statement still matches the FY21 audit figures. Ensuring no mistaken entries were made back in FY21. *Then Confirm FY21 ending balance sheet figures EQUAL FY22 beginning balance sheet figures.*
- **Bank Reconciliations:**
  - First thing Auditor will ask for is June 30 Bank Recs and previous months.
  - Cash balances are never adjusted during the Audit after reconciled. Other Balance Sheets are used: Accounts Receivable or Liabilities and are cleared in FY23
  - **Trainings**
    - **Thursday, September 29, 9:00am-10:30am: Bank Reconciliations**
      - <https://www.cde.state.co.us/cdefinance/upcomingschoolfinancetownhallsandtrainings>
- **Timing**
  - Expenses - The fiscal period is determined by when the services was provided or the item is on-site(not in use)
    - Recommend two AP runs, one for FY23 and one for FY22 through August (Auditor should guide Accrual window & materiality levels)
  - Request for Funds all Grants.

## Universal Balance Sheet Items

- Property Tax Entry
  - Records the difference between the Dollar amount Certified in December 2021 and collected through district cutoff month. Collection should be in the high 90s%.
    - Through June, Paid on July 10th
    - Through July, Paid on August 10th
    - Though August, Paid September 10th
  - The balance sheet entry to record the difference between Certified and Collected at the cutoff is a debit to XX-8121 (Taxes Receivable) and credit to XX-7800 Unearned Inflows.
  - This entry gets reversed in FY23

## Universal Balance Sheet Items

- Salary & Benefit Accrual -
- Records the payroll expense in occurs in FY23 back to FY22. The "Contract" days have been worked in FY22, thus the expense needs be recorded in FY22.
  - What month does new contracts/payroll change?
    - Does it vary among employee groups?
  - General Ledger System usually should make entry
  - Debit Salary & Benefit Expense, Credit XX-7461, not CASH.

## Universal Balance Sheet Items

- Grant Reconciliation-
  - Resources on [Website](#) Lower Right hand side under Pipeline
    - Financial Data Warehouse Sub-Recipient Report FY 2022
      - Shows the cash disbursements from 7/1/21-6/30/22
      - Grants Receivable from FY21 will be in FDW, and should NOT be in FY22 Revenue
      - Grants Receivable from FY22 will NOT be in FDW, but should be in FY22 Revenue
    - State revenue check figures (XLS)
      - Provides correct State Share, Charter school allocation, CPP allocation
    - Grant Revenue Received Reconciliation Report in pipeline from FY21
      - Provides Cash Disbursed vs Revenue booked with FY21 & FY22 Grants Receivable & Unearned Revenue from FY21 & FY22
    - USDA Foods check figures (XLS) Commodities
      - Revenue 21-XXX-XX-XXXX-4010-XXX-4555 & Expense 21-XXX-XX-XXX-0633-000-0000
  - Close out or make inactive grants that have expired-Keep Chart of Accounts clean.

## Universal Balance Sheet Items

- **Categorical-from the State**

- Colorado school districts may receive state funding to pay for specific programs designed to serve particular groups of students or particular student needs. Such programs often are referred to as “categorical” programs. While there are many different programs which may be funded, the six primary categorical program areas which regularly receive state funding are:
  - English language proficiency education-3140 - **Book Actual Expense**
  - Gifted and talented education-3150 - **Book Actual Expense**
  - Small attendance centers-3170 - **Book Actual Expense**
  - Special education-3130/3131 - **Book Actual Expense**
    - *Review your Preliminary Maintenance of Effort, by reviewing FY21 total 3130/3131 expense to FY22 total 3130/3131 expense*
  - Transportation-3160-**No Expenses Booked to 3160**
  - Vocational education-3120 - **Book Actual Expense - (CTA Pipeline Warning)**
- Expenses by Grant code must equal or be greater than Revenue
- Should report exact costs-DO NOT manipulate expenses.

## Universal Balance Sheet Items

- Request For Funds (RFF)-State and Federal
  - **Federal grants are RFF**
    - Revenues must equal Expenses at the end of the year for the pipeline.
      - If using Fund 22, there is no Fund Balance
    - End of year Accounting
      - Manual AJE(booking) done at end of year.
      - Grants Receivable balance sheet is booked, when the RFF was done, but money was received AFTER 6/30/XX.
        - Debit **8142-000-XXXX** & Credit Revenue.
          - BEST PRACTICES–RFF done in Oct, Dec, Mar, & May. Earlier and more often if cash flow is a district concern.
        - Receivable is “cleared” when the cash is received by booking:
          - Debit to Cash & Credit to **8142-000-XXXX** in Following Fiscal Year.
        - *SHOULD NOT have Unearned Revenue 7482-000-XXXX end of year booking. Only should Request for Funds that have been already disbursed.*
    - **Some State grants are RFF**
      - Library
      - Some CDE competitive, including BEST

## Universal Balance Sheet Items

- **Advanced** Grant Revenue-Mostly State, including some Categoricals
  - Revenues must be equal to OR less than Expenses.
    - End of year Accounting
      - Manual AJE *may* be done at end of year-Check Grant requirements.
    - Impossible to have Accounts Receivable end of year booking. **8142-000-XXXX**, cash was advanced.
  - When Revenue is less than Expenses. Unearned Revenue balance sheet is booked:
    - Debit Revenue & Credit Unearned Revenue **7482-000-XXXX**
    - In Following Fiscal Year, Unearned revenue is “cleared” by Debit **7482-000-XXX** and Credit to Revenue, then spend the remaining.

## Universal Balance Sheet Items

### Food Service Fund 21 Inventory

- **Inventory 21-8172 Asset-Record the Year over Year change.**
  - **If Current Year is larger than Previous Year**
    - Debit 21-8172 & Credit Food Cost 21-740-00-3100-0630-000-0000
    - Debit 21-6710(Nonspendable Fund Balance) & Credit 21-67XX (depends upon districts Fund 21 Fund balance account)
  - **If Current Year is smaller than Previous Year**
    - Credit 21-8172 & Debit Food Cost 21-740-00-3100-0630-000-0000
    - Credit 21-6710(Nonspendable Fund Balance) & Debit 21-67XX(depends upon districts Fund 21 Fund balance account)
  - **21-8172 Must Equal 21-6710**



## Universal Balance Sheet Items

### Food Service Fund 21 Patron(Student & Adult) Accounts

- **Record the Year over Year change.**
- **If Current Year is larger than Previous Year**
  - Student Accounts: Debit 21-000-00-0000-1611-000-4555(Paid student Lunch Revenue) & Credit 21-7481 (Unearned Revenue)
  - Adult Accounts Debit 21-000-00-0000-1621-000-4555(Paid Adult Lunch Revenue) & Credit 21-7481 (Unearned Revenue)
- **If Current Year is smaller than Previous Year**
  - Student Accounts Credit 21-000-00-0000-1611-000-4555(Paid student Lunch Revenue) & Debit 21-7481 (Unearned Revenue)
  - Adult Accounts Credit 21-000-00-0000-1621-000-4555(Paid Adult Lunch Revenue) & Debit 21-7481 (Unearned Revenue)

## PERA

- **Net Position Financials are obtained from PERA through STARS**
  - **Many districts' Auditors will handle those entries**
- **On-Behalf or PERA modified Accrual calculation (Non-Cash & in Financials)**
  - Estimates District's portion of the State's direct payment to PERA-*Usually \$225 million a year*
  - % of calculation was given in a July 26th email (*see lower right section of School Finance webpage for calculation template*).
  - Need to login to STARS and download the file that shows the district specific % to be applied
  - **Accounts needed**
    - Revenue account 10-000-00-0000-3010-000-3898
    - Expense object code 0280 with grant code 3898 (Program/Level determined by District & Auditor)
      - The expenditure account must include Location, program, & job code.
  - FY21 Financials DID NOT include
  - FY22 Is it Budgeted?
  - FY23 Is it Budgeted? Estimated to be 275% of FY22's amount. in FY23, Usual \$225M + missed in FY21 \$225M + \$155M of Prepayment



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## Part II

- **Review/Finish Part I**
- **Bring your specific questions/issues**
  - **Assume others have the same question**