



Audit Success: Preparation Tips and Key Updates

Presented by Jordan Dittmer, CPA



Welcome

- This presentation is being recorded and will be emailed to you after the event along with the slide deck.
- Submit any questions using the Q&A feature at the bottom of your screen.

AIU	HJI	WWE	PLO	EER	ORT
1,822	20,369	890	6,350	10,985	665
(-35)	(+580)	(-20)	(+200)	(+580)	(-15)
MBC	LJH	MJB	PON	NFR	UGH
3,405	9,542	2,609	7,654	4,522	1,632
(+210)	(-128)	(+35)	(+169)	(-122)	(-56)
YBV	QMN	MMJ	IT	KLM	CCX
3,204	5,211	7,100	7,150	782	1,901
(-33)	(+156)	(-60)	(-150)	(-74)	(+101)
MBB	WFF	HJM	OL	SDH	
3,320	712	134	2,022	631	6,287
(+90)	(+12)	(-5)	(-18)	(-40)	





Jordan Dittmer, CPA

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Jordan joined Wegner CPAs in 2019 after obtaining his master's degree in professional accountancy from the University of Wisconsin-Whitewater. He specializes in non-profit audits especially in the Madison area. In addition to auditing, he is one of the trainers for new assurance hires.



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Learning Objectives

- Apply best practices that contribute to a smooth and efficient audit process.
- Navigate the audit preparation checklist and understand key document requests.
- Anticipate common audit findings and implement strategies to prevent them.
- Stay organized year-round to minimize last-minute stress.
- Recognize recent updates to audit and accounting requirements.

Overarching Theme

Clients and Auditors are a TEAM



Organizations

Auditors

Don't
necessarily
love audits

Want the
audit to
go
smoothly

Love audits

What makes a successful audit experience?

Deadlines are met on time or ahead of schedule

Does not feel overly burdensome/taxing to either party

No significant journal entries or control findings

No surprises

Opportunities for insight and feedback



Apply best practices that
contribute to a smooth and
efficient audit process

How can you aid in a smooth audit?

#1: Set fieldwork dates that work for you and block them on your calendar.

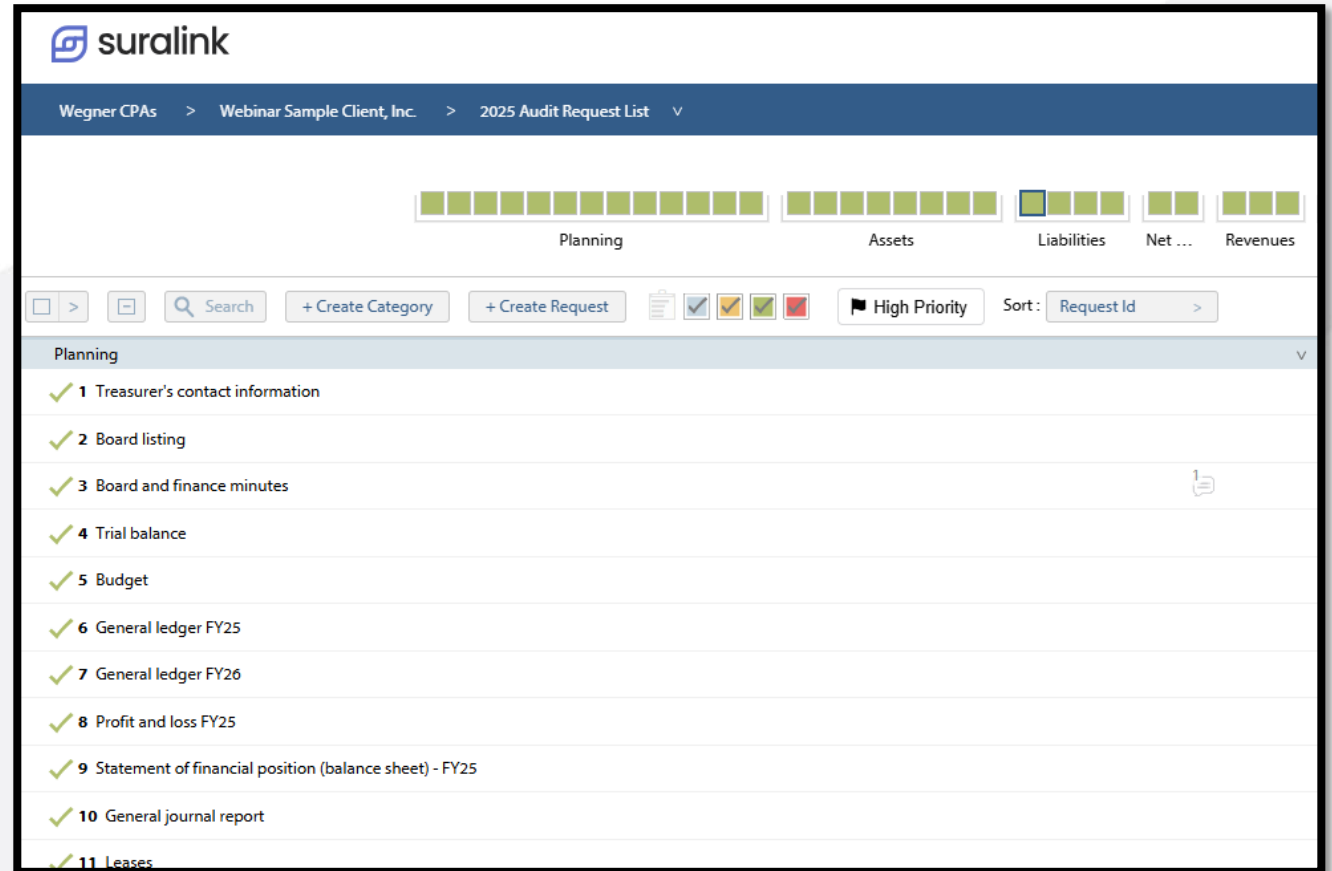
- The auditor can generally be pretty flexible at the time fieldwork is scheduled to meet your needs. It is once we are actually into the audit month that it becomes challenging to move an audit around.
- Communicate any internal deadlines you have for the audit.



How can you aid in a smooth audit?

#2: Provide audit requests at or ahead of planning or fieldwork days.

- Again, pick deadlines that work for you from the start. Months before fieldwork, it is doable for the auditor to change planning days around, but it becomes more challenging once we get to the due date.



How can you aid in a smooth audit?

#3: Be as responsive as you can during fieldwork.

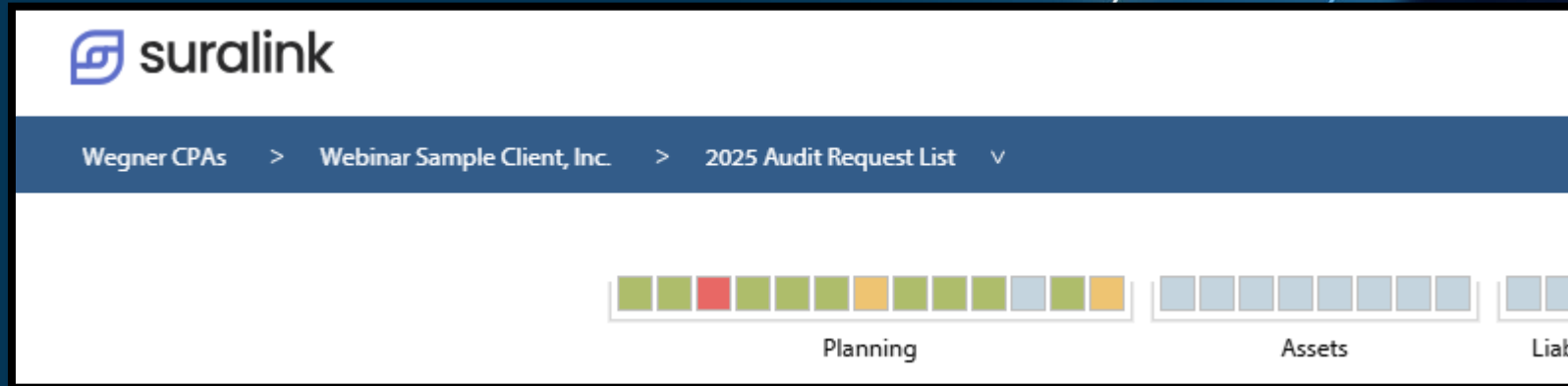
- We want to be able to get 90%+ of the work completed during our fieldwork dates since this is when everyone has the time blocked off. After fieldwork, you're going to be back to running your organization and the auditor moves onto another audit.



Navigate the audit preparation checklist and understand key document requests

Audit Preparation List

- The “holy grail” of what is going to be needed for the audit.
- Generally, will be ready +/- one month of your fiscal year-end.
- We use Suralink to send this out for most of our engagements.



Common Rejected/Incorrect Request List Items

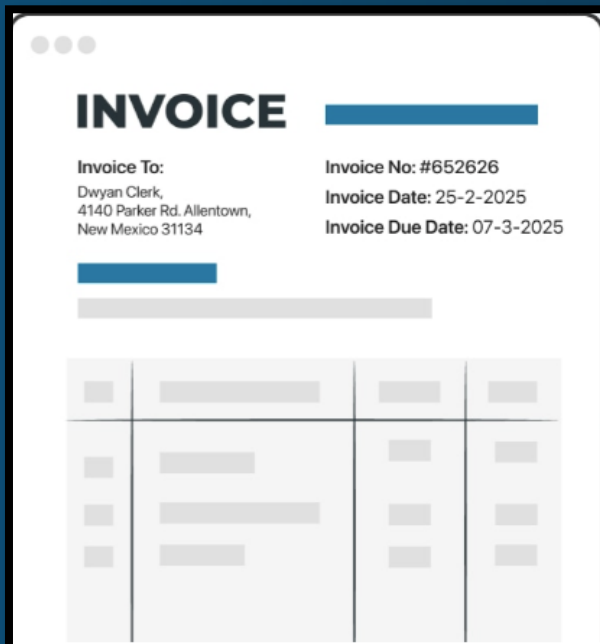
- Accounting Software (i.e., QuickBooks) Reports
 - Excel when possible.
- Investments
 - Year-end totals and fiscal year activity (this sometimes requires multiple statements).
- Credit Card/Payroll Statements
 - The statement that overlaps year-end (i.e., 12/20 – 1/19).
- Contribution Support
 - Enough documentation to verify 1) the amount, 2) the date the award was first promised, and 3) any restrictions (or lack thereof).

Anticipate common audit findings
and implement strategies to
prevent them

Most Common Mistakes Identified in Audits

(and how to prevent them)

Mistake: A liability is missed because the expense was not recorded until the bill was paid (should be recorded when the service took place or the good was received).



Prevention:

1. Run a reporting showing all checks paid during the months following year-end.
2. Select the 5-10 largest bills.
3. Determine which year the bills relate to (when the service was incurred).
4. Move expenses to the appropriate period as needed.

Most Common Mistakes Identified in Audits

(and how to prevent them)

Mistake: A contribution was recorded in the wrong period (should be recorded when first promised, not necessarily when paid).



Prevention:

1. Run a reporting showing all cash receipts during the months following year-end.
2. Select the 5-10 largest cash receipts.
3. Determine which year the contributions relate to (when the pledge was made).
4. Move contributions to the appropriate period as needed.

Most Common Mistakes Identified in Audits

(and how to prevent them)

Mistake: Having repeat audit entries.

Prevention:

1. Review the list of journal entries from last year's audit and aim to make these prior to the audit starting going forward.
2. If you have questions on an entry, prior to the audit would be a great time to ask your auditor for assistance on a particular entry.



Most Common Mistakes Identified in Audits

(and how to prevent them)

Mistake: A significant deficiency or material weakness in internal controls is identified.



Prevention:

1. Review the letters received during last year's audit for a management/deficiency letter.
2. Consider implementing the auditor recommendations from the letter.
 - a. If there was something identified last year, there is a good chance the same deficiency will exist in the current year if no changes were made.



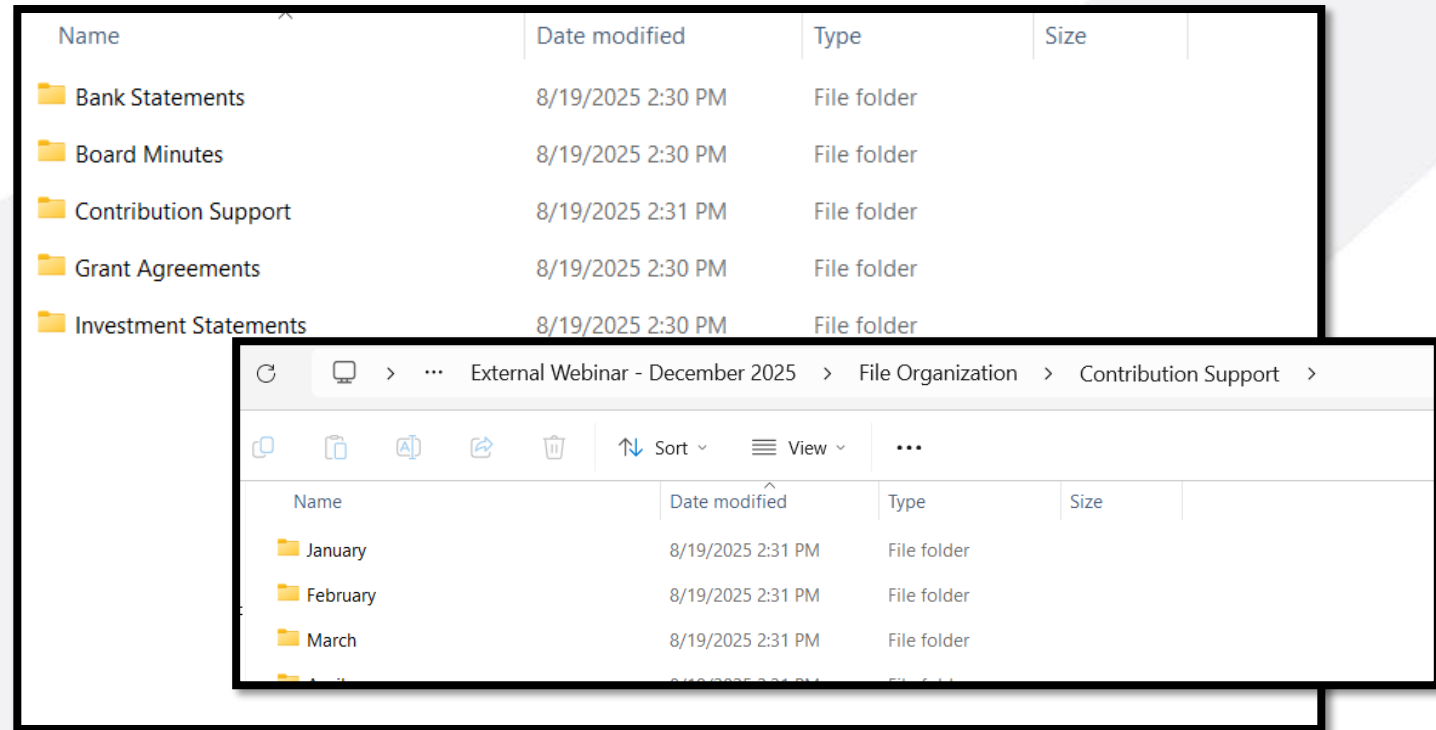
Stay organized year-round to
minimize last-minute stress

Audit Organization Tips

(for throughout the year)

#1: Keep electronic copies of records and store them in an organized manner.

- This both is intended to help during the audit and general internal efficiency when it comes to finding a file.



Audit Organization Tips (for throughout the year)

#2: Educate your team on what is needed for the audit.

- There are a lot of staff that likely indirectly play a roll in a successful audit. Informing them of items the auditor tends to look for will hopefully be a light bulb for the types of files they should be storing.



Audit Organization Tips (for throughout the year)

#3: Communicate with your auditor.

- Keep us in the loop on significant operational changes or ask questions on unique accounting items that come up.
- It is generally more time effective for everyone if an accounting question gets resolved prior to the audit rather than realizing an error was made during fieldwork.
- Share key documents like a new grant agreement or major award with the auditor even before the request list is available.



Recognize recent updates to
audit and accounting
requirements

Upcoming Accounting and Auditing Changes

- Audit thresholds:
 - Single audit: \$1M of federal expenditures (previously \$750k).
 - Wisconsin audit: \$1M in contributions (previously \$500k).
 - Wisconsin review: \$500k in contributions (previously \$300k).
- Internal controls:
 - A heightened focus on the “riskier” areas and journal entries.
- Allowance for credit losses:
 - If this is material for your organization, ask your audit contact about the new practical expedient (lessens the burden of the calculation).

QUESTIONS?





Contact Us



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THANK YOU



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