

HOW to PREPARE FOR AND / OR CONDUCT AN AUDIT

**NYS TUG HILL COMMISSION
31ST ANNUAL LOCAL GOVERNMENT CONFERENCE**

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WHAT DOES AN AUDIT ENTAIL?

An audit is loosely defined as “a formal examination of an organization's or individual's accounts or financial situation”

The term “audit” is not defined in any municipal statute. Consequently, the depth and involvement of an audit can vary depending on the objectives and who is performing the audit.

Types of Local Government Audits

- CPA Audits (a.k.a. external audits)
 - Contracted for by governing board
 - Mandatory for some school districts and some local governments.
- Performance Audits
 - Commonly conducted by the Office of State Comptroller
- Internal Audits
 - Often required by municipal statutes / charters

Things You Will Need to Gather

- Board adopted policies
- Collective bargaining contracts
- Procedure manuals
- Local Laws, key resolutions
- Budgets and supporting documents
- Accounting records
- Fixed asset records
- Insurance policies
 - Vehicles
 - Hospital / medical

Other Things You Will Need to Gather

- Utility billing records (water, sewer, etc.)
 - Detail customer records
- Board minutes (hard copy if not available electronically)
- Bank statements (with reconciliation work)
- Duplicate deposit slips
- Duplicate cash receipts (issued and unissued)
- Copies of cancelled checks (front and back)
- Fixed asset records
- Other control documents
 - Building permits, garbage stickers, ticket stubs, etc.

CPA AUDITS

(a.k.a. Financial Audits)

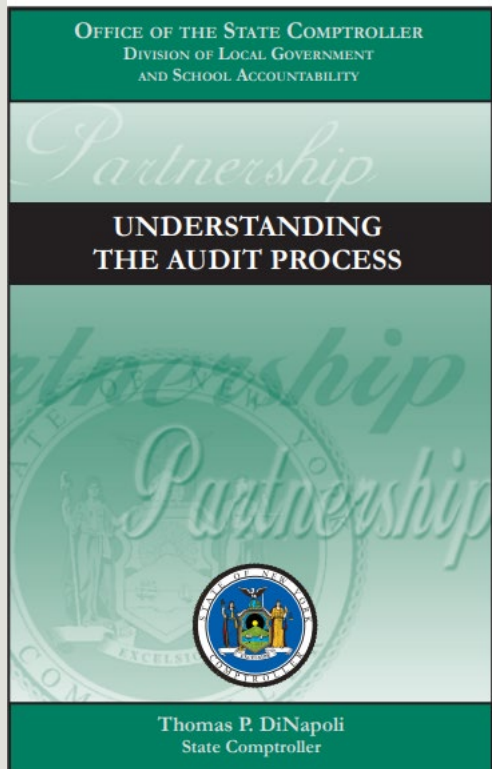
- Contracted for after issuing requests for proposals (RFPs).
- Required for schools and some local governments
 - “Single Audit” - if a local government expends more than \$750,000 in federal funds in one year.
- Engagement letter specifies:
 - Methods and standards to be used
 - Fees and payment terms
- Reports / Communications
 - Financial statements (with any adjusting entries)
 - Major internal control weaknesses
 - Recommendations for improvement

OSC AUDITS

- State Comptroller has oversight authority over NYS local governments and school districts.
 - GML Section 33 – to examine
 - GML Section 35 – to receive reports
- Scheduling of audits are generally performed on a “risk assessment” basis.
- Majority of audits are “Performance Audits”
 - Objective: To assist governing boards in improving program performance and operations, reduce costs, facilitate decision making and contribute to public accountability.

OSC AUDITS

- Types of OSC Performance Audits:
 - Program effectiveness
 - Economy and efficiency
 - Internal Control
 - Compliance with legal or other requirements
- Conducted using Generally Accepted Government Auditing Standards (GAGAS).
- Fieldwork generally begins with a risk assessment
- An audit objective will be determined during the planning stages



OSC AUDITS STEPS

1. Field work consists of comparing the “CRITERIA” (what should exist) to the “CONDITION” (what is actually occurring).
2. A draft report is shared with the board at an exit conference.
 - Government must send a response letter to OSC
3. Final report is later sent to the local governing board.
4. Corrective action plan must be filed with OSC.

Internal Audits

(a.k.a. Annual Audit Requirement)

- Often required by municipal laws and/or charters
- Whose records need to be audited?
 - Town Law §123: The CFO (generally the Town Supervisor) and all officers and employees who receive or disburse money in their official capacity during the year.
 - Village Law §4-408: the Treasurer's annual financial report and all supporting records.
 - Uniform Justice Act §2019-a: Town and Village Justices
 - Charters of various other local governments: may have specific internal audit requirements.

Internal Audits

- Provides assurance that public moneys are handled properly and are accounted for;
- Helps to identify conditions that need improvement;
- Provides an opportunity for board members to learn more about the financial operations of their government;
- Provides an opportunity for officers and employees to express concerns about their financial operations to the board or other authorized personnel.

RESOURCES AVAILABLE

- Technical Assistance Bulletin issued by OSC in 2004
 - Why is an internal audit important
 - What does an audit entail?
 - Whose records should be audited?
 - When should the financial activities of local officials be audited?
 - How to conduct the audit

Internal Audits

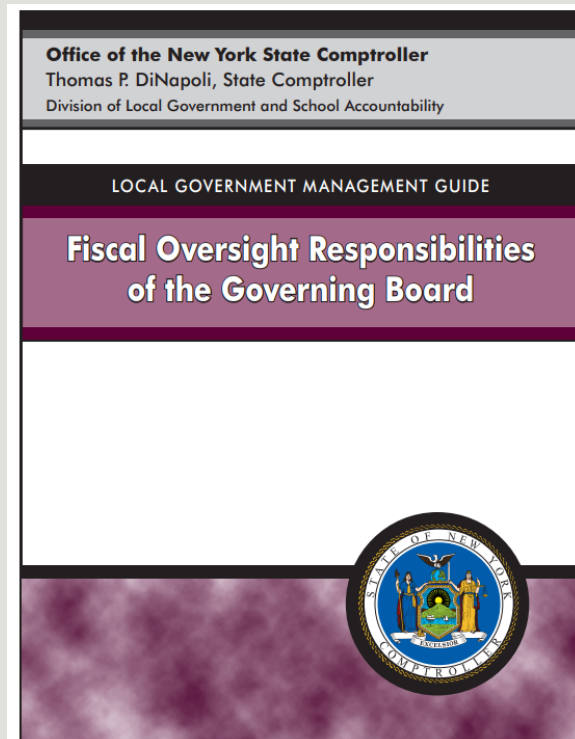
- Who must perform the audits?
 - Town Law §123: the Town Board or an independent CPA or Public Accountant.
 - In a town that has an appointed Comptroller: The Comptroller would perform the audit unless the Comptroller also performs accounting duties normally assigned to the Town Supervisor.
 - Village Law §4-408: The Village Board of Trustees, any village officer or employee or an independent CPA or Public Accountant.
 - Some Villages have an appointed Auditor who would likely perform internal audits.

Internal Audits

- How is the audit performed?
 - If the governing board hires an independent CPA or Public Accountant the audit will need to be performed in accordance with professional standards - therefore the audit fee will be set accordingly.
 - If the governing board or designated individuals perform the audit, they would generally not have to comply with the same standards - consequently the audit work would be less detailed or in-depth.

OSC RESOURCES AVAILABLE

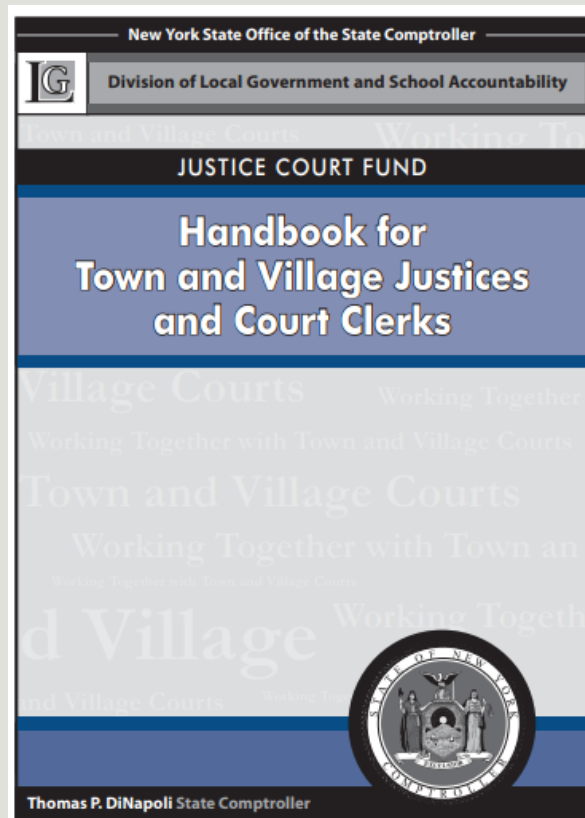
- Local Government Management Guide – Fiscal Oversight Responsibilities of the Governing Board



- Checklist in the Appendix provides guidance on how to conduct internal audits
 - CFOs
 - Clerks
 - Tax Collectors
 - Justices
 - Departments

OTHER OSC RESOURCES AVAILABLE

- Handbook for Town and Village Justices and Court Clerks



- Checklist in the Appendix provides guidance on how to conduct both monthly and annual reviews of Justice Court records.
- These checklist can be sent in to the Office of the Court Administration to show evidence of the annual review of Justice records.

QUESTIONS?

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