Chapter 8

Auditing Tips and Requirements

by Roy Todd, Soil and Water Conservation Specialist

New Mexico Department of Agriculture

During the audit:

- Have the items requested by the auditor(s) ready when they arrive on site. This will help them and you get through the process faster.

- If you have questions during any stage of the audit process, do not hesitate to ask the auditor for further explanation or detail. This makes it easier to be efficient and get the right information the first time it is requested.

- At the beginning of an audit, an engagement letter should be signed by the Board and copy of the letter should be returned to the auditor. This letter is your contract with the auditor and should spell out the objectives of the audit and the responsibilities of each of the parties to the contract/audit.

- If and when a finding is presented, the district should prepare a response in writing as soon as possible so that it may be included in the final report.

- At the end of the audit fieldwork (the time when the auditor(s) are ready to leave the site and or when a majority of the audit work is completed), an exit conference should be held to discuss the audit process, the report and any findings. At this point, a representation letter will be requested of the district. This letter essentially states that the district has provided all information necessary for the audit and has not withheld any information from the auditor. The language of this letter is standard language required by auditing and accounting standard setting boards and is usually provided by the auditor to the district so that the district does not have to research what is to be included.

Throughout the year:

- Be familiar with the Handbook and any other policies and procedures developed by the District. Follow these procedures in your day to day work.

- Become familiar with the laws and regulations which are applicable to the district. For example: Procurement Code, Mileage & Per Diem Act, Anti Donation Clause, etc.

- Segregate duties as much as possible. This means that if you have related duties, such as cash receipting, disbursing, reconciliation, recording and reporting functions all being performed by the same person, and you have other staff, then the duties should be split up to provide a way for one to check the other's work. This helps to prevent mistakes from occurring as well as preventing potential fraud. When you do not have another employee, then the Board should increase their review of day to day transactions.

- All expenditures should be approved by the Board prior to the expenditure occurring. The approval should be documented formally (in writing).

- Bank accounts should be reconciled monthly or periodically depending on how often a statement is obtained.

- The fixed assets inventory (land, buildings, vehicles and equipment) should be taken at a minimum of once a year. The list should be complete with all the information required by state regulation (item description, date of acquisition, location, serial number/or other identifier, cost and beginning 7/1/2003 depreciation.). Inventory of items for resale should be taken at least once a year. A list of addition and deletions to both types of inventories should be maintained on an annual basis

- ☑ Bank statements, all accounts including CD accounts for the entire year, plus the three months after the close of the fiscal year.
- ☑ Bank reconciliation(s), for the same period as noted above.
- ☑ Check Register(s), for the same period as noted above.
- ☑ Lease agreement(s), if you have any.
- ☑ Equipment and furniture inventory.
- ☑ Personnel and payroll records need to be available for review.
- ☑ Annual and sick leave records, if any.
- ☑ Quarterly 941 reports.
- ☑ Vouchers need to be available for review.
- ☑ Monthly tax cash distributions, if applicable.
- ☑ Minutes of the board of directors meetings from 7/1/2001 to present.
- ☑ Transaction report for July1, 2001 to June 30, 2002 or comparable cash receipts and cash disbursements journals.
- ☑ FY 2002 approved budget and any budget adjustments
- ☑ Roster of board members and staff
- ☑ Loan records.
- ☑ First and last check numbers for the fiscal year.
- ☑ First and last cash receipt numbers for the fiscal year, if the district maintains any cash receipts log/record.
- ☑ Grant and other revenue-producing agreement(s), if you have any. It is important that you provide any new agreements that were entered into during the fiscal year under audit.
- ☑ Insurance policies.
- ☑ General ledger, if one is maintained.
- ☑ Mill levy (passed referendum) authorizations. A copy of the budget and order or resolution certified to the county assessor of the county or

counties involved. (Due July 15 of each year, IAW 73-20-17. Budgets; tax levy; limitation. (1986))

☑ List of attorneys (names and addresses) engaged or retained by the district during the fiscal year.

NOTE:

Beginning fiscal 2004, the Governmental Accounting Standards Board's Statement #34 takes effect for smaller governmental entities, basically all soil and water conservation districts, and this statement requires the entities to put any infrastructure on their books and provide depreciation for all fixed assets.