

AUDIT CHECKLIST RESOURCE FOR K-12 SCHOOLS



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EDUCATION

INTRODUCTION

Preparing an annual audit is a daunting task. This is why some business officials view the audit as a painful process where the auditor's purpose is to review a year's worth of work and issue a public report on what was done wrong. Hopefully over time, most will realize the audit process is a valuable tool in protecting the district's assets and fiscal management. Although the audit can be arduous, the right fiscal management and discipline easily leads to a clean audit. Clean audits provide transparency and serve as a badge of honor for any district finance team.

The best way to understand what a school audit is, is to look at the audit's final deliverable: the Comprehensive Annual Financial Report or CAFR. The purpose of a CAFR is give an independent report on the fiscal management and operations of a public school district. The goal of any school business official is to a achieve a CAFR with an "unqualified opinion" from an independent auditor and no audit findings. Achieving such a CAFR, connotes confidence in the district's fiscal management to the community and can even lower the cost of debt financing when the district looks to raise funds via a bond issue.

The CAFR is comprised of 4 sections: the Introductory Section, the Financial Section, the Statistical Section, and the Single Audit Section for district's that received more than \$750,000 in federal aid. What keeps most school business officials up at night during the audit process is achieving compliance and no findings in the single audit section. Single Audit Sections will contain opinions on the state of the district's internal controls and compliance with state and federal grant regulations. The goal is to have the auditor give an "unqualified opinion," or an opinion without any qualifiers regarding the accuracy of the financial statements. Any findings of non-compliance with Government Accounting Standards will be disclosed here as well as the status of the prior year's findings. Material weaknesses or deficiencies in the auditing of the district financial statements would be disclosed here as well.

While achieving a clean audit in the Single Audit Section of the CAFR is what most school business officials are most concerned with, the section of the CAFR that actually speaks to the health of the district's finances is the Financial Section. This is the section of the audit that school business officials need to be able to interpret for members of their community as to how the healthy the district's finances are. Financial Sections typically include: the Independent Auditors Report, Management's Discussion & Analysis, district wide financial statements such as a Statement of Net Positions and a Statement of Activities, Fund Financial Statements and Required Supplementary Information, such as schedules related to accounting and reporting for pension/OPEBs.

The two sections of the CAFR that school business officials worry the least about are the Introductory Section and the Statistical Section. The role of the school business official in creating these sections as part of the audit process is data collection. The Introductory Section contains the Transmittal Letter, an organizational chart, a list of principal officials, and sometimes a list of district consultants and advisors or other pertinent information. The Statistical Section contains unaudited data on financial trends related to revenue, debt, demographics and other economic and operating information. The data collected in this section is not tested as a part of the audit process.

The conclusion of the audit preparation process begins with the scheduling of the independent auditor's arrival on site to perform their data review and tests after the close of the district's fiscal year. The school business office will compile the information from the checklist of items below to have on site when the auditors arrive. While the auditors review the information and conduct their tests, they will typically interview or send questions to staff members about their job functions or awareness of any operational compliance or control problems. However, the bulk of their work will be reviewing the following items and testing for compliance.

Here is a checklist to help you prepare for the audit process.

SCHOOL AUDIT CHECKLIST

General Accounting Items



- ☐ Check registers by check number (with Budget Accounts and P.O. details) from the fiscal year being audited for all funds.
- ☐ Report of cash receipts for funds.
- ☐ Vendor History Report with history of purchases.
- ☐ Summary Vendor History Report for all vendors above bid thresholds.
- ☐ Analysis of accounts payable and encumbrances as of year-end.
- ☐ Refund Report for all funds for the fiscal year.
- ☐ Purchase Order Journal by Account (Open P.O.s only) as of year-end.
- ☐ Bank statements for all months in the fiscal year including cancelled checks, debit & credit memos, deposit slips.
- ☐ List of all bank accounts, respective authorized signatories and number of signatures required.
- ☐ List of all petty cash funds, authorized amounts and respective custodian.
- ☐ If applicable to your state, certification of compliance with federal and state law respecting the reporting of compensation for certain employees.
- ☐ Surety bond coverage documents.
- ☐ Prior adopted and approved budget.
- ☐ Current year adopted and approved budget.

Payroll Items



- ☐ Analysis of balance in the net payroll, payroll agency and flexible spending.
- ☐ Year-to-Date Payroll Summary Report.
- ☐ If applicable, any payroll accruals, i.e. overtime or amounts to be paid for unsettled contracts.

- ☐ All quarters of Federal 941 filings.
- ☐ Copies of the contracts for key personnel, i.e. superintendent and school business officials, and bargaining units.
- ☐ Employee Attendance Reports.
- ☐ Service Audit from payroll company.

Student Activities Items

- ☐ Student Activity bank statements and respective bank reconciliations for fiscal year, including cancelled checks, debit & credit memos, deposit slips.
- ☐ Student Activity vouchers and supporting invoices.
- ☐ Student Activity cashbooks or cash ledgers for the various schools.
- ☐ Analysis of each student activities account by club or activities as of year-end.
- ☐ All School Petty Cash Analysis.
- ☐ Student Activity Accounts Payable Analysis (if any).
- ☐ Scholarship account activity and reconciliations (if any).



Transportation Items

- ☐ Access to all transportation contracts for fiscal year.



Food Service Items

- ☐ Food service vendor records including separate inventory listing for donated commodities and regular inventory, monthly operating statements, payroll registers (if food service is outsourced).
- ☐ Monthly food service reimbursement vouchers from federal and state governments.
- ☐ Food Service Free & Reduced Lunch Applications.
- ☐ Food Service Free & Reduced Lunch Application Verification Summary and supporting documentation.
- ☐ List of any new equipment over \$2,000 purchased in the Food Service Fund.
- ☐ Analysis of fixed assets as of year-end.
- ☐ Copy of the agreement to participate in National School Lunch Program.



- ☐ List of food service accounts payable and receivable at year-end.
- ☐ Copy of food service contract and SOC1 Report (if outsourced).
- ☐ Copy of food service vendor's SAS 70 Audit Report (if outsourced).
- ☐ Fiscal Year Meal Price List.
- ☐ Analysis of prior year food service accounts receivable showing what was collected and what was cancelled.
- ☐ Food Service Transfer Journal Entries.

Official Enrollment Report Items

- ☐ State required enrollment and transportation reports and supporting documentation if applicable.



General Fund Items

- ☐ Accounting software reports of expenditures by account with check and purchase order detail for fiscal year.
- ☐ Accounting software reports of revenues by account for fiscal year.
- ☐ Trial balances or balance sheet for all funds for fiscal year.
- ☐ Accounting Software Receipts Report for all funds for fiscal year.
- ☐ Board Secretary's & Treasurer's Reports for all funds for fiscal year.
- ☐ General Journal Reports for all funds for fiscal year.
- ☐ General Ledger Reports for all funds for fiscal year.
- ☐ Purchase Order Journal for all funds as of year-end.
- ☐ Purchase Order Journal by Account for open purchase orders as of year-end for all funds.
- ☐ Analysis of accounts payable as of year-end for all funds.
- ☐ Check registers by check number with details from beginning of next fiscal year until the date of the audit.
- ☐ General Ledger Reports for all funds from beginning of next fiscal year until the date of the audit.
- ☐ Monthly bank reconciliations for all accounts.
- ☐ Outstanding check lists.
- ☐ Bank Statements for months for all accounts from beginning of next fiscal year until the date of the audit.



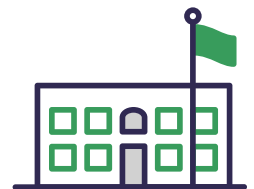
- ☐ End-of-Year Transfer Worksheet.
- ☐ Completed fraud risk interview questionnaires.
- ☐ Access to records of travel reimbursement including travel request forms and summary of attendance reports.
- ☐ Analysis of any employees and board members approved for regular business travel.
- ☐ Report and budget details of all school taxes paid.
- ☐ Analysis of miscellaneous revenue.
- ☐ Analysis of accounts receivable.

Special Revenue Fund Items



- ☐ All grant award notices and approved budgets.
- ☐ Copies of required Financial Special Project Completion Reports filed in connection with state, federal or special projects (such as NCLB, IDEA), etc.
- ☐ Copies of prior year Special Project Completion Reports and copies of warrants remitting unexpended balances that were not approved for carryover to the grantor agency.
- ☐ Copies of grant final expenditure reports.
- ☐ Grant reimbursement requests submitted, along with supporting documentation.
- ☐ Copies of vouchers for remitting unexpended balances that were not approved for carryover to the grantor agency.
- ☐ Pension/OPEB reimbursement voucher and supporting worksheets if applicable.
- ☐ Employee certification or timesheet support for employees charged to federal grants.

Capital Projects Fund Items



- ☐ Copy of latest Long-Range Facilities Plan if applicable.
- ☐ Accrued Compensated Absences Analysis including detail by employee and by function for fiscal year.
- ☐ Flexible Spending "Register" Report for fiscal year.
- ☐ Unemployment Account "Register" Report for fiscal year.
- ☐ Payroll "General Ledger" for fiscal year.
- ☐ Payroll "Deposit Detail" for fiscal year.
- ☐ Payroll "Balance Sheet" at year end.

Fixed Assets

- ☐ Summary & detail listing of fixed assets as of year-end by function and by category.
- ☐ Listing of additions by function and by category, in fiscal year.
- ☐ Listing of deletions by function and by category, in fiscal year.
- ☐ Listing of depreciation expense by function and by category.



Other Post-Employment Benefits Items

- ☐ Allocation of employee benefits by function for GASB #34.
- ☐ Allocation of on-behalf pension/OPEB by function.
- ☐ Allocation of reimbursed pension/OPEB FICA by function.
- ☐ Listing of fiscal year retirees and amounts paid out or due by function.



Long Term Debt Items

- ☐ Copies of amortization schedules for any serial bonds issued in fiscal year.
- ☐ Lease agreements (if any), including amortization schedules with breakdown between principal and interest and the interest rate.
- ☐ Bond issuances or refinancing's (if any), including amortization schedules with breakdown between principal and interest and the interest rate(s).



Enterprise Funds Items

- ☐ Enterprise funds analysis of cash or cash ledgers.
- ☐ Enterprise fund bank reconciliation at year-end.
- ☐ Enterprise funds analysis of tuition received for fiscal year.
- ☐ Enterprise funds student enrollment for each program provided.
- ☐ List of financial highlights, factors affecting the district's future, cost savings implemented during the year, and budget amendments, if any, to be included in the Management Discussion and Analysis.

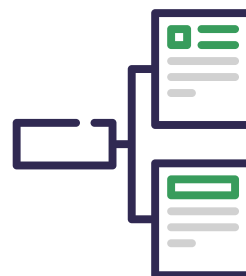


Additional Data Items Needed for the Statistical Section



- ☐ Local official property tax information relevant to the revenue base of the district.
- ☐ Information about the payers or remitters, as appropriate, for the school district's largest own-source revenue for the current fiscal year as well as the nine fiscal years prior.
- ☐ Regional demographic and economic indicators such as population, per capita personal income, unemployment rates.
- ☐ Information about the principal employers in the school district's jurisdiction, i.e. the 10 largest employers presented, unless fewer are required to reach 50 percent of total employment, for the current fiscal year as well as the nine fiscal years prior.
- ☐ Operating information for the school district, including number of the school district's employees by function.
- ☐ Other statistical schedules for GASB #44 including outstanding debt of governmental activities and business-type activities, as well as include the total outstanding debt for the district.

Additional Data Items Needed for the Introductory Section



- ☐ Organizational chart.
- ☐ Roster of officials with expiration terms and employment.
- ☐ Listing of consultants and advisors.

By making sure each of these items are completed prior to the arrival of the auditors, you'll have a smooth audit process that causes minimal disruption to the operations of the district. Another best practice for the audit is to keep track of written communications between you and the auditor during the previous fiscal year. Sometimes unusual events occur during the year that you may be unsure how to classify and record. Often, experienced school business officials will reach out to their auditors to see how they would prefer these instances to be recorded. During the audit process, auditors on site may question the recording of one of these unusual transactions. Having an email thread with the audit firm's correspondence from earlier in the year detailing their preferred approach, makes navigating these inquiries smooth sailing.

The annual audit can be a cumbersome process for the school business official and their staff. However, the audit presents an opportunity to highlight how well a district is fiscally managed. Even when there are audit findings, the audit process helps ensure that findings aren't swept under the carpet, but corrected for the future; thereby ensuring healthy fiscal operations going forward. As arduous a process as it can be, no seasoned business official would ever want to run a district without an annual independent audit.

WHAT'S NEXT?



Managing your school budget is a lot easier if you have the right online payment system – after all, the right system can reduce expenses, time spent on finances and boost parent involvement. School payment systems can even improve transparency by creating audit trails. Unfortunately, many schools deal with a patchwork of legacy software and payment methods that can make you feel disorganized, anxious and overwhelmed. Your staff, parents and students all deserve a better experience that's secure and easy-to-use.

With Vanco's software, districts can easily collect all school fees in one place, and parents and families can quickly make all payments from one central hub. Let you and your parents, families and staff enjoy the hassle-free payment process. Follow these three steps!

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2. **SIGN UP** and let us build you a custom Web Store.
3. **ENJOY** the time-savings and simplicity of being able to accept payments online.

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