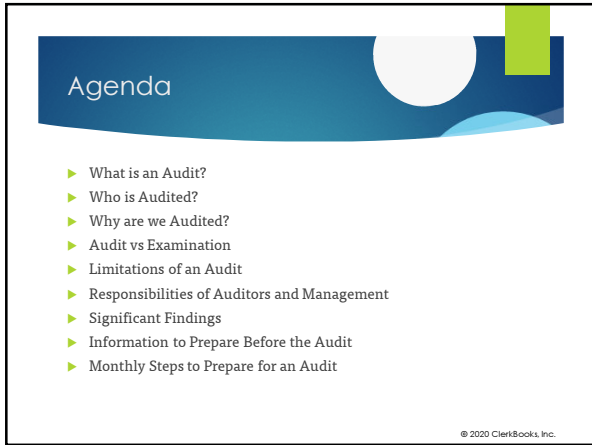
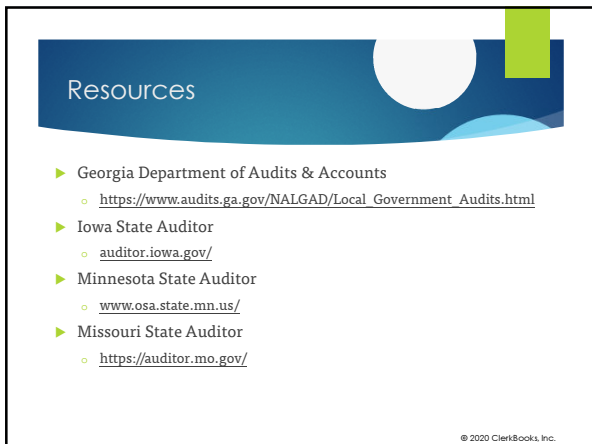


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3

What is an Audit

- ▶ **What is an Audit?**
 - ▶ An objective examination and evaluation of the financial statements against a specified criteria (Federal Law, State Law, Ordinances)
- ▶ **Purpose of an Audit**
 - ▶ Make sure the records are a fair and accurate representation of the transactions they claim to represent
- ▶ **Who Can Ask for an Audit?**
 - ▶ State can require an Audit
 - ▶ Council can order an Audit
 - ▶ Citizens can petition for an Audit

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4

Who is Audited

- ▶ **Who is Audited?**
 - ▶ City Hall
 - ▶ Separate Boards, Departments, Committees, Commissions
 - ▶ Any organization that is legally authorized to exist because of the City Ordinances
 - ▶ Any organization which uses the City's tax id# to apply for grants
 - ▶ Any Department, Board, Committee that does not give financials can be prosecuted for breaking Open Records laws.
- ▶ **Who is not Audited?**
 - ▶ Any organization that has filed their own Articles of Incorporation completely separate from the City (careful, some may be a sub entity of the City, even with their own EIN or 503c)
 - ▶ Privately owned Library, Museum, Fire Association, etc.
 - ▶ Do they file their own tax returns?

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Why are we Audited

- ▶ **We Have a Fiduciary Responsibility**
 - ▶ Public officials and employees are entrusted with public resources
 - ▶ Responsible for providing services to the public effectively, efficiently and ethically
 - ▶ Responsible for providing reliable, useful and timely information for transparency and accountability for the City's programs and operations
- ▶ **Internal Controls and External Auditors Hold us Accountable to that Responsibility**
 - ▶ Public funds can only be spent for public benefit
 - ▶ Cannot spend public money on flowers, gifts, meals for birthdays, weddings, funerals, etc.

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Audit vs. Exam

- ▶ **Exam**
 - ▶ Procedures that are less in scope than an audit
 - ▶ Review financial activities and compliance with legal requirements
 - ▶ Lasts a few days to a week
 - ▶ Costs less than an audit
- ▶ **Audit**
 - ▶ Focus on year end and underlying records vs verifying accounts or AFR
 - ▶ As they find red flags, they will keep digging until they uncover the root, or find a solution
 - ▶ Last several week
 - ▶ Can be costly
- ▶ **Both will focus on policies and procedures of how financial information is handled. Both will offer opinions.**

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Audit Limits

- ▶ **Auditors are reporting agents, not enforcement agents**
 - ▶ They are there to make an "opinion"
 - ▶ The State, the Council, the Public can call to enforce any non-compliance found in the "opinion"
 - ▶ The City, County or State Attorneys enforce the call
- ▶ **Auditors only look at a "snapshot" of the financials, they do not see everything**
 - ▶ Errors and Fraud can still exist
- ▶ **Auditors receive training every year and are encouraged to look for specific things each year**
 - ▶ Each audit might get different "opinions"
- ▶ **You can appeal the "opinion"**

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Responsibilities

- ▶ **Auditor's 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."
- ▶ **Management's Responsibility**
 - ▶ "To design and implement programs and controls to prevent, deter, and detect fraud."
 - ▶ Set the proper tone
 - ▶ Create and maintain a culture of honesty and ethics
 - ▶ Establish and monitor appropriate controls
 - ▶ Have up-to-date policies and procedures
 - ▶ Establish and communicate authorization limits
 - ▶ Ensure assets are safeguarded at all times (esp. cash)
 - ▶ Establish document control (through record retention)
 - ▶ Ensure signatures are obtained on required documents

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9

Significant Findings

- ▶ Lack of segregation of duties
- ▶ Bank to book reconciliations not performed
- ▶ Bank and book balances do not agree
- ▶ Utility billings, collections and delinquent accounts not reconciled
- ▶ Salaries/Wages not approved by City Council
- ▶ No general ledger maintained to track transactions and balances
- ▶ City Clerk's monthly reports and/or Annual Financial Report do not agree to the City's financial accounting records
- ▶ No fund accounting

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10

Significant Findings

- ▶ Deficit fund balances
- ▶ Balance in TIF fund with no outstanding TIF obligations
- ▶ Other TIF errors – in certifications and AURR
- ▶ Questionable disbursements
- ▶ Significant conflicts of interest
- ▶ LOST dollars not properly tracked
- ▶ LOST not spent in accordance with ballot

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11

Information to Have Available

- ▶ Copy of year-end bank reconciliations, including lists of all outstanding checks, deposits in transit and other reconciliation items.
- ▶ Copy of year-end Financial Report and computer generated trial balances by fund.
- ▶ List of principal officials as of year-end, their titles and term expiration dates. For the Mayor and Council Members, include home addresses, occupations, and businesses owned.
- ▶ List of business transactions, if any, between the City and City Officials or employees or the business of any City Official or employee during the year.
- ▶ Copy of the City's investment policy /procedures and investment worksheets containing balances and activity applicable to prior fiscal year and year-end.

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Information to Have Available

- ▶ Copy of interest allocation worksheet for prior fiscal year and year-end, if available.
- ▶ Depository resolution(s) effective during prior fiscal year and year-end.
- ▶ Copy of any lease purchase agreements, installment purchase agreements, deferred payment contracts or real estate contracts.
- ▶ Gross salary publication.
- ▶ Reconciliation of payroll per expenditure records to payroll per quarterly reports prepared for entire fiscal year.
- ▶ Adopted budget summary, all budget amendment resolutions, and the budget book for fiscal year. Also need a copy of the proof of publication of the proposed budget and the budget amendment(s).

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Information to Have Available

- ▶ Copies of ordinances setting water, sewer and solid waste rates in effect during fiscal year.
- ▶ Copy of bond and coupon redemption worksheets for fiscal year, if maintained.
- ▶ Detail of fund transfers during the year including purpose of transfer.
- ▶ Listing of legal fees paid during fiscal year.
- ▶ Summary of deferred compensation activity, if any, during fiscal year, and balances at year-end.
- ▶ Detailed list or printout of water, solid waste and capital asset additions and deletions. Capital asset additions and deletions could be summarized by type, department, program and funding sources.
- ▶ List of insurance coverage including surety bonds.
- ▶ If applicable, accrual work papers and schedules.

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14

Information to Have Available

- ▶ Minutes of meetings (up to most recent meetings and proofs of publications (for council minutes) for City council as well as any separate Boards or Commissions.
- ▶ Pre-numbered receipt books.
- ▶ Revenue and expenditure reports reflecting detail of year-to-date activity by account number.
- ▶ Bank statements, canceled checks, bank reconciliations and outstanding check listings for fiscal year and month following year-end.
- ▶ Year-to-date Check Register listing, if available.
- ▶ Paid bonds and coupons organized by bond issue.
- ▶ Bonded indebtedness, bond registers and ordinances/resolutions.

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Information to Have Available

- ▶ Monthly property tax levy printouts from County Treasurer.
- ▶ Payroll registers and payroll check registers.
- ▶ Timesheets.
- ▶ Salary authorizations/Union agreement(s) in effect during fiscal year, if any.
- ▶ Quarterly payroll reports (941, State, IPERS).
- ▶ Insurance policies.
- ▶ Utility billing registers.
- ▶ Daily utility payment registers.

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16

Information to Have Available

- ▶ Utility Aged Trial Balance printout or listing if available.
- ▶ Paid utility stubs.
- ▶ Meter reading printouts or listing.
- ▶ Utility billing and collection reconciliations and supporting work papers, if available.
- ▶ Project files for material construction projects (including contract, change orders, notices of public hearing and bid letting and sales tax refund applications).
- ▶ Records/files/reports/grant agreements for the federal and other financial assistance programs applicable for fiscal year.

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17

Best Practices

- ▶ **Keep an organized filing system**
- ▶ **Close your books every month**
 - ▶ Double check your entries & clean-up your books
 - ▶ Give Council a complete set of reports
 - ▶ DO NOT CHANGE A CLOSED PERIOD
- ▶ **Segregation of Duties**
 - ▶ Job share with another City Clerk in a neighboring community
 - ▶ Divide duties with another employee or officer of the city
 - ▶ Mayor gets the mail, opens the checks, marks off who has paid on an Open Invoices report
 - ▶ You enter the payments into QB and prepare deposit
 - ▶ Maintenance person takes the deposit to the bank
- ▶ **Live in your Ordinances** - Know them in and out
- ▶ **Keep Learning**

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18

Questions?

Call Toll Free: (855) 525-3757
0 - Eddie
2 - Sonya
3 - Melinda

Monday - Friday
8:00 a.m. to 5:00 p.m. CST.

Support is also available beyond these hours by appointment.

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