

# FORVIS

WEBINAR

## Tips for a Smooth Audit of Your K-12 Private School

April 18, 2023

# TO RECEIVE CPE CREDIT

- **You must respond to at least 3 of the 4 polling questions per CPE hour**
- **You must be logged in for a minimum of 50 minutes per every CPE hour in order to receive CPE credit**

# Meet the Presenters



**Corinna Creedon, CPA**  
Managing Director



Corinna is a managing director in **FORVIS'** New York City office, where she leads its Nonprofit Advisory Services & Emerging Accounting Outsourced Services practices. Corinna brings more than 25 years of experience as a finance executive, where she has provided interim- & outsourced-CFO services to a wide range of organizations.



**Monica Fraczek, CPA**  
Partner/Auditor



Monica has over 25 years of expertise in the nonprofit & healthcare industries & serves some of the most complex nonprofit organizations in the greater New York area. She is a part of FORVIS' Private School Practice & provides both consulting & audit services.

# WHAT TO EXPECT

- What actually happens in an external audit?

---
- Taking the pain out of your audit

---
- Assessing current processes

---
- Leveraging technology

---
- Planning, documenting, & preparing for your audit

---

# What Actually Happens in an External Audit

# WHAT ACTUALLY HAPPENS IN AN EXTERNAL AUDIT

- Generally Accepted Accounting Principles (GAAP)
- Generally Accepted Auditing Standards (GAAS)
- Reasonable assurance
- Materially correct
- Risk assessments
- Internal controls

# AUDITOR'S OPINION

## *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

# AUDITOR'S OPINION

- ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit



# ACCOUNTING STANDARDS

- Do you know what is coming?
  - **FORsights™**
- Assess the impact
- Audit & Accounting Guides
- Audit risk alerts

# Taking the Pain Out of Your Audit

**FORV/S**

# TAKING THE PAIN OUT OF YOUR AUDIT

- **Communicate** – What’s changed since last year?
  - Connect during the year ... don’t wait until fieldwork starts!
  - During audit – regularly scheduled meetings/updates
- **Set Expectations**
  - Timing of auditor requests
  - Back into internal/external reporting dates

# Steps That Can Be Taken



Assess Current  
Processes



Leverage  
Technology



Plan



## Assess the Current Processes

# Understand the “Why” of Processes

- Where do I start?
- What do I ask myself & my team?
- Eliminate Unused Reporting

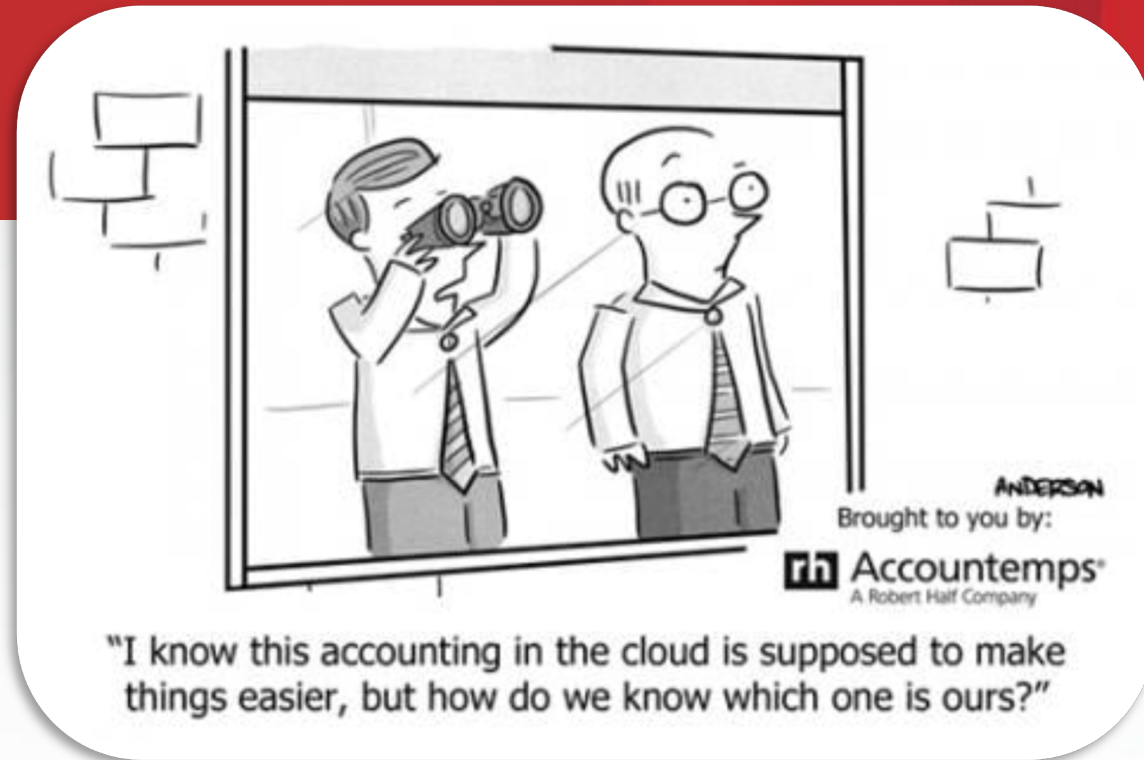


## Assess the Current Processes

- Chart of Accounts Evaluation
- Ad Hoc Reporting
- Simplification vs. Internal Control Vulnerability
- Interdepartmental Assistance
- Supporting Documentation vs. Superfluous Documentation

# How to Gain Efficiencies in Your Accounting Operations

## Leverage Technology



**FORV/S**



## Leverage Technology

# Automation

1. Never manipulate accounting system data in a spreadsheet if your accounting system can do it natively
2. Does your accounting system have native capabilities that you aren't aware of?
3. Is there a software solution available to automate the specific task(s)? Bonus if it integrates with the accounting system
4. Can Excel or other spreadsheet applications provide options for parsing data?





Leverage  
Technology

# Go Paperless

- Time Efficiencies
- Support for Audit Team
- Data Security
- Team Workflow & Collaboration

# ORGANIZE THE DATA

- Subfolders for significant transaction cycles
  - FS line items
    - Cash
    - Investments
    - Receivables
    - Fixed assets
    - Deferred revenues
    - Debt
    - Revenue
    - Expenses & payables
  - Disclosures
  - PBC



## Leverage Technology

# Use Communication Platforms

There are real benefits to electronic documents beyond saving a tree & saving physical space. This seems like a simple tip, but don't underestimate what going paperless can do from an efficiency standpoint. When coupled with cloud storage such as Microsoft OneDrive, Box, or Google Drive, the latest Optical Character Recognition technologies make finding important information happen in seconds rather than hours. Sharing of electronic documents is quick & simple & can be very secure as opposed to sharing a physical document, which can be cumbersome & completely unsecure.

# Planning Is the Key



**FORV/S**

# PLANNING IS THE KEY

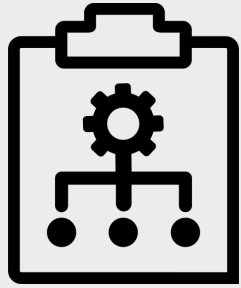
- It's a year-long process
- Book that calendar
- But I HAVE a full-time job already
- Use of Technology
- Do your homework
- Deja vu all over again
- The auditor is your friend

# HOW IS MY ANNUAL CLOSE DIFFERENT?

- *Normal* close vs. *Annual* close vs. Audit Prep
- Analytics
- General ledger review
- Budget to actual & other metrics
- Capitalization
- Accruals
- Revenue true-up

# GATHERING AUDIT DELIVERABLES

- Fluctuation Analysis New Standards
- Changes in the School
- Automate reports
- New transactions, agreements, relationships
- Reconciliations
- Most common items reviewed by auditors



# What your auditor wants you to know!

Planning  
Is Key

- Review Last Year's Audit
- When in Doubt, Ask for the Auditor's Objective



# DEVELOP THE PLAN

## Balance Sheet

- Bank/Investment reconciliations
- Aging of receivables & pledges/Allowances
- PPE/Depreciation schedules
- Leases/Lease Standard
- Accrued expenses
- Deferred revenue
- Salary accruals – including summer pay
- Post-retirement benefits payable
- Debt/Debt Covenants
- Retainage/construction accruals
- Net asset classifications – board designations as well as donor restrictions

# DEVELOP THE PLAN

## Income Statement

- Tuition revenues
- Contributions/Restrictions/Conditions
- Special events
- Investment income/Allocation
- Allocation of expenses
- Payroll reconciliations
- Repairs & maintenance
- Any new agreements
  - Beneficial interests
  - Wills/bequests
  - IRS notices, noncompliance
  - Employment agreements
  - New debt/lending agreements

# ENSURE IT IS CORRECT

- Self-review everything
  - Ties to the general ledger
  - Formulas are correct
  - Proper approval
  - Immaterial differences – make sure you note it
  - Lock it down

# Closing Thoughts

---

**FORV/S**

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office.

WEBINAR

# Questions?

[forvis.com](https://forvis.com)

The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by FORVIS or the author(s) as to any individual situation as situations are fact specific. The reader should perform its own analysis and form its own conclusions regarding any specific situation. Further, the author(s) conclusions may be revised without notice with or without changes in industry information and legal authorities. FORVIS has been registered in the U.S. Patent and Trademark Office, which registration is pending.

**FORVIS**

Assurance / Tax / Advisory

# CONTINUING PROFESSIONAL EDUCATION (CPE) CREDIT



**FORVIS, LLP** is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: [www.nasbaregistry.org](http://www.nasbaregistry.org)

**FORV/S**

# CPE CREDIT

- CPE credit may be awarded upon verification of participant attendance
- For questions, concerns, or comments regarding CPE credit, please email FORVIS at [cpecompliance@forvis.com](mailto:cpecompliance@forvis.com)



WEBINAR

# Thank you!

[forvis.com](https://forvis.com)

The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by FORVIS or the author(s) as to any individual situation as situations are fact specific. The reader should perform its own analysis and form its own conclusions regarding any specific situation. Further, the author(s) conclusions may be revised without notice with or without changes in industry information and legal authorities. FORVIS has been registered in the U.S. Patent and Trademark Office, which registration is pending.

# FORVIS

Assurance / Tax / Advisory