

Most Frequently Asked Questions of 2021

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Have you ever asked, “Why are the auditors asking for this?” Believe it or not, this is a very common (and understandable) question, and we also receive a variety of other questions throughout the audit process. So rest assured that you are not alone!

As you probably know, each year for the annual audit, auditors request a variety of documents and ask several questions. Auditors also ask for additional documentation and information during the audit. These questions and requests all relate back to the reason we are there—to ensure your financial statements are free from material misstatement and the appropriate work is performed. If you work at a school district, there are additional requests to complete the USFR Compliance Questionnaire. This article presents the most asked questions of 2021, and hopefully you find the answers beneficial.

General Questions:

1. If I provided documents electronically, do I also need to provide them in hard copies when you arrive onsite?

As a general statement, no, it is not necessary to provide information both electronically and hard copy. We are greatly appreciative for documentation we receive electronically during this unusual time in the world. There may be instances where we need to refer to original, hard copy documentation, such as if the scan didn't scan clearly or if it was a large document and was not beneficial to scan. Please feel free to save paper and scan documents to us electronically. Scanning documents also allows us to refer back to items as we progress in the audit, which can make the audit review process more efficient.

2. Why do we need to provide conflict of interest forms for the audit if we are not a school district?

Getting copies of the conflict of interest forms for non-profits is a part of our review so we can ensure that all disclosures in the financial statement report are complete and accurate. If there is a significant or material related-party transaction, reviewing these forms help determine whether the financial statement report gives all necessary information to readers.

3. Why do we need to provide so much information over our IT systems?

For school districts, we obtain this information to properly answer the USFR CQ questions. For all entities, it is critical to gain a greater understanding of the IT policies and procedures to ensure the financial data is protected. Our world continues to become more and more reliant on IT infrastructure, so auditors will likely continue to ask for detailed documentation over the IT systems entities use.

4. Why do I need to provide documents that relate to the subsequent fiscal year (general ledgers and investment statements)?

Auditors obtain documentation for the subsequent fiscal year to confirm two main things: 1) that no balances have changed significantly and 2) to analyze the balances to make sure no material amounts were recorded in the incorrect fiscal year.

5. Our entity is now subject to a single audit. What does that mean?

It was not unusual to see an entity that was once not subject to a single audit require a single audit in fiscal year 2021 as a result of COVID-19 grants. Entities that spend over \$750,000 in federal awards in a fiscal year are subject to a single audit. This means your auditor does additional analysis and testwork over the federal grants expended during the fiscal year. Your auditors will select major federal programs to specifically look at and include in their single audit testwork.

6. Why did the auditors ask for so many grant awards and agreements in 2021?

If your entity is subject to a single audit, we review the grant award documentation for major federal programs. In fiscal year 2021, there were numerous COVID-19 related grants. We often obtain documentation about these grants for our testwork and to note them as COVID-19 specific grants on the Schedule of Expenditures of Federal Awards (SEFA) for the single audit report. There are countless federal grants, so oftentimes, your auditor will ask for more information on grants that were not as common to ensure they are properly displayed on the SEFA.

School District Specific Questions:

7. Why do we need to provide a list of bids awarded during the fiscal year when we provide the report showing the total amount spent with each vendor (vendor total listing)?

The USFR CQ requires each school district have a minimum number of bids reviewed. The number of bids reviewed is dependent on the size of the school district. Auditors like to obtain a copy of the vendor total listing as well as a list of the bids awarded during the year. Obtaining copies of both of these documents help create a more efficient process for selecting bids and minimizes the amount of supporting documents we request.

8. Why do we need to provide documentation over commodities in the Food Service Fund?

Your auditors typically receive a document directly from USDA with these amounts for each school district. Auditors call this document a confirmation. Auditors request documentation for the commodities balance if this confirmation is not available as of the audit work.

Hopefully, these questions provided additional insight on audit requests, why auditors ask for specific requests, and what the auditors do with the information provided. Auditors are very appreciative of all the documents and discussions the entity has to provide for an efficient and effective audit.

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