



City Council Presentation

Overview

- Types of Audits Performed
- Management and Governance Responsibilities
- Auditor Responsibilities
- Auditor Communication
- Audit Reports
- Internal Control
- Audit Findings
- Issuance
- Results of FY2019 Audit

Financial Statement Audit

- Fundamental purpose of an audit is to provide independent assurance that management has, in its financial statements, presented a “true and fair” view of the Government’s performance and position.
- Additional requirements for Governmental entities – audited under Generally Accepted Government Auditing Standards, known as the “Yellow Book”
 - Required to test internal controls over financial reporting and compliance with laws, rules, and regulations

Single Audit

- Required when a government or nonprofit organization EXPENDS more than \$750,000 in federal money in a fiscal year.
- Single audit provides assurance to granting agencies that the recipient has adequate internal controls to be in compliance with federal program requirements.
- Management must prepare and present a Schedule of Expenditures of Federal Awards
- Single Audit is conducted in accordance with the standards for financial audits contained in the Uniform Guidance

Management & Governance Responsibilities

Management and those charged with governance acknowledge, understand and accept responsibility for:

- 1) for the preparation and fair presentation of the financial statements, including supplementary information, in accordance with accounting principles generally accepted in the United States of America;
- 2) for adjusting the financial statements to correct material misstatements relating to accounts or disclosures, after evaluating their propriety based on a review of both the applicable authoritative literature and the underlying supporting evidence from the Government's files.

Management & Governance Responsibilities

- 3) 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 error or fraud;
- 4) for identifying and ensuring that the Government complies with the laws and regulations applicable to its activities; and
- 5) to provide auditors with access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation and other matters.

Management & Governance Responsibilities

- 6) Compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs

Auditor Responsibilities

- We will conduct our audit in accordance with *Governmental Auditing Standards*
- Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement, whether caused by error or fraud.
- An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall basic financial statement presentation.

Auditor Responsibilities

- The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to error or fraud.
- Our work will be based primarily upon selected tests of evidence supporting the amounts and disclosures in the basic financial statements and, therefore, will NOT include a detailed check of all of the Government's transactions for the period.

Auditor Responsibilities

- Consider the internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but NOT for the purpose of expressing an opinion on the *effectiveness* of the internal controls.
- Consider the compliance for each major federal program based on our audit of the types of compliance requirements outlined in the *OMB Compliance Supplement*

Auditor Communication

- Engagement letter
- Communication to those Charged with Governance
 - During planning
 - Conclusion
- Auditing Standards Council of the AICPA would require us to communicate any instances of:
 - Errors or irregularities, illegal acts, significant changes in accounting policies, lack of cooperation, or scope limitations
- Management Representation Letter

Auditor Reports

- Independent Auditor's Report
- Independent Auditor's Report on Additional Information
- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Auditor Reports

- Independent Auditor's Report
 - Presented in the CAFR
 - Provide an opinion on the basic financial statements, combining and individual nonmajor fund financial statements
 - Does NOT provide opinion on MD&A, RSI, Budgetary Comparison Schedules or Statistical Section

- Independent Auditor's Report on Additional Information
 - Presented in the Compliance Report
 - Provide an opinion on the Schedule of Expenditures of Federal Awards

Auditor Reports

- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
 - Presented in the Compliance Report
 - Does NOT provide an opinion
 - Presents the results of our tests of internal controls and compliance over financial reporting

Auditor Reports

- Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance
 - Provide an opinion on each of the major federal programs
 - Presents the results of our tests of internal controls over compliance

Internal Controls

- Processes/Procedures designed to provide reasonable assurance that the reliability of financial reporting and preparation of financial statements.
- Auditors gain an understanding of internal controls, assess the risk of internal control failures, identify key controls, and test controls as deemed necessary.
- Control Cycles
 - Cash Receipts
 - Cash Disbursements
 - Payroll & HR
 - Close to Report
 - Treasury
 - Data

Audit “Findings”

- Significant Deficiencies
 - A **significant deficiency** is a **deficiency**, or a combination of **deficiencies**, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

- Material Weaknesses
 - A **material weakness** is a **deficiency**, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a **material misstatement** of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

- Other Matters
 - Compliance requirements, state statutes

Issuance

- **Government Finance Officers Association**
 - Submission of the CAFR to the Certificate of Achievement for Excellence in Financial Reporting Program

- **State of Wyoming – Public Funds Division**
 - Submit the CAFR and Compliance Report

- **Granting Agencies**
 - Submit the CAFR and Compliance Report

Results of FY2019 Financial & Compliance Audit

- Financial Statement Audit
 - Unmodified Opinion

- Report on Internal Control over Financial Reporting
 - No opinion (not the purpose of the report)
 - Testing found no instances of Significant Deficiencies or Material Weaknesses

- Report on Internal Control over Major Federal Programs
 - Unmodified opinion
 - Testing found no instances of Significant Deficiencies or Material Weaknesses

Questions?