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FINANCIAL FOCUS



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Your Accounting for a New Economy

Be Prepared: The Secret to a Smooth Audit

The old axiom, “Be prepared”, has been the motto for the Boy Scouts of America since its inception in 1910 and almost 100 years later it’s still the best advice for not-for-profit organizations facing their annual audit. Timeliness and efficiency rarely carries more weight than when it is applied to not-for-profits where resources and personnel are often stretched to near capacity. In demanding circumstances such as these it is important that your organization’s audit run as efficiently as possible. By following a few key steps your organization can help ensure a smoother audit process.

Step 1: Institute and Sustain Internal Accounting Policies and Procedures

The implementation of accounting procedures simply isn’t enough. It is also a necessity that those procedures are documented and adhered to. Documenting and enforcing a strict set of policies and procedures reinforces your employees’ and volunteers’ sense of responsibility and provides your auditor with a guideline to determine whether or not they’re being followed.

Step 2: Conduct Your Own Internal Audit of Expenditure Reports

Documenting the source of all amounts reported on your expenditure reports can save your auditor considerable time and save your organization considerable billings.

Step 3: Create Your Budgetary Expectations

Identify the source of all amounts included in your fiscal budget preparation process. Be sure to establish and maintain a master schedule of due dates for contract receipts and contract reporting. Ensure the accounting for contractual program revenues reflects the actual funds used in your organization’s activities. Identify early when funds are not received based upon your forecasts and contact your appropriate funding sources.

Step 4: Monitor All Expenditures Versus Budget

It's vital that you remain aware of meeting spending thresholds within the fiscal period. Establish internal procedures for the preparation of interim program reports and reconcile budget variances. Perform budget oversight periodically and respond to unanticipated changes in costs. Keep all active contracts in a centralized file and verify that your organization remains in compliance with all of the terms.

Step 5: Maintain Separation of Non-Cash Donations in the General Ledger

Unlike cash, the donation of services and use of property are not reportable contributions on Form 990, but depending on the circumstances they may be reportable on your organization's financial statements. Preserving separation of the various donation types can save you and your auditors unnecessary work.

Step 6: Examine Your Board's Role in Financial Oversight

Encourage the board, audit committee, or finance committee to take responsibility for overseeing the annual audit. Keep board members with an accounting background or other financial skills involved in the process. Require the board to approve your organization's budget and adhere to it.

Step 7: Document Restricted Donations Received

Best practices require unique treatment for restricted donations. Be sure to make additional copies of donor-restricted contributions as you record transactions in your audit file throughout the year.

Step 8: Examine Your Organization's Current Record Keeping Technologies

More and more organizations are going to paperless electronic record keeping. While this can save you space, make it easier to locate information, and helps the environment it may not be a viable option for all not-for-profits. Whether your files are physical or electronic it's important to keep them organized and in one centralized location.

Many not-for-profits dread their fiscal year-end, but by thinking ahead and preparing your organization you can give yourself a head start and greatly increase the odds of having a smooth and trouble-free audit.

For more information on what your organization can do to prepare for your audit contact Dawn Moeder, Not-For-Profit Partner at 214-461-1532 or by email at dmoeder@lgt-cpa.com or Neely Duncan, Not-For-Profit Manager at 214-461-1437 or by email at nduncan@lgt-cpa.com.