

BMSS PRESENTS:

# A GOVERNMENT & MUNICIPALITIES UPDATE

Thursday, November 3  
8:30 A.M. to 10:00 A.M.



# Welcome

- ❖ Moderator -

- ❖ Mike Brand - Member

- ❖ Presenters -

- ❖ Jenny Gray - Senior Manager

- ❖ Jake Bechert - Senior Manager

# Agenda

- ❖ BMSS government and municipal niche
- ❖ Audit - planning
- ❖ Audit - fieldwork
- ❖ Audit - completion
- ❖ Q&A

# Government and Municipal Niche

- ❖ Local Municipalities - Cities
- ❖ School Boards
- ❖ Utilities Boards
- ❖ Special purpose governments
- ❖ Quasi-governmental entities
- ❖ Audits
- ❖ Yellow Book and Single Audit
- ❖ Program specific audits
- ❖ Agreed upon procedures

# Audit - Planning

BMSS:

Planning

- ❖ Master Services and Engagement Letter and Statement of Work
- ❖ Communication to those charged with governance during planning
- ❖ Suralink
- ❖ Obtain interim financial statements
- ❖ Discuss timing and location of fieldwork (onsite, remote, or both) and size of audit team

# Audit - Planning - continued

- ❖ Setup audit binder and prepare planning forms
- ❖ Preliminary analytics based on interim financial statements
- ❖ Preliminary materiality calculations and major fund determination
- ❖ Obtain internal control process narratives
- ❖ Obtain internal control questionnaires
- ❖ Audit budget by audit area
- ❖ Establish expectations of date that final financials are to be provided

# Audit - Planning - continued

- ❖ Obtain name and contact information of the entity's primary attorneys for legal letter representations
- ❖ Engagement team planning meeting
- ❖ Fraud interviews

# Audit - Planning - continued

Client:

Planning

- ❖ Access Suralink upon receipt of invitation to the engagement
- ❖ Documentation for planning:
  - ❖ Permanent file
    - ❖ Fiscal policies and procedures
    - ❖ Investment policy
    - ❖ Payroll and related policies/employee handbook
    - ❖ Rate ordinances



# Audit - Planning - continued

- ❖ Documentation for planning - continued:

- ❖ Permanent file - continued

- ❖ Grant agreements
    - ❖ Service agreements (SOC reports)
    - ❖ Lease agreements
    - ❖ Debt agreements
    - ❖ Component unit agreements
    - ❖ Funding agreements
    - ❖ Contractual commitments

# Audit Planning - continued

- ❖ Documentation for planning - continued:
  - ❖ General
    - ❖ Signed MSEL and SOW
    - ❖ Internal control process narratives
    - ❖ Internal control questionnaires
    - ❖ Minutes of City Council, Board, committee meetings
    - ❖ Disclosure of related party transactions
    - ❖ Disclosure of instances of fraud or non-compliance
  - ❖ Trial balance, general ledger, and journal entries

# Audit - Fieldwork

## BMSS & Client

### Fieldwork

- ❖ Documentation for fieldwork:
  - ❖ Cash:
    - ❖ Confirmation.com authorization or signed cash confirmations (on client letterhead)
    - ❖ Bank reconciliations
    - ❖ Bank statements
    - ❖ SAFE letters (provided to client by banks)

# Audit - Fieldwork

- ❖ Documentation for fieldwork - continued:
  - ❖ Cash - continued:
    - ❖ Disclose restriction, by whom, and purpose
    - ❖ Authorized signers on accounts, cash receipts and cash disbursements journals
    - ❖ Cash receipts journal
    - ❖ Cash disbursements journal
    - ❖ Pledged cash

# Audit - Fieldwork

- ❖ Documentation for fieldwork - continued:

- ❖ Investments:

- ❖ Investment statements
    - ❖ Disclose restriction, by whom, and purpose
    - ❖ Disclosed pledged investments

- ❖ Accounts receivable and revenue:

- ❖ Signed revenue confirmations (on client letterhead)
    - ❖ Revenue detail listing – permit fees received, business licenses received, beginning and ending court case numbers, sales tax reports (if collected by client), grants received, charges for services (proprietary funds)

# Audit - Fieldwork

- ❖ Documentation for fieldwork - continued:
  - ❖ Accounts receivable and revenue - continued:
    - ❖ Receivable detail listing by source (taxes, grants, customers, other)
    - ❖ Disclose restriction, by whom, and purpose
    - ❖ Disclose pledged revenues or receivables
    - ❖ Interfund due to/due from
    - ❖ Cash receipts journal
  - ❖ Capital assets:
    - ❖ Detail capital asset listing by category and function

# Audit - Fieldwork

- ❖ Documentation for fieldwork - continued:
  - ❖ Capital assets - continued:
    - ❖ Detail depreciation listing
    - ❖ Additions to capital assets - date acquired, date placed in service, and total cost
    - ❖ Schedule of construction in progress - beginning amount, additions, ending amounts
    - ❖ Schedule of donated assets - date received, date placed in service, total value
    - ❖ Dispositions of capital assets - date, method (sale, scrap, etc) and proceeds (if any)
    - ❖ Disclose restriction, by whom, and purpose
    - ❖ Disclose pledged capital assets

# Audit - Fieldwork

- ❖ Documentation for fieldwork - continued:
  - ❖ Other assets:
    - ❖ Prepaid expense listing detail
    - ❖ Refundable deposits listing detail
    - ❖ Inventory listing (if applicable)
    - ❖ Disclose amounts prepaid or deposits using restricted assets



# Audit - Fieldwork

- ❖ Documentation for fieldwork - continued:
  - ❖ Accounts payable and Expenditures/Expenses:
    - ❖ First and last check numbers for each checking account
    - ❖ Cash disbursements journal
    - ❖ Payables listing detail by category (trade, capital assets and other)
    - ❖ Disclose amounts payable from restricted assets
  - ❖ Debt:
    - ❖ Confirmation.com authorization or signed debt confirmations (on client letterhead)
    - ❖ Debt listing detail by category (warrants payable, notes payable, capital leases)

# Audit - Fieldwork

- ❖ Documentation for fieldwork - continued:
  - ❖ Debt - continued:
    - ❖ Amortization schedules (maturities, rates, terms, etc)
    - ❖ Lease schedules
    - ❖ Disclose amounts payable from restricted assets
    - ❖ Disclose collateralized debt
    - ❖ Disclosure continuing disclosure requirements, including dates

# Audit - Fieldwork

- ❖ Documentation for fieldwork - continued:
  - ❖ Other liabilities:
    - ❖ Detail payroll journal
    - ❖ Detail compensated absences report (beginning, additions, reductions, and ending)
    - ❖ Pension Plan information - RSA
    - ❖ Other Post-employment Benefit Plan information

# Audit - Fieldwork

## BMSS & Client

## Fieldwork

- ❖ Sampling:
  - ❖ Journal entries
  - ❖ Test of revenues
  - ❖ Subsequent receipts of receivable amounts
  - ❖ Capital assets additions testing
  - ❖ Capital assets disposition testing

# Audit - Fieldwork

- ❖ Sampling - continued:
  - ❖ Test of repairs and maintenance expense
  - ❖ Test of cash disbursements
  - ❖ Search for unrecorded liabilities
  - ❖ Subsequent receipts of receivable amounts
  - ❖ Capital assets addition testing
  - ❖ Testing compliance with bid law
  - ❖ Test of payroll disbursements
  - ❖ Test of compensated absence accrual and disbursement

# Audit - Fieldwork

- ❖ Sampling - continued:
  - ❖ Pension and OPEB census testing
- ❖ Additional documentation:
  - ❖ Budget v actual and prior v current actual variance explanations
  - ❖ Statistical information
  - ❖ Financial Statement disclosure information
  - ❖ Subsequent general ledger detail
  - ❖ Subsequent check register
  - ❖ Yellow Book and Single Audit documentation

# Audit - Completion

## BMSS & Client

- ❖ Obtain financial statements and SEFA (when applicable) or aid in preparation
- ❖ Disclosure checklist - obtain additional support for disclosures (as needed)
- ❖ Legal representation letters
- ❖ Evaluation of subsequent events
- ❖ Management representation letter
- ❖ Auditors' reports

# Audit - Completion

## BMSS & Client

- ❖ Communication of internal control and other matters
- ❖ Communication to those charged with governance
- ❖ Corrective action plan



# Q&A

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Jenny Gray - [jgray@bmss.com](mailto:jgray@bmss.com)

Jake Bechert - [jbechert@bmss.com](mailto:jbechert@bmss.com)