

From Scramble to Strategy: A Beginner's Guide to Audit Readiness for Local Governments

February 18, 2025

Group Live: 1 CPE credit



www.ckhgroup.com

Housekeeping

If you have questions, feel free to submit them in the Q&A and we will follow up with you after the course.

To be eligible for CPE (Continued Professional Education) credit you must:

- Have your camera on for at least 50 minutes of the session
- Answer all engagement polls (there are 3)*
- Complete the follow-up course assessment form (which is an assessment of the course itself, not your knowledge of the material)

**If you have trouble responding to the polls, please submit your responses via email or as a Q&A instead to count as proof of engagement*

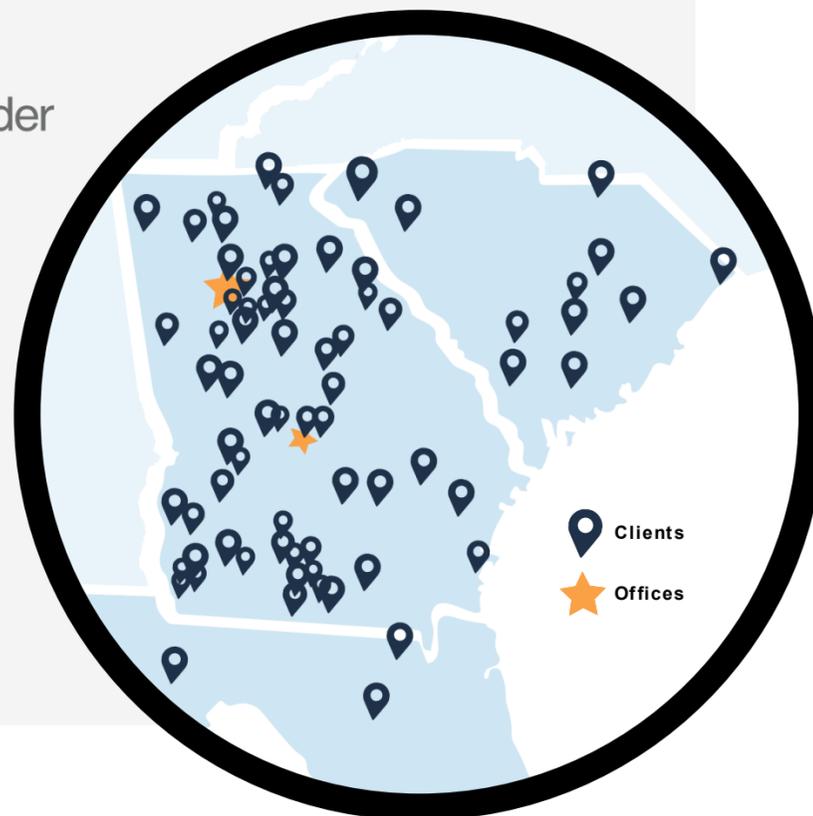
We are a small business CPA firm located in Atlanta, GA and Hawkinsville, GA offering **powerful government contracting solutions in the areas of assurance, tax, accounting, and advisory** to Federal, State, and Local governments.

With over 20 years in the business, we bring a wealth of knowledge to accomplish our mission to provide our communities and financial leaders with quality accounting support, made accessible by our local resources and dedication.



60+
Gov. Client
Locations

38k+
Hours of Gov.
Accounting



Featured Speakers:



Bill Webb

Director of Business Development

- MBA
- Proposal Management
- Retired U.S. Army Logistics Officer
- Program & Operations Management



Jenelle Gordon

Government Operations Coordinator

- Former City Clerk
- Georgia Master Certified Clerk
- Georgia Municipal Clerk's Association
- Executive Office Management

Agenda

1. Introduction

2. The Importance of Audit Preparation

1. What is a Government Audit
2. Audit Importance
3. Common Accounting Terms
4. Organization
5. Monthly Tasks

3. Understanding the Audit Process

1. What The Auditor Will Request (PBC list)
2. PBC List Best Practices
3. Audit Timeline
4. Audit Phases
5. 6 Pillars of Audit Readiness

4. Conclusion

Time for a Poll!

**How confident are you that you can
easily find the records needed for your
annual audit?**

(Please answer the live poll)

IMPORTANCE OF AUDIT PREPARATION



WHAT IS A GOVERNMENT FINANCIAL STATEMENT AUDIT?



A government's annual financial statement audit is an **independent assessment of a government's financial records to determine if they are fairly presented**, in all material respects in accordance with GAAP, and comply with laws and regulations that have a direct and material impact on the financial statement.

Most states require local governments to conduct an annual audit of their financial statement if they meet certain thresholds.



Moreover, completion of your annual audit is usually required to gain access to certain state and grant funding.

WHAT IS A 'SINGLE AUDIT'?



A Single Audit is a rigorous, organization-wide audit required by federal law for any non-federal entity that expends **\$1,000,000 or more*** in federal awards during its fiscal year.

**Effective for fiscal years beginning on or after 01 Oct 2024
(previously \$750,000)*

Completion of a single audit includes your financial statement audit.

A single audit includes all steps of a financial statement audit **plus:**

- Schedule of Expenditures of Federal Awards (SEFA)
- Testing of internal controls over federal programs
- Compliance testing of major programs (selected based on risk and dollar thresholds)
- Reporting package submitted to the Federal Audit Clearinghouse

COMMON ACCOUNTING TERMS EXPLAINED

“CONFIRMATIONS”

Within accounting, if your auditor is asking for ‘confirmations’ what they are looking for is **any external validation that confirms what you’ve already told us** (e.g. bank, lawyer, USDA, federal entity)

BANK STATEMENTS

When your auditor requests bank statements, they are referring to **all financial institutions, not just checking or savings accounts**, but also money markets, CDs, credit accounts, or accounts that have a zero balance or no activity.

GENERAL LEDGER

This term is referring to **your central record-keeping system for your financial data including every entry** that has happened. If your auditors ask for this, it is likely an export from your software.

BANK RECONS

Bank recons/reconciliation is a term understood to mean **‘balancing the books’**. This includes any bank account including ones with zero balance.

Special attention should be made to account for any outstanding checks or deposits- and to include this information when submitting to your auditor.

JOURNAL ENTRIES

This term is referring to **anything you put into your accounting books**.

Your auditor may ask for different versions of journal entries. For example, manual journal entries are anything you’ve put in, as opposed to being automatically generated.

FUNDS/ACCOUNTS

‘Funds’ and ‘accounts’ can generally be used or understood to refer the same thing.

This is because **we recommend that each separate ‘fund’** (such as SPLOST, grant funds, etc.) **have separate bank accounts**.

IMPORTANCE

Why Annual Financial Statement Audits Matter

- ✓ **Stewardship of taxpayer money – builds citizen trust**
- ✓ Avoids project freezes or delays
- ✓ Protects public funds
- ✓ Detects errors or misuse early
- ✓ **Access to state and federal grants and funding**

We get it. The audit process can feel tedious, uncomfortable or overwhelming. However, audits are requirements to receiving funding- and when projects stall or infrastructure goes unfixed, you face finger pointing and community breakdown.

Audits = Community Trust





“Time and tide wait for no man”

Geoffrey Chaucer’s *The Clerk’s Tale*, 1385

**Audit readiness is year-long preparation
and organization.**

ORGANIZATION

The better you organize and prepare for an audit, the easier it is, and the more money you will save

Best practices:

- Maintain an accurate and up-to-date filing system, with clear naming conventions and file structure
- When possible, you can also make documents available on a public website (e.g. meeting minutes, budgets, etc.) so that you don't have to search for it
- Digitize items to help reduce time taken onsite to scan items in
- Use separate bank accounts to avoid comingling of funds

“If you can't find documents quickly, neither can your auditors.”

Good documentation saves time, money, and avoids red flags in the audit process.



MONTHLY TASKS RELATED TO AUDIT PREPAREDNESS

1

Bank Reconciliation

2

Payroll Reports

3

Uploading and organizing meeting minutes and ordinances

4

Invoices (Accounts Payable)

5

Revenue Reports (Any proprietary fund/revenue you have – water department, trash department, etc.)

6

Balanced Interfund Accounts

7

Grant Tracking and Documentation

8

Fixed Asset Activity Tracking

9

Debt and Lease Monitoring

10

Budget to Actual Analysis



“1 for you, 1 for me” - as you save items, create a copy in a standard folder for your auditor.

FILE MANAGEMENT BEST PRACTICES

Organize by Year and by Month

Use a top down approach – year > month > project > specific document

Use consistent naming conventions

Include the month and year in the name so it's even easier to locate

When in doubt, don't delete

Archive any uncertain items instead

Have backups and contingencies

Don't keep all your eggs in basket! Use shared file locations or have regular backups

File management doesn't need to be perfect to be useful

Just organizing miscellaneous documents by month can be the difference between seconds and hours of searching

Example File Tree

- Audit Documents
 - 2020
 - 2021
 - 2022
 - 2023
 - 2024
 - 2025
 - Miscellaneous Archive
 - Standard Documents
 - 1. Jan
 - 2. Feb
 - 3. Mar
 - 4. Apr
 - 5. May
 - 6. Jun
 - 7. Jul
 - 8. Aug
 - 9. Sept
 - 10. Oct
 - 11. Nov
 - 12. Dec
 - 1. Bank Recons
 - 2. Invoices
 - 3. Meeting Minutes
 - 4. Payroll Reports
 - 5. Revenue Reports
 - 6. Other

1_2025_GeneralFund.docx
1_2025_Grants.docx
1_2025_MiscFund.docx
1_2025_Payroll.docx
1_2025_Rand...unt copy.docx
1_2025_SPLOST.docx
1_2025_Uilities.docx
1_2025_Vend...nts copy.docx

FILING AN AUDIT EXTENSION

What happens if unusual circumstances delay your audit?

Some states let you file an extension for your annual audit, particularly if you have good cause.

How you submit an extension depends on state/what agency is your oversight. For example, in Georgia, all you need to do is submitted a written request (i.e. email) to the Georgia DOAA.

How long of an extension also depends on your state/local laws– in the Georgia example, you would receive an additional 180 days.

Will you still have access to grant funds if you have an approved extension?

 **Yes!**





THE AUDIT PROCESS EXPLAINED

WHAT IS IN A PBC (Prepared By Client) LIST?

Standard Documents

- Organizational Chart
- Chart of Accounts
- Policies and Procedures
- Incorporation Documents
- Intergovernmental Agreements
- Joint Venture Agreement (if applicable)
- Notes and Revenue Bonds
- Sales and Lease Agreements
- Grant Agreements
- Property Accounts
- Lease Agreements
- Commitments and Contingencies
- GIRMA Insurance Agreement
- Joint Venture Agreement

TLDR:

Standard documentation that are typically preexisting historical documents such as policy/incorporation documents or chart of accounts

New to Fiscal Year

- New contracts or bid awards
- New loans or leases
- New/in-progress capital projects
- Creation of an authority
- New grants (FEMA, GEMA, GDOT, HUD, CDC, LEO, etc.)
- New levy on taxes (FLOST, HOT, impact fees, millage)
- New major software agreements
- New banks or open/closure of bank accounts
- Major happenings (employee injury, storm damage, etc.)

TLDR:

Any of the standard documentation that happens to be new this past year.

Monthly Items

- Minutes of Meetings
- Bank Summary, Bank Statements and Reconciliations
- Petty Cash Reconciliation
- Restricted Cash and/or Investments
- Secured Transactions
- Accrued Interest
- Accounts Payable Balances
- TAVT Distributions - Tax
- Water and Sewer - Consumption Reports
- Monthly Court Reports
- TAVT Distributions
- Payroll Report /Reports
- Equity Reconciliation

TLDR:

All those monthly tasks that impact audit readiness we'd mentioned previously (e.g. bank reconciliation, payroll reports, meeting minutes)

Year-End Items

- Trial Balance
- General Ledger/Subsequent GL
- Original and Final Budgets
- Manual Journal Entries List
- SLFRF Compliance Report (if applicable)
- Fixed Asset Register
- Property Tax Receivables, digest, millage rates, tax collections tax abatements
- All Receivables (leases, interfund transfers, intergovernmental)
- Accounts Receivable Report + aging report
- Allowance for Uncollectible accounts, Prepaid Items
- Unearned / Unearned Revenue, Capital Assets
- Prepayment Schedule
- Interfund Balances & Transfers
- New Hires and Terminations
- Customer Deposits
- Deferred / Unearned Revenues
- Net Pension Liability, pension & OPEB Liabilities
- Taxes - Property - Tax Commissioner, Fines and Fees Report, Franchise Taxes, Insurance Tax Premium
- SPLOST & TSPLOST Disbursement
- Check Listing for FY
- Subsequent Disbursements (if applicable)
- City Attorney, bank confirmations
- Trial Balance & General ledger
- Support for Receivable Balances

TLDR:

Year end reports or data that can not be sent until the books are closed

You can send these items before fiscal year-end!

Aim to have these completed and sent 30 days after fiscal year-end!

PBC LIST BEST PRACTICES



Communicate with your auditor

Not every line on the PBC is applicable to your city or county. Your auditor will send a generic list, and many of those items can be removed entirely from your list if not applicable if you meet with them to talk through it.



Don't wait for the PBC list to prepare documents

PBC lists do not change year over year. If awaiting a finalized list of PBC items is what is stalling you from preparing them, you can use a previous PBC list to start building yours early



Get familiar with the software or secure portal

At CKH we use Caseware Collaborate – others might use Surelink, Smartsheet- others might send excel sheet- all of these have the same purpose of communicating a list of items needed and providing a safe way to send them digitally.



AUDIT PHASES

Phases of an audit:

An annual audit process involves 5 phases, with 2 of them happening even before the audit starts

- *Phase 1:* Audit Planning & Engagement Setup
- *Phase 2:* PBC Completion
- *Phase 3:* Internal Control Evaluation
- *Phase 4:* Audit Fieldwork and Reporting
- *Phase 5:* Governance Presentation and Regulatory Filing

Time for a Poll!

**Which phase of the audit do you think
takes the longest?**

(Please answer the live poll)

AUDIT PHASES

Audit deadlines vary by state – additional prep work or shorter phases to meet deadline may be necessary*

PHASE 1



Audit Planning & Engagement Setup

6 weeks before Fiscal Year end

★ This is when you will receive your PBC list!

PHASE 2



PBC Completion

Day 1 - 30 after Fiscal Year End

PHASE 3



Internal Control Evaluation

1-2 weeks duration
(timeline start dependent on entity)

PHASE 4



Audit Fieldwork & Reporting

Estimated 4 weeks duration
(timeline start dependent on entity)

PHASE 5



Governance Presentation and Regulatory Filing

1 month before audit deadline

Pre-audit

*Larger entities may also have an interim audit & testing during the FY

PHASE 1



Timeline:
6 Weeks before FYE

Audit Planning & Engagement Setup

Before any work begins, you will meet with auditor and set up the groundwork for the audit.

This includes:

- Signing an engagement letter
- Confirming scope, timeline, fees, communications
- Begin to send through PBC items* via your auditor's secure portal
- Discuss any new financial events in the past year such as new lease agreements, grant funding, bought/sold assets, new programs/funds, etc.

★ After the engagement letter has been signed, **your auditor will send through the complete PBC list.** – you should also identify if you are behind on any monthly tasks prior to year end.

****In this initial phase, you should send through standard documents and new to this fiscal year documents as part of the PBC list.***



PHASE 2



*Timeline:
Days 1-30 after FYE*

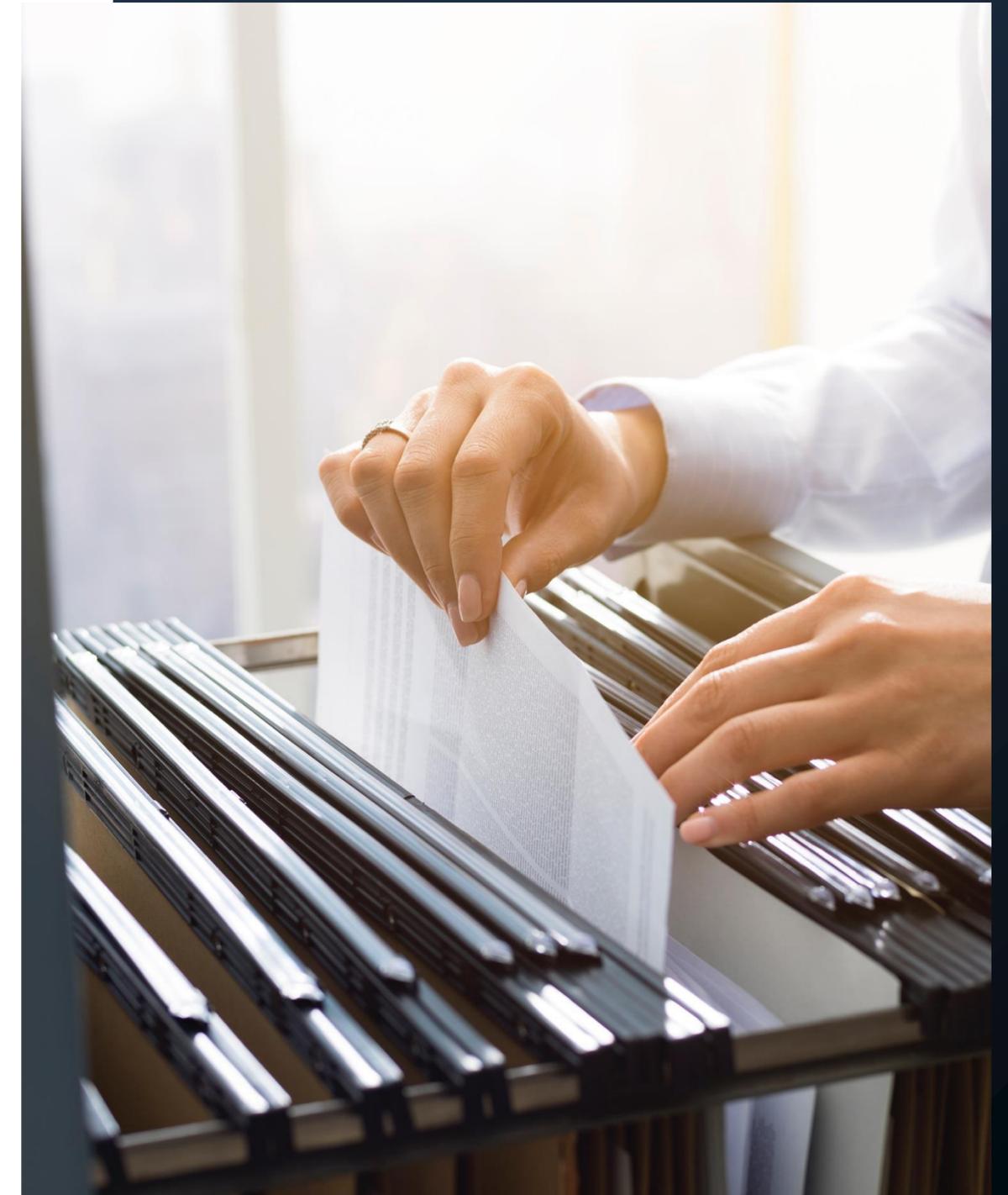
PBC Completion

This is when the true work begins. Now that your fiscal year has ended, you can close out your books and consolidate all Monthly and Year-End documents that you could not send through previously.

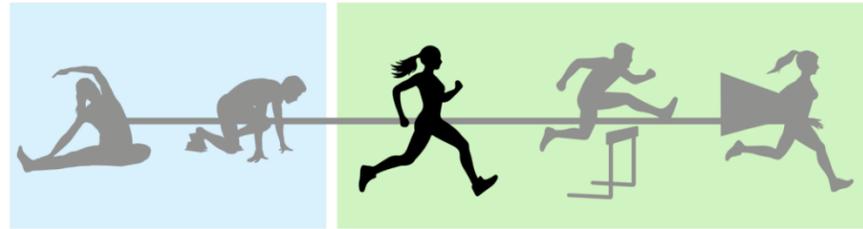
The goal is to complete this within 30 days of FYE.

However, this phase is often delayed— the less organized your documents, the more likely the actual audit will lengthen. If your auditor must conduct extra work onsite, scanning items, calling vendors, or chasing information, the longer your audit will take, and the more it will cost. **Staying organized isn't just best practice, it's a great way to stay cost effective.**

Your auditor cannot begin the audit until they have all PBC items: the longer this takes, the longer your audit will take.



PHASE 3



*Timeline:
1-2 Weeks Duration*

Internal Control Evaluation

Internal Controls are just your entity's checks and balances to ensure that fraud cannot take place or that you've minimized your exposure risk.

Before audit fieldwork begins, your audit team is going to complete an internal control evaluation/walkthrough with you- which is typically performed on site. The goal of this is for the auditors to be able to plan the audit fieldwork based on complexity of your specific situation - not to find fault, blame, or errors.

Your auditor will ask questions such as:

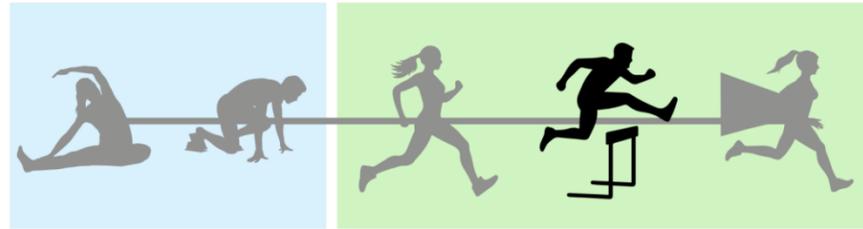
- Who signs off on large checks?
- What is your threshold for buying something new?
- Who preforms what duties and when?

They may also also discuss any prior-year findings.

This step paints a picture of **how your entity operates**. That way your auditor can understand both written and unwritten policies your team operates by.



PHASE 4



*Duration:
Typically 4 Weeks*

Audit Fieldwork and Reporting

In this stage, your audit team will perform the fieldwork. This is when they may come onsite, especially if your documents need to be scanned.

During this phase auditors will:

- Review your submitted PBC items
- Select audit samples
- Reach out with any additional requests or confirmations
- Draft the financial statements
- Issue their audit opinion.

This stage is the most time intensive for the auditors, **but your role isn't over. It is important that you respond to any queries to keep the process moving smoothly.** They may have follow-up questions, may need you to resubmit items, or provide explanations if something unclear.



PHASE 5



*Timeline:
30 days until deadline*

Governance Presentation & Regulatory Filing



Congratulations, you've done it!
You will receive your completed audit report.



Your auditor will present your financials, show you how well you are functioning, and CKH Group specifically also likes to give helpful advice and tips for the next year to run even smoother.

If you established strong processes or documentation, keep and archive them for next year. Store any documents you know your auditor will ask every year.

At CKH, our goal is to improve this process with our clients year after year!



HOW LONG DOES THE AUDIT TAKE? (From signed engagement letter to final delivery)



Time for a Poll!

**What is your biggest challenge to completing
submission of the full PBC list?**

(Please answer the live poll)

6 PILLARS OF AUDIT READINESS

AUDIT READINESS

Organized and Accessible Documentation

Monthly Reconciliation of Key Accounts

Timely Year-End Close

Evaluate and Strengthen Internal Controls

Maintain Your Accounting System

Foster a Culture of Audit Readiness

KEY TAKEAWAYS

Audit Preparation is crucial to easy, seamless, annual audits, which are required to receive certain funding

Proper preparation involves keeping organized and staying on top of all your monthly tasks

Understand what the phases of an audit so you know what is needed from you each step of the way

Understanding what a PBC list is/what is needed from you means you can have these items ready come time for an audit





EVENTS TO JOIN US AT:

ACCG Annual Conference

April 22 – 26, 2026

GFOASC 2026

Spring Conference

May 4, 2026





Let's Stay in Touch



1-770-495-9077



businessdevelopment@ckhgroup.com



Headquarters:

5 Concourse Parkway Ste #2800
Atlanta, GA 30328



Follow us on social media!



www.ckhgroup.com