

# Government's Guide to Preparing for Your Financial Audit

Your audit doesn't need to be stressful, especially when you know how to prepare for it in advance.

Here is everything you'll need to do, and when to do it.

## DURING THE YEAR

- ❑ Maintain key reconciliations and schedules to minimize end-of-year work
- ❑ Update property, plant, and equipment schedules as new items are added
- ❑ Keep an open line of communication with auditors to discuss new or unusual transactions
- ❑ Become familiar with new standards and pronouncements and how to implement them
- ❑ Review any previous audit findings and corrections and implement corrective action plan
- ❑ Update accounting policies and procedures manual for any changes

## 2-3 MONTHS PRIOR TO THE END OF THE YEAR

- ❑ Assign responsibility to key employees for audit workpapers and schedule preparation for all significant transaction classes
- ❑ Gather all new agreements and amendments to agreements entered into during the year for debt, capital leases, joint ventures, key operating contracts and commitments, and other services
- ❑ Review budgetary schedules and compare to actual expenditures to verify if any amendments are needed to comply with applicable statutes
- ❑ Review any changes in activities (i.e. new programs or services, impairments, discontinuation of programs or services, etc.) that may have triggered changes in reporting requirements, changes in accounting policies or procedures, and/or other compliance requirements

## AT YEAR-END

- ❑ Perform year-end inventory counts, if applicable
- ❑ Review all entities that will require a copy of the audited financial statements and document the due dates; communicate the due dates with the auditors

## WITHIN 1-2 MONTHS AFTER YEAR-END

- ❑ Prepare all closing entries and reconcile all significant accounts including cash, accounts receivable, inventory, fixed assets, prepaid expenses, accounts payable, accrued expenses (including accrued payroll), and long-term debt
- ❑ Communicate with auditors to establish an audit timeline and schedule fieldwork
- ❑ Prepare all confirmations requested by auditors for key balances
- ❑ Review prior year audit and request information from other employees within the organization needed to prepare the required note disclosures
- ❑ Prepare all items requested on the auditors' checklist

## Questions? We're here to help



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