

Getting Ready for 2024: Annual Audit Prep



Southeastern Association
of School Business Officials

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Agenda

Review of GASB 96 – SBITA – FY23

Review of Bulk Purchase Change – FY24

GASB No. 101 – Compensated Absences – FY25

Common Compliance Findings

Common Financial Statement Findings

Ways to Make Your Audit Less Stressful

Review of GASB 96 - SBITA

- What are SBITA?
 - A SBITA is a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets (underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction
- Examples:
 - Microsoft 365
 - Adobe
 - ERP Software or Cloud Computing Arrangements

Review of GASB 96 – SBITA, Continued

- Exemptions:
 - Contracts that solely provide IT support services
 - Contracts that convey control of the right to use another party's combination of IT software and tangible capital assets that meets the definition of a lease in GASB 87 in which the software component is insignificant when compared to the cost of the underlying tangible capital asset

Review of GASB 96 – SBITA, Continued

- Calculation of Liability:
 - Fixed payments
 - Variable payments based on an index or rate
 - Variable payments fixed in substance
- Calculation of Asset:
 - Subscription Liability
 - Prepayment
 - Capitalizable initial implementation Costs

Capital Asset Reporting Guidance Update

QUESTION:

Should a government's capitalization policy be applied only to individual assets, or can it be applied to groups of assets acquired together? Consider a government that has established a capitalization threshold of \$5,000 for equipment. If the government purchases 100 computers costing \$1,500 each, should the computers be capitalized?

Think: Computers, iPad, Classroom Furniture, Band Instruments, Library Books

Capital Asset Update

- Original Guidance:
 - It **MAY BE APPROPRIATE** for a government to establish a capitalization policy that would require capitalization of certain types of assets whose individual acquisition costs are less than the threshold for an individual asset
- Amended Guidance – GASB Implementation Guidance 2021-01:
 - A government **SHOULD** capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant

GASB's position is that \$150,000 in computers, purchased at once, should be capitalized if the total purchase is "significant" to the District, even if the assets are below the threshold individually.

GASB Statement No. 101

COMPENSATED ABSENCES

Definition:

- Leave for which employees may receive one or more:
 - Cash payments when the leave is used for time off
 - Other cash payments, such as payment for unused leave upon termination of employment
 - Noncash settlement, such as conversion to postemployment benefits

Examples:

Vacation and Sick Time, Paid Time Off

GASB Statement No. 101, Continued

- Prerequisites for Reporting:
 - It must be attributable to services already rendered/ performed
 - Can be carried forward from the reporting period earned to future periods when it will be used
 - More likely than not (50% +) that it will be used for time off, covered or settled
- Exceptions:
 - Liability that is reasonable expected to be converted to a defined benefit post-employment benefit
 - Leave dependent upon the occurrence of sporadic event affecting a small population of employees
 - Leave that is unlimited or holiday leave required to be taken on a specific day

GASB Statement No. 101, Continued

- Valuation of Liability:
 - Current pay rate or alternate rate if expected to be paid at that rate
 - Salary and incremental pay amounts
- Exceptions:
 - Liability that is reasonable expected to be converted to a defined benefit post-employment benefit
 - Leave dependent upon the occurrence of sporadic event affecting a small population of employees
 - Leave that is unlimited or holiday leave required to be taken on a specific day

Compliance Findings

- Noncompliance with State law (collateral security)
- Amount claimed for reimbursement did not agree to the amounts expended and reported on the financial statements
- District's procurement policies and internal control policies are not followed
- District not performing a verification check for covered transactions by using the System for Award Management website (SAM.gov) and retaining the results of that search
- Miscalculate indirect cost
- Time and effort documentation to support payroll expenditure charged to federal grants

Financial Statement Findings

- Improper account accruals caused misstatement of account and the related expenditures – 3 districts
 - Construction accruals
 - School tax credit revenue accrual/retirement accruals
- Debt Service Fund transactions/pension credit/taxes receivable were posted to incorrect accounts by fund and account
- Debt Service Fund and Due from County Treasurer was not properly reconciled and not reconciled in a timely manner to the County Treasurer's records
- Inventory misstated (equipment and food service inventory)



Financial Statement Findings

- District did not make the necessary or correct entries to record revenue, expenditures, receivables, and payables including payroll liabilities
- The bank reconciliation is properly prepared and reviewed on a monthly basis. The reconciliation should include a review of outstanding items, specifically checks that remain outstanding for several months.
- Not properly reconcile, capitalize and depreciate or dispose of capital assets as required by GAAP and the District's asset capitalization policy.



General Closeout Procedures to Prepare for an Audit

1. Review all trial balances, by fund, ensuring they zero out and that fund balance/net position rolls forward. Also perform a preliminary analytical review to see if any items have unfavorable variances that need to be investigated further during the closeout process. Have any balance sheet items not changed from the prior year? Why?
2. Reconcile the SEFA (Schedule of Expenditures of Federal Awards) to the trial balance as of June 30, 202X.
3. Reconcile all cash accounts ensuring all deposits in transit and outstanding checks have been accounted for and that the reconciled balance agrees with the general ledger balance for all cash accounts. Perform a review of outstanding items, specifically checks that remain outstanding for several months. Also contact the bank and ensure all deposits are properly collateralized at year end in accordance with State law.
4. Take inventory as of year end and reconcile the ending balances to the general ledger.
5. Review and reconcile "due to/from" and "transfers" for all funds ensuring they zero out across funds.



General Closeout Procedures to Prepare for an Audit

6. Perform a search for unrecorded liabilities by reviewing open unpaid invoices and any material checks paid subsequent to year end.
7. Review accrued payroll and related liabilities.
8. Reconcile property tax revenues and receivables to County unpaid/collection reports. Also remember to include the 60 day collections after year end in your deferred taxes calculation.
9. Reconcile the capital asset roll forward schedule. Update with all current year additions, disposals, depreciation. Review outstanding pay apps to ensure outstanding retainage has been recorded.
10. Reconcile the long-term debt roll forward. Have you included all newly issued debt, re-fundings, payments?



Questions
