

Preparation For The Audit

Smile Through Audit

Emmanuel Asiedu and Robyn Kajiura

Approach Your Audit in 2 Ways

- With smiles and joy
- With fear, frustration, intimidation, and even anger.

Auditing: Joy or Fear

Joy or fear. All depends on your preparation and approach to your audit.

Treasury – A Sacred Calling

Treasury in the Adventist church is a special calling and requires excellence and faithfulness in our duties including getting the documentation in an auditable form.

Why Auditing? Don't you trust me?

Auditing helps us honor our faithfulness in treasury duties. As a result, our GCAS auditors are our trusted friends who help us honor our sacred calling.

12 Easy Ways to a Smiling Audit

Try them and you will enjoy your auditing experience

Step One - Audit Coordinator

Begin your audit with an audit coordinator/leader – responsible for coordinating the auditing process. The leader may be an associate, assistant treasurer or accountant. E.g. schedule the audit, review and upload documents, etc.

Step Two- Form your Audit Team

Form an auditing team to strategize the audit. The team includes more than those in the treasury department...

Step Two- Audit Preparation Team

Who is on your audit preparation team?

- Treasury
- Secretariat
- Registrar
- IT personnel
- Board/audit review committee
- Attorney/legal counsel
- Maintenance personnel
- Youth camp, dorm or cafe manager
- Building contractor
- Division personnel
- Local church treasurer

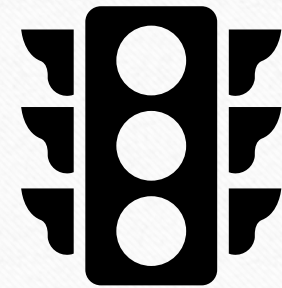
Step Three- Review Audited Reports

Review your most recent audited financial reports and address the concerns the auditors raised as soon as possible.

Don't wait until the auditors show up in office.

Step Three- Audit Reports to Governance

- Opinion on the financial statements
 - Unmodified (*Best*); Qualified (*Better*); Disclaimer (*Bad*)
 - Adverse (*Worst*)
- Policy compliance report
 - Standard (*Good*) or non-standard (*Not so good*)
- Audit communication matters
- Extra: F-49, NAD Retirement report, & Treasury letter



Step Three- Review Audited Reports for Issues

Audit concerns from prior year may include

1. Improper cut-offs
2. Bank reconciliations not reviewed
3. Church building additions not recorded
4. Payroll tax payments not filed on time

Step Four- Review GCAS Client Portal

Review the GCAS portal and ensure that you understand all the requested items and assign them to the appropriate individuals in your team to work on or follow up.

Step Four- GCAS Client Portal

- GCAS Portal/Client Collaboration Platform = Citrix ShareFile
- A detailed Audit Preparation List is uploaded to your GCAS portal prior to year-end. Treasurer or designee is Admin.
- Your account “Admin” can assign individuals to specific sections and monitor progress of the preparation.
- Files can be uploaded to the correct location and reviewed by the auditor. Access granted only to appropriate personnel.

Step 4- GCAS Portal Example

Administration (AD)

Please title each of these items as "AD file description YEAR"

- 1 School Board Members list
- 2 Financial Statement
- 3 Trial Balance - In Text File format or Excel
- 4 Board Minutes for board, Finance Committee, Personal Committee, Executive Committee (for each meeting during the fiscal year)
- 5 Signed Engagement Letter
- 6 Signed Policy Assertion Letter

Cash and Equivalents (CASH)

Please title each of these items as "CASH file description YEAR"

- 1 Bank Statements for all bank accounts as of June 30, 2014
- 2 Bank Statements for all bank accounts as of July 31, 2014
- 3 Bank Reconciliations for June 30, 2014

Accounts Receivable (AR)

Please title each of these items as "AR file description YEAR"

- 1 Aging Statement - Accounts Receivable (for all groups – churches, schools, employees, SDA Orgs., customers, etc.) and Credit Balances
- 2 Accounts Receivable Write Offs
- 3 Interest Accrual Schedule

Inventory (INV)

Please title each of these items as "INV file description YEAR"

- 1 Inventory Count Sheets

Step Five- Audit Team Meeting

Meet the auditing team at least twice before the GCAS/auditing firm's scheduled audit date to ensure all the items requested have been provided and are accurate.

Step Six- Communicate with Auditor

Communicate with your GCAS/Auditing firm for unusual significant transactions before the audit. This will help avoid wrong journal entries.

Step Six – Communicate With Auditors?

Your local GCAS auditors can be a resource -- call them:

- During the year,
- When you have questions,
- When you are preparing for the audit!
- During the audit, and
- After the audit

Step Seven- Net Asset

- Always the beginning net assets **MUST** match the ending net assets of each fund in the Prior-year Audited Financial Statements.
- For example, you can run AASI net assets accounts for each fund and compare with the Prior year Audited Statements.
- See Sample of beginning net assets reconciliation, next slide.

Beginning Net Assets Reconciliation

Operating Fund

<u>Account#</u>	<u>Acct Name</u>	<u>Amount</u>
501100	Unallocated Net Assets	3,163,512.31
502100	Allocated Net Assets	1,673,014.42
505100	Temporary Restricted Net Assets	500,215.75
519100	Other	<u>51,504.59</u>
Total Beginning (2020) Net Assets, Per G/L		<u>5,388,247.07</u>
2020 Net Assets, Per GCAS Audited Statement		<u>5,388,247.00</u>
Difference		.07

Step Eight- Review Minutes

Review the minutes: Adcom and Executive committee minutes for financial related transactions for appropriate recording. See example, next slide

Chesapeake Conference PPE - Minutes Excerpts

12/31/20

<u>Date</u>	<u>Minutes Type</u>	<u>Actio n#</u>	<u>Entity Name</u>	<u>Description</u>	<u>Source of Funds</u>	<u>Amount</u>	<u>Comment</u>			
3/19/2020	Executive	N/A	Wilna Church	Kitchen Remodel	CURF Loan	20,000.00	Expensed; delayed maintenance			
5/21/2020	Executive	N/A	Linthicum Church	Replace Heating&AC	CURF Loan	6,500.00	Expensed; delayed maintenance			
5/21/2020	Executive	N/A	Crest Lane Sch	Repair Apartment	CURF Loan	15,000.00	Expensed; delayed maintenance			
5/21/2020	Executive	N/A	Dover Church	School Construction	CURF Loan	300,000.00	Construction started in 2014. See invoices from church treasurer.			
5/21/2020	Executive	N/A	Baltimore Spanish	Gymnasium Construction	CURF Loan	340,000.00	Per pastor Rosales on 4/8/14, the church has cancelled the project.			
5/21/2020	Executive	2013-23	Washington Spencerville Korean Church	Replace Roof Gym	CURF Loan	30,000.00	Expensed; delayed maintenance			

Step Nine - Reconciliation of Church and School Capital Projects

- Remember to record capital additions such as renovations, land improvements etc.
- Send quarterly emails to the local pastors, treasurers and business managers about capital projects.

Step Nine- Reconciling Accounts

Reconcile accounting records such as:

- Due to/Due from
- PPE G/L vs PPE inventory or subsidiary ledger
- Accounts receivable and subsidiary ledgers and related allowance for doubtful accounts. etc

Step Nine- Reconciling: Due To/Due From

- **Due to/from:** Is one fund borrowing from another fund with the intention to pay back. It is an asset and a liability depending on the Fund the asset is borrowed from. Due to/from is a balance sheet item which net to zero in the combined financial statements.
- They must always net to zero. For example, if Plant Fund has a due from; operating fund will have a due to for the same amount.

Step Nine- Reconciling: Inter-fund Transfers

- Transfers not revenue or expense. In addition, because these transactions reflect movement of resources within the organization, not inflows or outflows with third parties, they do not increase or decrease the total resources held by the organization as a whole.
- **the total transfers out of one fund must be equal to the total transfers into the other fund.** As a result, the final total of transfers for the whole entity will be reported as **zero**.

Step Nine- Reconciling Donor Restricted: Temporarily Restricted Net Assets: Releases

- You cannot Release more than the restricted income or net assets
- You cannot Release until either time or purpose restriction has been met.
- You cannot Release more than expenses relating to the restricted net assets
- For example, you have received a restricted income for evangelism of \$20,000. You spent only \$10,000 on evangelism. You can only release \$10,000.

Step Nine- Reconciling Net Assets “Release To and Release From”

- Releases are financial activity accounts that are used to move Temporarily Restricted Funds from restrictions to Unrestricted.
- **Release to and release from must always balance. Always make sure that the proper codes “7 or 2” are used when using AASI ledger.**

Step Nine- Reconciling Bank Accounts & Review

- All Bank Accounts Must be Reconciled to the General Ledger
- There should be evidence of review by someone other than the preparer.
- Evidence could be a reviewer's signature or initials as long as it is consistently applied.

Step Nine- Reconciling: Accounts Receivable & Allowance for Bad Debt

- Accounts receivables are recorded at Net Realizable Value
- You must make a provision for allowance based on risk of uncollectability.
- Your analysis for the allowance must be documented and reasonable.
- Allowance is always based on **management JUDGEMENT** and should be reasonable. For example, payment plan in place, statements are sent regularly, payment history, length of time of A/R outstanding, etc.

Step Nine- Reconciling Accrued Payables

- Make Accruals for retirement for employees older than 56 years.
- Make Accruals for vacation time. Vacation carryover must be approved by ADCOM or governing body.
- Invoices received after year-end, usually 2 months after year-end should be reviewed for possible accruals.
- IBNR should be recorded only to the extent of the actual medical expense not recorded.

Step Nine- Reconciling: Accounts Receivable & Allowance for Bad Debt **Example**

- Procedure: Per review of the accounts receivable in total and individual accounts in relation to the allowance, the accounts receivable is fairly consistent with the prior year. The Conference has established payment plans with three schools, Crest Lane, Baltimore White Marsh, and Friendship. The agreements are current and the schools are making progress in paying their debt. As a result, we believe the allowance for uncollectable accounts be set at 10% to properly reflect the risk of collectability. All of the other accounts are of minimum risk. Therefore, we made the adjustment below to increase the allowance to \$105,745.49.

Step Nine- Reconciling: Accounts Receivable & Allowance for Bad Debt **Example**

<u>Analysis of Allowance</u>	Balance as of 12/31/20			
Total Accounts Receivable at 12/31/20, Net	1,007,754.78			
Add the allowance for uncollectible, unadjusted	49,700.07			
Less: One Time Trust maturities	-			
Gross Accounts Receivable at 12/31/20	1,057,454.85			
Estimated Allowance percentage		10%		
Estimated Allowance	105,745.49			
Less: Unadjusted allowance	(49,700.07)			
Estimated Amount to increase the allowance	56,045.42			

Step Nine- Reconciling Payroll Items

- Reconcile G/L Payroll accounts to the Subsidiary Ledger.
- Payroll W-3 must match 941s.
- Evidence of payroll tax payments should be kept.

Step Ten: Prepare GAAP Financial Statements

- It gives you greater understanding and control of all the items in the financial statements.
- It helps you to find errors and correct them before the audit to avoid material misstatements and auditors' write up.
- It helps you to reclassify accounts appropriately and provide reasons for changes in significant accounts.
- It gives you confidence and helps you to prepare for the audit.

Step Eleven- Policy Assertions (1)

GC/NADWP S 90: Core Policies for Policy Compliance Testing

- Financial Control: financial reports, budgets, working capital & deficits & review of local church records
- Audit Committees
- Borrowing from church members
- Conflict of Interest
- **Recommendations** for working capital & liquidity**
- Retirement contributions
- Insurance

Step Eleven- Policy Assertions (2)

- Investments: limits in one issuer or one industry, asset pools size justify management costs, asset allocation studies and investment policies, quality and types of investments
- Notes receivable: approval, security, repayment and interest
- Split interest agreements: approvals, annuity rates, criteria and authorization, recording, and no personal benefit by denominational employees
- Debt, liabilities & contingencies: Gift annuities must comply with GAAP, borrowing limits, no borrowing to reinvest or reloan
- Revenue: Tithe, tithe percentages, and use of tithe, mission offerings

Step Eleven- Policy Assertions (3)

- **Payroll:**

Pay complies with remuneration scale; Service records maintained; Vacations/holidays/medical leave; Employee reimbursement/travel policies; Health care assistance policies; Scholarship grant policies; Termination settlement policies; Annual review of compensation, allowances and benefits

Step Twelve- Review Areas of Major Concern for Auditors

- Beginning net assets not matching the prior year's audited ending net assets.
- PPE G/L not matching the subsidiary ledger.
- Donor restricted fund (Temporarily restricted) income recording as agency funds.
- Payroll accounts not reconciled
- Over/under release of restricted income

Questions?

Resources:

- NAD Treasury www.nadadventist.org/departments/treasury
- Presentations www.Moneywise.Adventist.org
- Financial Accounting Standards Board www.fasb.org
- AICPA www.aicpa.org

GCAS CLIENT COLLABORATION TOOL

Our new file sharing experience
is here—welcome to ShareFile!





GETTING STARTED WITH SHAREFILE

Here are some basics of ShareFile to help you get started accessing, downloading, and uploading files faster as a **Client user**.





TABLE OF CONTENTS

Types of Users	4
Primary User: How to Log In	5
Primary User: Account Dashboard	8
Primary User: Notification Settings	9
Primary User: How to Add/Change Assignees	11
All Users: Invitation Emails	12
All Users: Request List Views	13
All Users: Working in Request Lists	15
Primary User: Uploading Files to Folders	17

Click each line to navigate to pages.
From each page, clicking on the top
logos returns to this page.



TYPES OF USERS

There are two types of client users that GCAS can set up to utilize ShareFile.

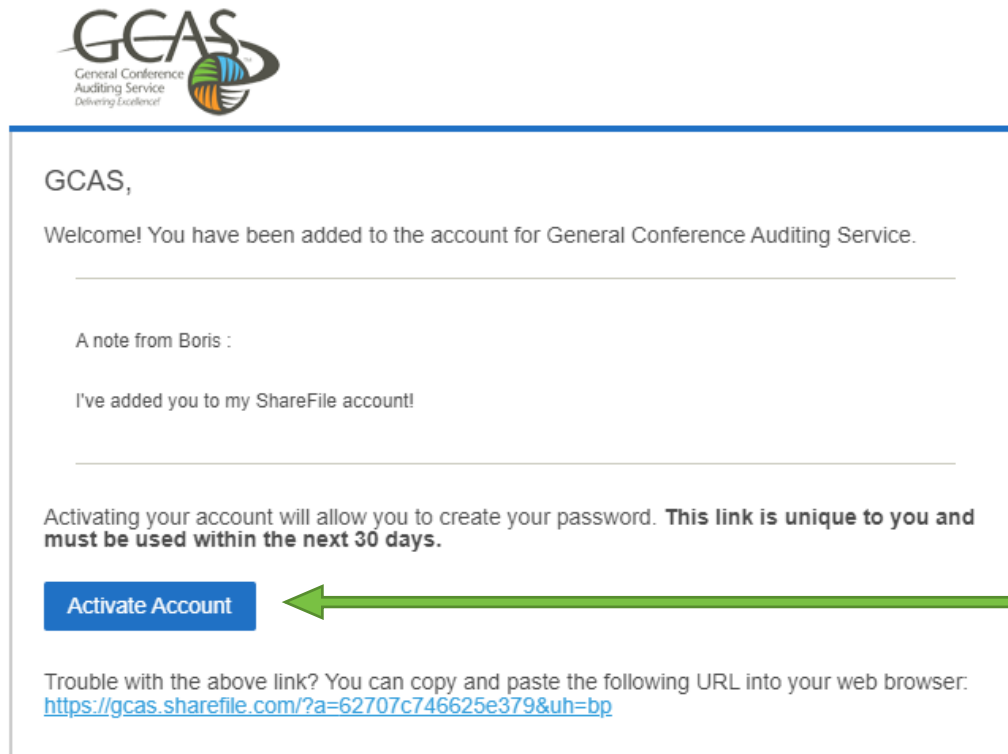
Primary Users, also known as client administrators, can add or change assignees for request items. Primary users also have access to additional shared folders and collaboration tools within ShareFile.

Assigned Client Users are users that are assigned specific items within a request list and can only see the items that they have been assigned to. You do not need to set up an account to access and complete request items.

HOW TO LOG IN

The first time...

- If you are the primary user (set by GCAS as client admin), you will receive an email invitation from GCAS to activate your account. Please click on “Activate Account.”




The screenshot shows an email from GCAS. At the top left is the GCAS logo with the text 'General Conference Auditing Service' and 'Delivering Excellence'. The main body of the email contains the following text: 'GCAS, Welcome! You have been added to the account for General Conference Auditing Service.' followed by a horizontal line. Below that is 'A note from Boris : I've added you to my ShareFile account!' followed by another horizontal line. The next paragraph reads: 'Activating your account will allow you to create your password. **This link is unique to you and must be used within the next 30 days.**' Below this is a blue button with the text 'Activate Account'. At the bottom, it says: 'Trouble with the above link? You can copy and paste the following URL into your web browser: <https://gcas.sharefile.com/?a=62707c746625e379&uh=bp>'

ShareFile is a tool for sending, receiving, and organizing your business files online. It can be used as a password-protected area for sharing information with clients and partners, and it's an easy way to send files that are too large to e-mail.

Powered By Citrix ShareFile 2021

*Note: If you do not receive an email to activate an account, you are not the primary user, and **no log-in is required**. You can provide the information requested using the link in the **Request** email you receive (you can skip to pg. 11).*

HOW TO LOG IN The first time ...



1 2 3

Welcome! Please confirm your personal information.

First Name : * * Required

Last Name: *

Company :


Country: * ?

Australia +61

Text (SMS) Voice Call

Continue

- Verify required info is completed, including your cell phone number




✓ 2 3

Enter your verification code

[Didn't receive a code?](#)

Back Verify

- Using a cell phone number on the previous screen will send a text message with a Citrix Verification Code – enter the code here



✓ ✓ 3

Your username is

Please create a password.

Passwords must meet the following requirements:

- × at least 1 upper case letter
- × at least 1 lower case letter
- × at least 1 number
- × at least 1 special characters
- × at least 8 characters in length
- × Passwords should match

We'll also perform an additional strength check on save. [?](#)

Password: Show Password

Confirm Password:

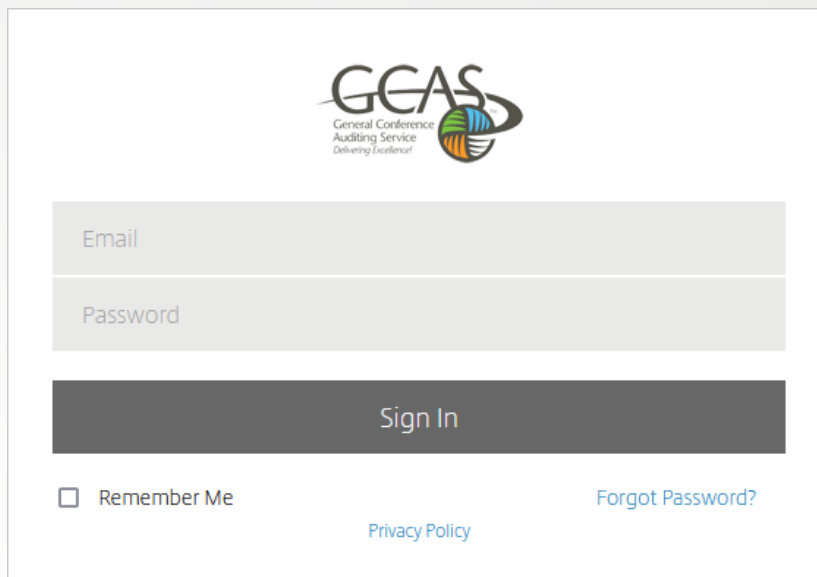
Back Save and Sign In

- Create your password following these requirements

HOW TO LOG IN After the first time ...

1. Enter the URL of the GCAS's ShareFile account in the form of 'gcas.sharefile.com' in any Web browser
2. Enter your username as your email address associated with the account
3. Enter your password, and click "Sign In."
You will be taken to the Dashboard menu

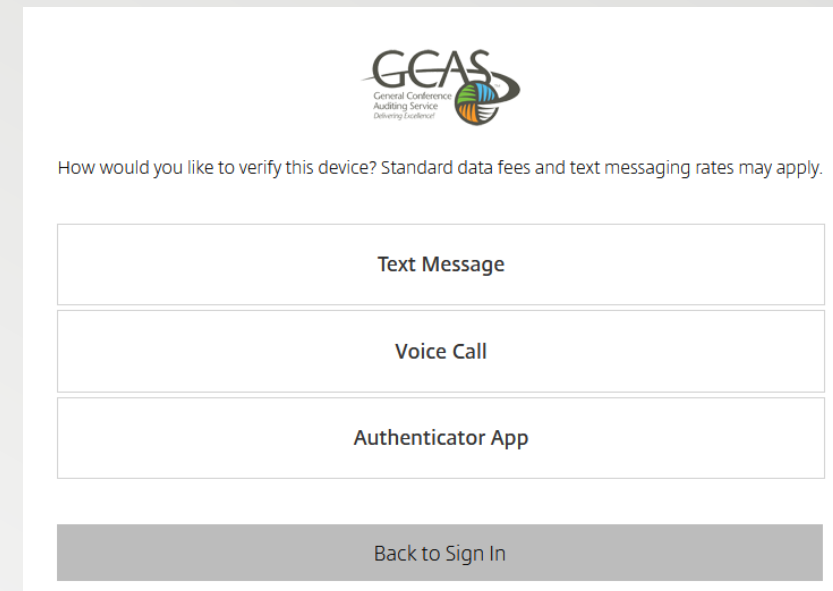
If you cannot remember your password, click [Forgot Password](#).



The screenshot shows the GCAS login interface. At the top is the GCAS logo with the tagline "General Conference Auditing Service Delivering Excellence". Below the logo are two input fields: "Email" and "Password". A large "Sign In" button is positioned below these fields. At the bottom left, there is a checkbox labeled "Remember Me". At the bottom right, there is a link for "Forgot Password?". In the center bottom, there is a link for "Privacy Policy".

A two-step verification process is required. Use "Text Message" to continue using the number you already setup on the first time you accessed the account.

If you have setup the Authenticator App, then choose this option to obtain the verification code



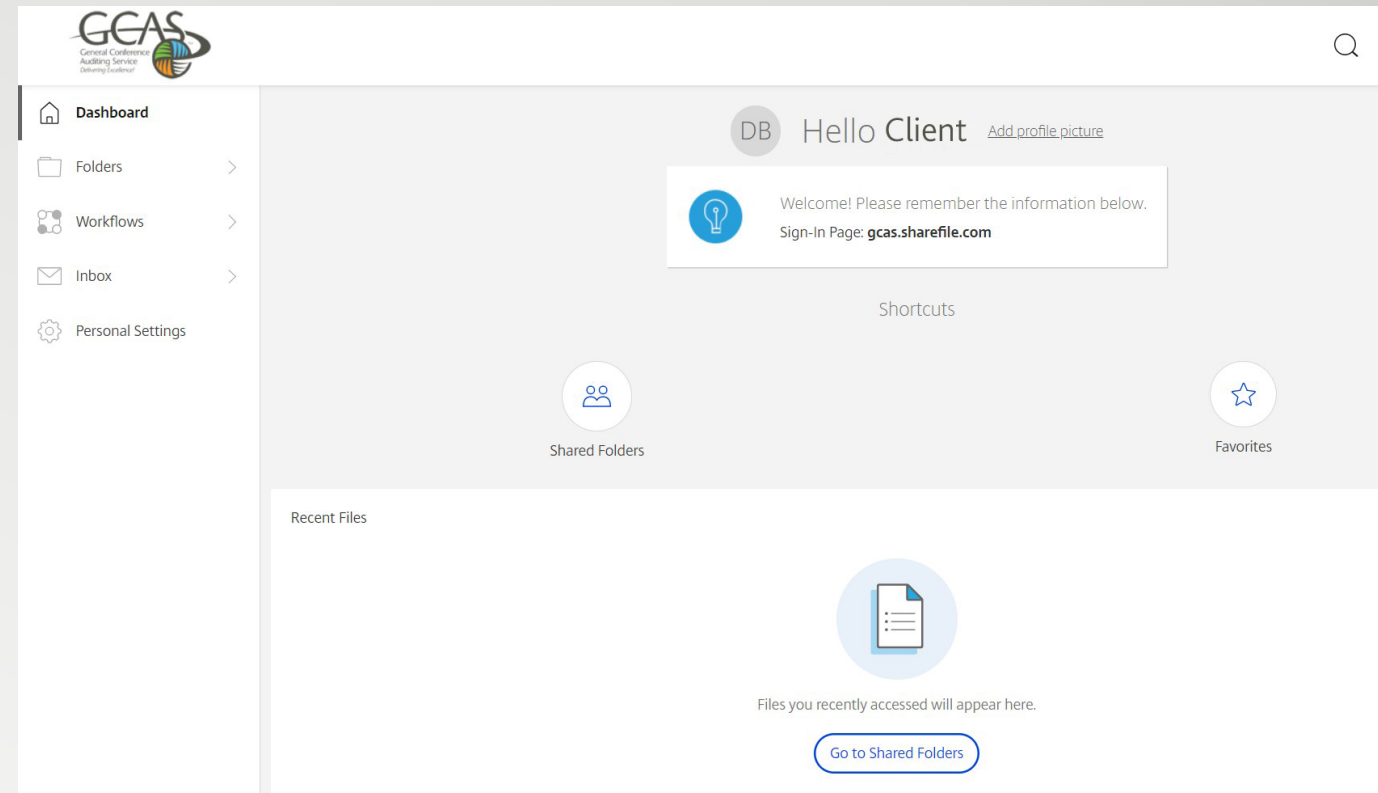
The screenshot shows the two-step verification options. At the top is the GCAS logo. Below the logo is the text: "How would you like to verify this device? Standard data fees and text messaging rates may apply." There are three buttons: "Text Message", "Voice Call", and "Authenticator App". At the bottom is a "Back to Sign In" button.

To set up the Authenticator App, go to [Personal Settings](#), and select [Two-Step Verification](#), then click on "Set up an authenticator app."

ACCOUNT DASHBOARD



1. The **Dashboard** is the first page that primary users see upon signing into the GCAS ShareFile account.
2. Menu items and buttons will be displayed depending on your account permissions and abilities as set by your GCAS administrator.
3. “Recent Files” will display up to 5 files that you previously accessed from the current web browser.
4. Use the navigation menu on the left side of the page to access folders and settings.
5. To access audit-specific folders, you will need to navigate to “Shared Folders.”



Note: If you do not have a dashboard menu, you are not the primary user and only have access to the request items you have been assigned.

NOTIFICATION SETTINGS

1. In personal settings, primary users can edit their profile and verification setup, add a photo, change their password, add an alternate email address, and manage email notifications they will receive.
2. **Email notifications** may be the main setting to customize. Shown at right are the options for the frequency of receiving these notifications.

Email Notifications

Email notifications are controlled on a folder by folder basis. Using the below dropdown list, you can select whether you would like to receive upload/download notifications in real-time or whether you would like them consolidated and sent to you at a time interval you specify.

Email Frequency: *

In real-time

Default email language: *

English (Account Default)

Email Frequency: *

Once a day

In real-time

Every 15 minutes

Every hour

Twice a day

Once a day

Bounce Back Emails

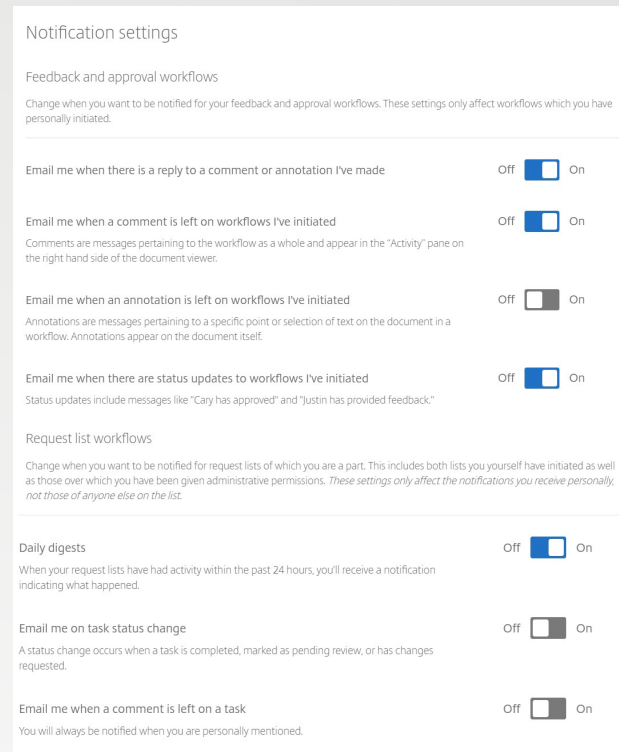
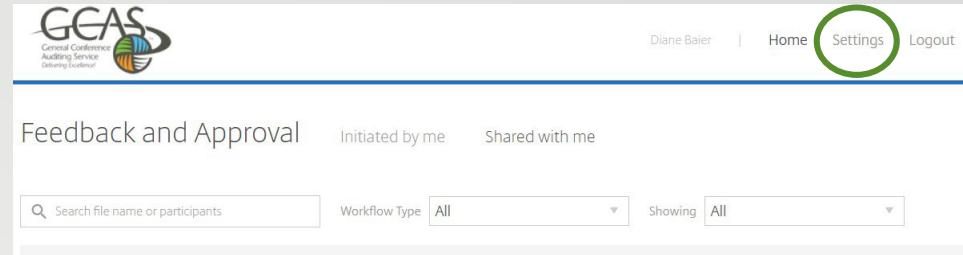
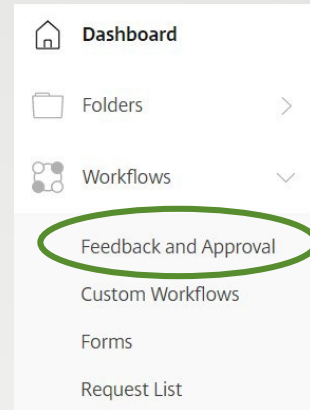
Our system can send you an email if we receive a bounce back from any email you send.

Receive bounce back emails

Yes No

NOTIFICATION SETTINGS

1. Primary users can select additional notification settings for their Shared Folders by clicking on “Feedback and Approval.”
2. Click on “Settings” at the top right.
3. From the list of options, choose “Notifications” and read through the options to customize your workflow notifications.



HOW TO CHANGE ASSIGNEES

View Details | Comments & Activity | Download | **Bulk Edit**

✓	ID	Status	Request At
✓	71	In Progress	-
✓	70	In Progress	-
✓	69	In Progress	-
✓	68	In Progress	-
✓	67	In Progress	-
✓	66	In Progress	-

Bulk Edit Tasks

Column label	Change content to:
<input type="checkbox"/> Assignee	Add Assignee Email Name (Optional)

Save Cancel

Requested Files

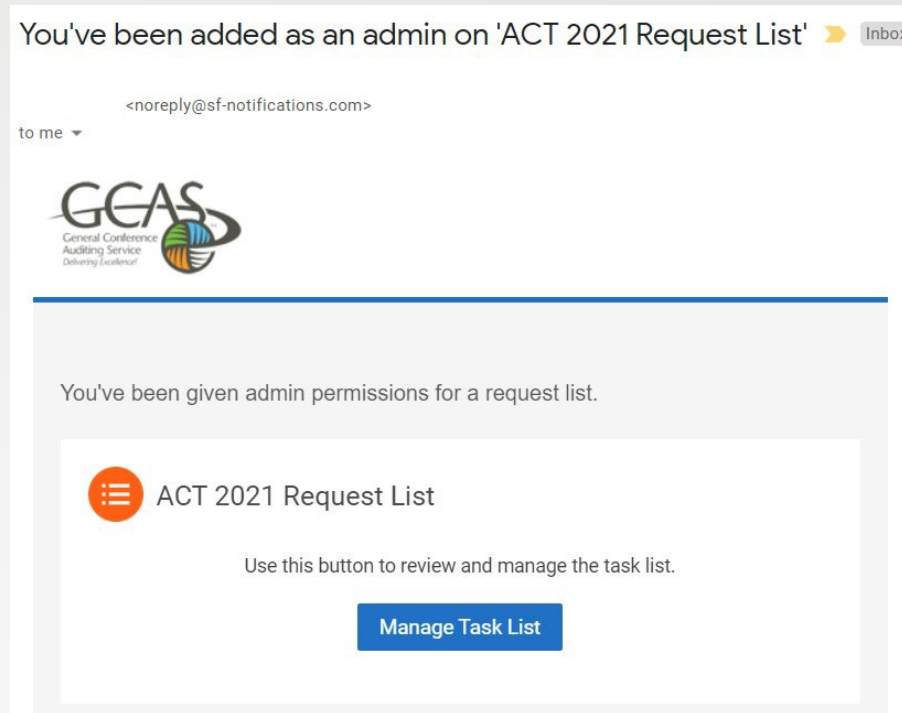
0

- View Details
- Comments & Activity
- Add Assignee...
- Send Reminder...

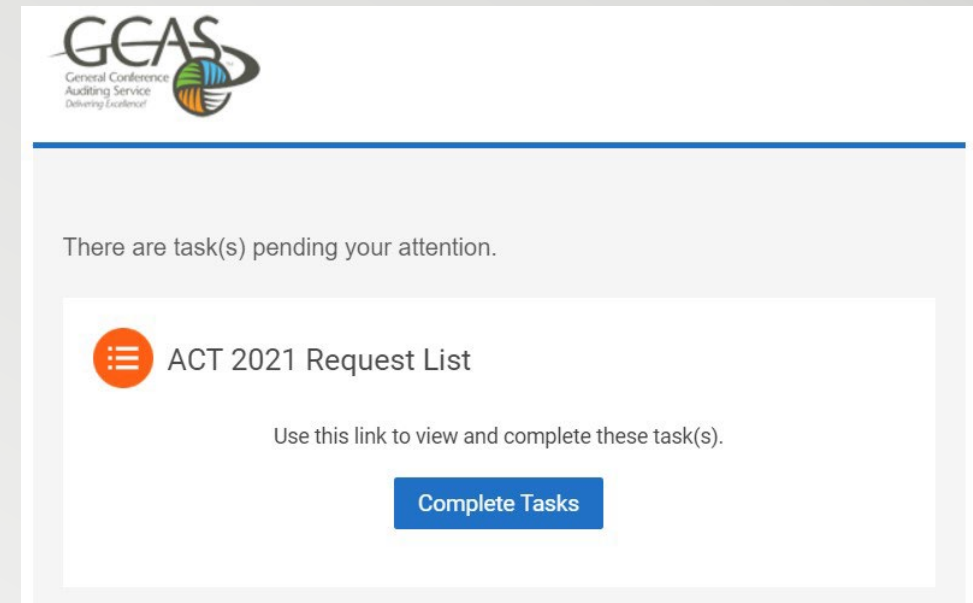
Primary users can assign tasks to other client users one item at a time or in bulk.

- To assign in bulk, check the left-hand box for each item desired and choose Bulk Edit at the top, then complete the dialogue box.
- To assign individually, make comments, or send reminders, use the three dots to the far right.

INVITATION EMAILS



- The primary user will receive an email to “Manage Task List” when a request list is published



- Assigned client users will receive an email to “Complete Tasks” when they have been assigned to tasks on a request list

REQUEST LIST VIEWS




<input type="checkbox"/>	ID ▾	Status	Request At	Due Date	Description*		Category	Assignee*	Requested Files
<input type="checkbox"/>	71	In Progress	-	07/30/2021	Salary projections	//	REVENUE AND EXPEN	+ Add Assignee	0 ...
<input type="checkbox"/>	70	In Progress	-	07/30/2021	Administrative charges	//	REVENUE AND EXPEN	+ Add Assignee	0 ...
<input type="checkbox"/>	69	In Progress	-	07/30/2021	Admin and other expense allocation	//	REVENUE AND EXPEN	+ Add Assignee	0 ...

- The primary user will have this view of the request list, with rights to assign tasks to other client users.

ID	Status	Request Date	Due Date	Description	Assignee	Uploads	Actions
5	In Progress	-	7/22/2021	Signed Engagement Letter	Client User	0	Update
6	In Progress	-	7/23/2021	Signed Non-attest Engagement Letter	Client User	0	Update
7	In Progress	-	7/24/2021	Bank account listing	Client User	0	Update
4	Complete	-	07/30/2021	Admin and other expense allocation	Client User	1	Update

- Assigned client users will have this view of only the tasks they are assigned and rights to update them.

REQUEST LIST VIEWS

<input type="checkbox"/>	ID ▾	Status	Request At	Due Date	Description*		Category	Assignee*	Requested Files
<input type="checkbox"/>	71	In Progress	-	07/30/2021	Salary projections	//	 REVENUE AND EXPEN	+ Add Assignee	0 ...
<input type="checkbox"/>	70	In Progress	-	07/30/2021	Administrative charges	//	 REVENUE AND EXPEN	+ Add Assignee	0 ...
<input type="checkbox"/>	69	In Progress	-	07/30/2021	Admin and other expense allocation	//	 REVENUE AND EXPEN	+ Add Assignee	0 ...


The **“Status”** column indicates if the items are “In Progress,” “Pending Review,” or “Approved.”

The **“Due Date”** column indicates if the auditors need a particular item by a specific date.

The **paperclip icon** indicates if the auditor provided a sample or template for your reference. If the icon is green, that means that a reference file is attached. If the icon is gray, that means there is no reference file attached.

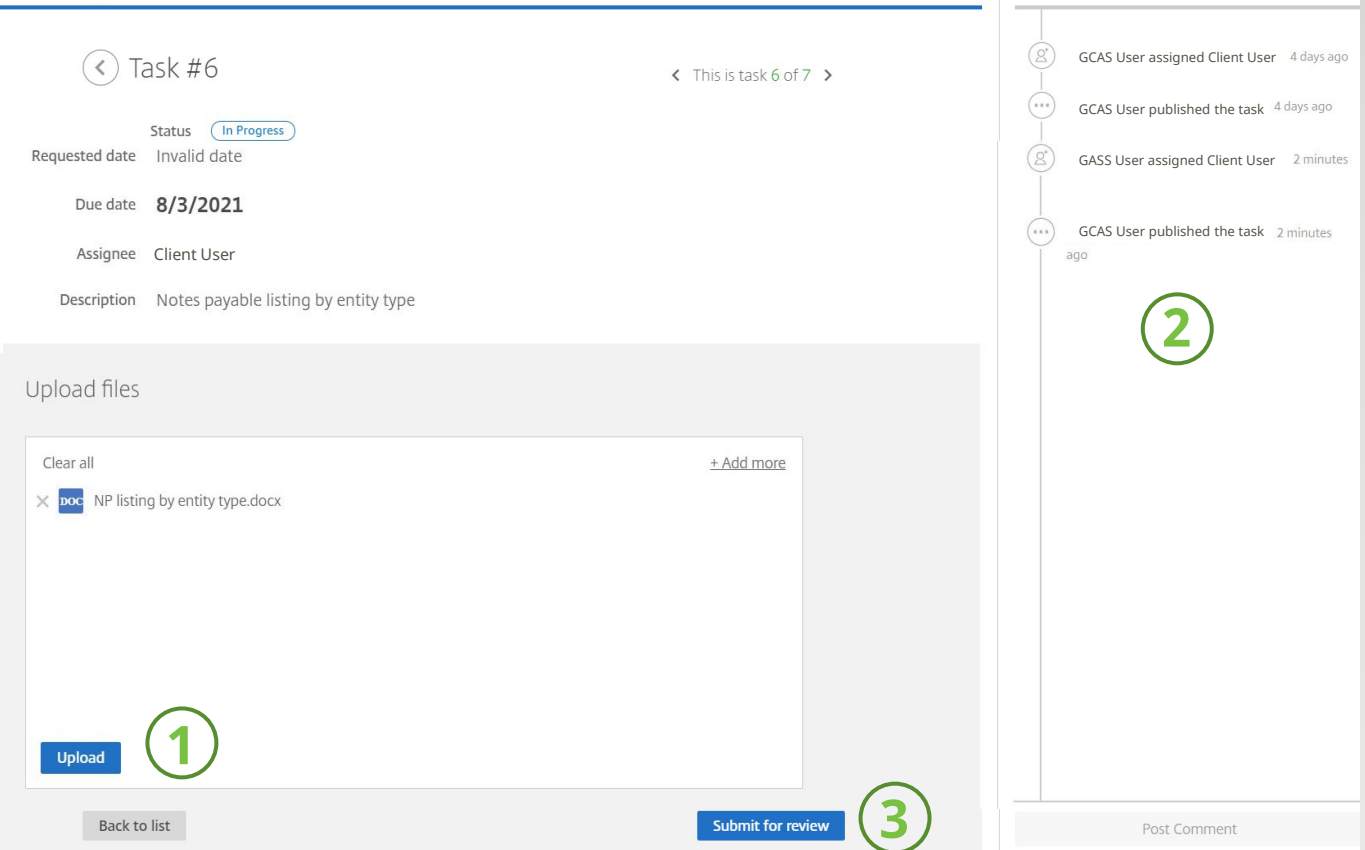
The **“Requested Files”** column indicates if the assignee has uploaded files or not.

WORKING IN REQUEST LISTS

ID	Status	Request Date	Due Date	Description	Assignee	Uploads	Actions
5	In Progress	-	7/22/2021	 Task #6 Status: In Progress Requested date: Invalid date Due date: 8/3/2021 Assignee: Client User Description: Notes payable listing by entity type		Comments & Activity <ul style="list-style-type: none"> GCAS User assigned Client User 4 days ago GCAS User published the task 4 days ago GASS User assigned Client User 2 minutes ago GCAS User published the task 2 minutes ago 	

- To respond to a request item, the assignee can click the link from their email, or from within the request list, the three dots at the right to open the Item Detail.

- To upload a file, drag and drop OR browse to find your document, and then click Upload.
- Read comments, leave a comment, or ask a question in the Comments & Activity pane.
- When finished, click "Submit for review."



WORKING IN REQUEST LISTS

4	Complete	-	None	Upload a blank Word document	Client User	1	Update
5	In Progress	-	7/22/2021	Signed Engagement Letter	Client User	0	Update
6	In Progress	-	7/23/2021	Signed Non-attest Engagement Letter	Client User	0	Update
7	For Review	-	7/24/2021	Bank account listing	Client User	1	Update

- Assignees can return to their task list to view the progress of all items assigned to them at a glance.
- If the auditor reviews a submission and it is not quite what they are looking for, they may select an option to “Request Changes,” which will then send the assignee an email notification regarding that request.
- If an item has passed its due date, the assignee will receive an email notification that will look like the one at right. This email will be sent once a day until the task is completed.

Some tasks to which you are assigned have become overdue. Please use the link below to complete these tasks as soon as possible.

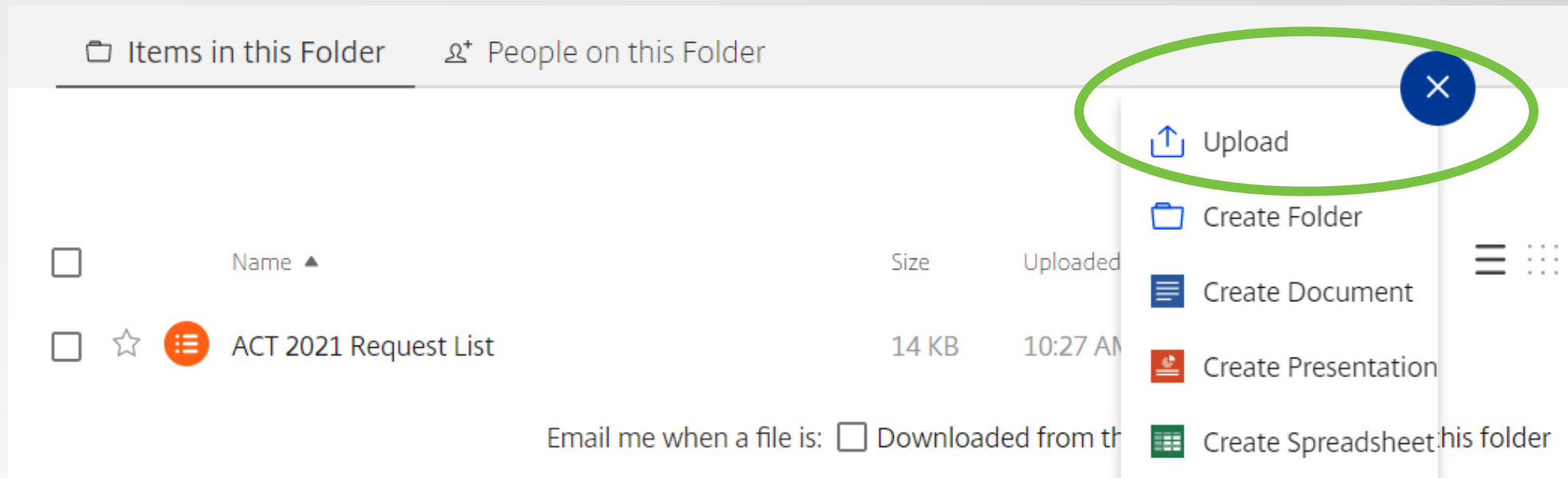


Test Client User

Use this link to view and complete these task(s).

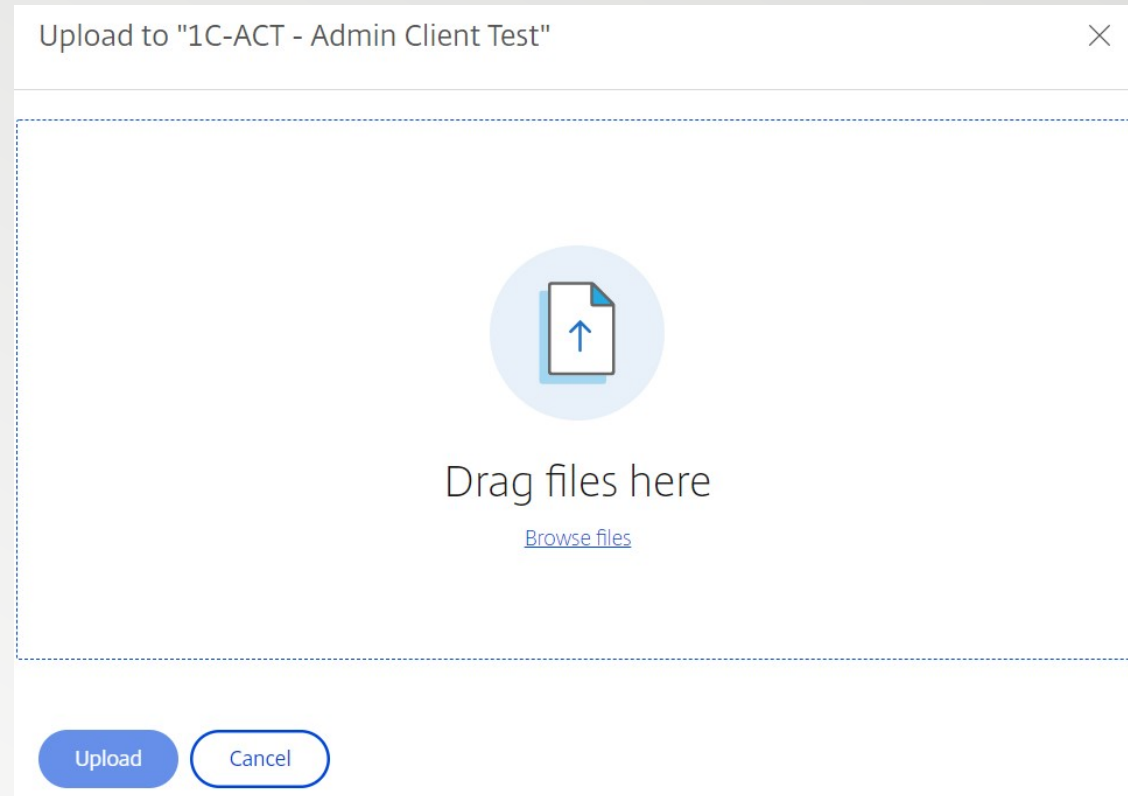
[Complete Tasks](#)

UPLOADING FILES TO FOLDERS



1. Primary users may upload files to folders to which they have been granted access. This will be helpful for files that exceed the size limit of the request list items, or for uploading files in bulk.
2. Navigate to the folder where you wish to upload files. Your folder(s) will be located in the **Shared Folders** section of the account.
3. Access the blue **X Button** and select "Upload."

UPLOADING FILES TO FOLDERS



4. Drag your files from your computer into the “Drag files here” area or click “Browse files” to select them manually. Click “Upload” when ready.

Upload speed can vary based on your internet connection.