

How to Prepare for and What to Expect in an Audit

Presented by:

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State of Alabama



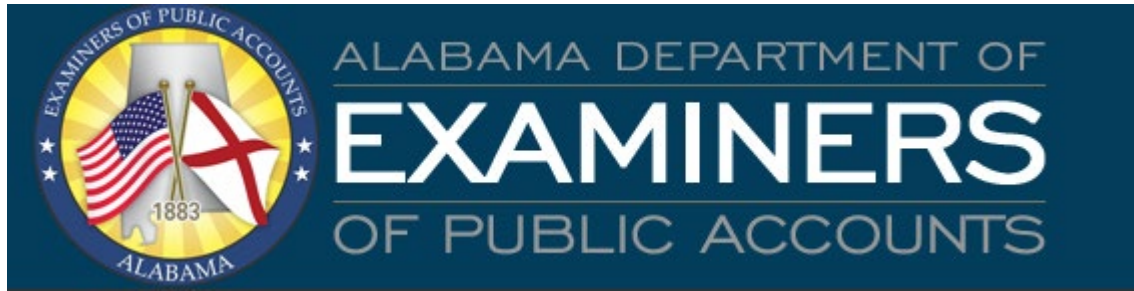
Disclaimer

- This information was presented in the Fundamentals of the Emergency Communications Districts conference on July 22-23, 2021.
- This presentation represents the audit position of the Department of Examiners of Public Accounts as of that date.



Who is the State of Alabama
Department of Examiners
of Public Accounts?





The Department of Examiners of Public Accounts is the independent legislative audit agency for the State of Alabama. The Department has the authority to perform audits of the accounts of all entities receiving or disbursing public funds. We are part of the Legislative branch of state government, and we are independent of the Executive and Judicial branches of state government, as well as all local governments in the State.

Authority of the Department

- *Code of Alabama 1975*, Section 41-5A-1 through 41-5A-23 governs the Department's activities
- The Attorney General has upheld the Department's authority to audit the funds of various governmental agencies and offices
- State courts have upheld the Department's authority to examine the records of private entities contracting with governmental agencies

Contacting Us

Location: Alabama Center for Commerce
Building, 401 Adams Ave. Suite 280,
Montgomery, Alabama

Phone: (334) 242-9200

Fax: (334) 242-1775

Email: info@examiners.alabama.gov

Mail: P.O. Box 302251, Montgomery,
Alabama 36130-2251

*** Fraud Hotline ***

To report Fraud, Waste & Abuse:

1-844-56-FRAUD

(1-844-563-7283)

E-mail:

Report.Fraud@examiners.alabama.gov

Visit Our Webpage

➤ Visit our webpage at www.examiners.alabama.gov

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Contract Review
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911 INFORMATION

- [Memorandum - Communications Districts](#)
- [Communication Districts Reporting Requirements](#)
- [Districts Annual Required Reporting Form - Amended 2018](#)

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Departmental Divisions

Executive Division

- Chief Examiner
- Assistant Chief Examiner
- Deputy Chief Examiner

Audit Divisions

- State
- County
- Education
- Operational

County Audit Division

- Performs audits of the County governments including the County Commissions, the County Boards of Education, and legal compliance examinations of the Offices of the Sheriff, Circuit and District Court Clerks, District Attorneys, Probate Judges, Revenue Commissioners, Licensing Officials and other local public funds as directed, to include **Emergency Communications Districts**.
- Specific legal authority for performing ECD examinations is found in Code Section 11-98-6(e).

Structuring of the County Audit Division

- Division Director
- Assistant Division Directors
- Audit Managers
- Accounts Examiners (*field examiners*)

Responsibilities of the Department

- Department is empowered to audit the books, accounts, and records of all state and county offices, officers, bureaus, boards, commissions, corporations, departments and agencies and to report on expenditures, contracts, or other audit findings found to be in violation of law.
- Department has the authority to make audits of the accounts of all entities receiving or disbursing public funds.

Responsibilities of the Department

- Department is empowered to conduct investigations as a result of audits and to assist other governmental officers such as the Attorney General, District Attorneys, and federal agencies.
- Department is to certify official acts and require repayment of amounts of monies and other resources due to the State, County, municipality, or other governmental units from various public officers, their employees, or agents.

Responsibilities of the Department

- Administrative hearings are held in an effort to recover monies that are found due in audits.
- If amounts due are not recovered, the audits are certified to the Attorney General or District Attorney and presented to the Grand Jury.

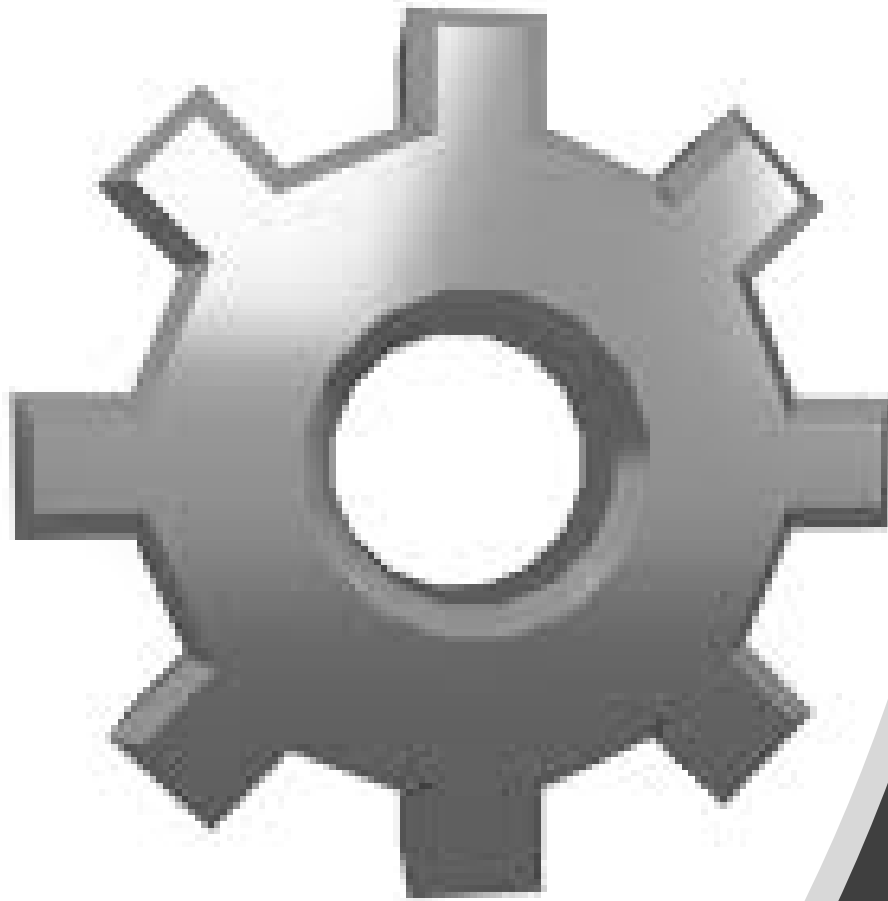
Responsibilities of the Department

- Chief Examiner has the authority to issue subpoenas to compel the attendance of witnesses and the production of records in connection with audits.
- Each State and County officer must keep his books, records, and accounts, and **make reports as prescribed by the Chief Examiner****, if not a fine may be levied.

**** Annual reporting requirements**

Other Work Performed

- Provide information about audited entities to the Legislature
- Investigate noncompliance with state and federal law



THE AUDIT PROCESS

Beginning the Examination

- Accounts Examiner is assigned to begin on-site examination.
- Either the Audit Manager or Accounts Examiners will notify the official of the date the work will begin.
- The Accounts Examiner will present an engagement letter detailing the period under examination along with a list of items to be furnished for the examination.

Beginning the Examination (cont)

A meeting (**Entrance Conference**) is held between the representatives of the entity and representatives of the Department before each examination to discuss how the examination will be conducted, the type of work that will be done, and to introduce the examiner(s) to key personnel.

Beginning the Examination (cont)

We prepare electronic working papers and utilize equipment that requires constant internet access. The following statement is now included in our engagement letters.

“Furthermore, in order to conduct our examination, we must have internet access that provides each user with a consistent access speed that does not drop below 2 Mbps. We prefer access to an ethernet connection; however, at a minimum, please provide us with the same internet access that is provided to your permanent full-time employees to avoid interruptions caused by concrete walls, metal roofs, high internet traffic areas, etc. Please contact your IT staff to ensure that we are provided with internet connectivity suitable to meet our technological needs. If there are questions regarding our internet request, please have your IT staff to contact me directly via email at joe.examiner@examiners.alabama.gov.”

Info the Examiners May Request *

- Board Member Letter
- Minutes of Board Meetings
- Summary of Receipts & Disbursements (general ledger)
- Bank Statements and Reconciliations
- Investments
- Debt (warrants, leases, etc.)
- Receipt Books
- Payroll Information
- Check Listing
- Bid Files
- Capital Asset Listing

* Would be preferable to be furnished in electronic format, when available and not prohibited (i.e. payroll information and bid files I would expect would not be furnished electronically)

Audit Process

The examination will include tests to:

- Determine whether the office has complied with applicable state and local laws and regulations, by-laws and adopted policies
- Internal controls are adequate and operating effectively

Working Papers Review

The audit manager reviews all working papers to ensure the conclusions reached are appropriately documented.

Working Papers

- Work performed during examinations will be documented and the documentation will be retained as evidence of work done.
- The documents, known as working papers, are prepared in electronic form.
- Working papers are, by law, available for review only by a court of competent jurisdiction and cannot otherwise be released either as copies or originals, in total or in part. (*Code of Alabama 1975*, Section 41-5A-19)

Draft Report Contents, Preparation and Processing

- At the conclusion of the examination, the examiner will draft a report of the examination results.
- The results will be expressed as comments, findings and amounts due, if applicable.
- The report will include financial information, explanatory notes and other information required.

Findings

- Findings are formal items which will be part of the printed report. These findings will be either internal control findings or legal compliance findings.
- If the office disagrees with a finding, they will be given the opportunity to provide documentation to show why a finding is not warranted.

Exit Comment

Exit Comments are *informal* items which will **NOT** be part of the printed report. These items can be either internal control or legal compliance issues.

Amounts Due

- Amounts due are those items / expenditures which are considered to be unallowable. These could also be the result of undocumented disbursements.
- Individuals who benefited from or approved such expenditures are contacted before the audit is completed and are provided documentation showing what is considered unallowable.
- Individuals have opportunity to explain why amounts should not be due from them.

Amounts Due

- All Amounts Due and explanations are documented in the working papers for further review.
- If after the review process, the amounts are still deemed to be due:
 - Formal letter is sent to individual
 - Meeting (a hearing) is held in Montgomery
 - Individual is given an opportunity to meet with the Chief Examiner to provide additional information as to why the amounts should not be due from them.

Amounts Due

After the meeting with the Chief Examiner, the Chief will:

- Leave amounts due as is, or
- Relieve all amounts due, or
- Relieve a portion of the amounts due

Charges

- “Amounts Due” become “Charges” once the report is released to the public.
- All reports with Charges are submitted to the **District Attorney or Attorney General** (depending on jurisdiction).
- It is up to the District Attorney or Attorney General to follow up with any potential legal action.
- We have no further collection responsibilities.

Exiting the Examination

After examination procedures have been completed and the draft report has received supervisory review and approval, an exit conference is normally held with representatives from the entity to communicate the results of the examination and to provide an opportunity for the examined entity to produce additional information that may affect the report.

Exiting the Examination

- Information presented at the exit conference is not final and is, therefore, confidential, and the exit conference is open only to officials and persons employed by the examined entity.
- An exit conference is not a meeting subject to the provisions of the Alabama Open Meetings Act.

Quality Control Review

Reports go through multiple levels of a review process before going to word processing for release.

Final Reports

- Examination reports are public documents and are available for viewing at no charge at the department's offices or on the department's website.
- Copies can be obtained by request through email or by download from the department's website.
- A copy of each examination report is certified to the circuit judge with jurisdiction and to the governor.

Released Reports Available on Our Website

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AUDIT REPORTS

Search Instructions: Use drop-down menu to search for audits by Division and Classification (e.g. County Commission, Board of Education, Courts, etc.) or use general search box and search for audits and other documents by keyword (e.g. County Name, audit name, education, external, financial statements, etc.)

Division: Classification: County:

Search Text:

Hint: Barbour, Hospitals

150 of the most relevant items displayed. Use entity name or keyword to narrow your search

Report	Released	Entity	Location	Audit Period	Report	Link
21-100	01/15/2021	City of Leeds Emergency Communications District	Jefferson County, AL	10/01/2017 to 09/30/2019	View	Link
21-96	01/01/2021	Lauderdale County Emergency Communications District	Lauderdale County, AL	10/01/2017 to 09/30/2019	View	Link
21-77	12/25/2020	Perry County Emergency Communications District	Perry County, AL	10/01/2017 to 09/30/2019	View	Link
21-75	12/18/2020	Wilcox County Emergency Communications District	Wilcox County, AL	10/01/2017 to 09/30/2019	View	Link
21-65	12/11/2020	Winston County Emergency Communications District	Winston County, AL	10/01/2017 to 09/30/2019	View	Link
21-55	12/04/2020	Bibb County Emergency Communications District	Bibb County, AL	10/01/2017 to 09/30/2019	View	Link

Final Reports

- Examination reports become public information only after formal release by the Chief Examiner.
- Reports are emailed to the examined entities on Thursday of each week. If no email address, the reports are mailed on Monday.
- Reports are released as public documents on Fridays at 9:00 AM at which time they are available for viewing and downloading.

Contacting Managers

Contact our Central Office and ask to speak to the Manager for the County in which your ECD is located:

Phone: (334)242-9200

Questions

