

Private Foundations Bulletin

Audit Planning Considerations for Private Foundations

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As another year closes and a new one begins, foundations that undergo an annual financial statement audit should begin to plan for it **now** to ensure that the audit is as efficient and seamless as possible. With most of the workforce continuing to work remotely – either full-time or through a hybrid schedule – ensuring that financial records, supplementary schedules, transaction detail, and supporting documentation are compiled, reviewed and readily available are the first steps of this process.

Policy and Procedure Updates

Before the audit's year-end field work commences, foundations should review their current accounting policies and procedures documentation to ensure any changes that occurred during the year have been documented and provided to the auditors so they can incorporate them into the audit planning process. Auditors are required to update their understanding of the auditee's internal control environment – including policies and procedures – to determine the scope of their testing. Audit procedures and requested documents may change based on changes to the foundation's policies and procedures; therefore, it is best to have these items updated before the audit field work begins.

Communications

If the majority of foundation management and personnel continue to work remotely, foundations may elect not to have auditors conduct field work onsite and choose to conduct the audit entirely remotely. In the remote audit, most communications may continue to occur through conference calls, email, snail mail, video conferencing or some combination of these options to conduct the required audit procedures and make necessary inquiries. Since utilizing these forms of communication may result in additional discussions, questions or requests from the auditors, foundations should consider this when scheduling the audit field work to mitigate any delays a fully remote audit may generate. In addition, foundations should determine the most efficient, effective, and secure way to submit supporting documentation for audit requests. This can be done in a variety of ways:

- Uploading documents to a secure portal, such as Suralink, SafeSend or iChannel;
- Sending documents via USPS, FedEx or other shipping services to the auditor's office or home; and
- Screensharing during video conferences with the auditors.

Start to Prepare Now

Foundations can do many things to prepare for an upcoming audit to help it run smoothly, such as:

- A list of all institutions that need to be confirmed (banks, investment custodians, legal counsel, etc.) should be prepared or updated from the previous year for any new accounts.
- Support for any major or significant contributions that may have been received should be reviewed to ensure all necessary documentation is present.
- Grant files should be reviewed to ensure all due diligence support and proper approval is included.
- All supporting schedules should be reviewed to ensure they agree to the trial balance and that they

- are complete.
- Support for all significant estimates should be reviewed for accuracy and ensured they agree to the trial balance.
- The functional expense schedule and methodology narrative should be prepared as well and support for the allocations should be reviewed for accuracy.

If there are any new accounting pronouncements that were implemented during the year under audit, management should review the pronouncements to ensure they understand the changes to their accounting records and financial statements and implement those changes. If there are any questions about a new pronouncement or how to implement the changes, your auditors are always available to discuss the pronouncement and answer any questions you may have.

Contact Us

We welcome the opportunity to answer any questions you may have related to this topic or any other accounting, audit, tax or advisory matters relative to private foundations. Please call 212.286.2600 or email any of the Private Foundation Services team members below:

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