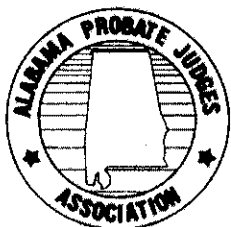


# What to Expect When Being Audited

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Examiners of Public Accounts*



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Prattville, Alabama



# What to Expect When Being Audited

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Director County Audit Division  
Examiners of Public Accounts  
State of Alabama

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## DISCLAIMER

- This information was presented to the Alabama Probate Judges Association at their March 5, 2019 Conference.
- This presentation represents the audit position of the Department of Examiners of Public Accounts as of that date.

## History of Department

- Examiners were created in 1947
- Under the direction of the Legislative Committee on Public Accounts
- The title “Examiners of Public Accounts” had its origin in 1883
  - Alabama General Assembly (forerunner of today’s State Legislature) authorized the Governor to appoint an Examiner of Public Accounts

## 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.

## Authority of the Department

- **Code of Alabama 1975**, Sections 41-5A-1 through 41-5-23 governs the Department's activities
- Attorney General has upheld the Department's authority to audit the funds of various governmental agencies and offices.
  - Includes funds and records of public corporations representing several county and/or municipal governing boards.
- State courts have upheld the Department's authority to examine the records of private entities contracting with governmental agencies.

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## Types of Audits

- **Compliance Audit**, aka compliance examination – this is an examination to determine if the entity has complied with applicable laws and regulations.
- **Financial Audit** – these are audits where an opinion is issued on the financial statements. Also included in this audit are all of the aspects of a compliance audit.
- **Federal Audits**, aka Single Audit – this is an audit where an opinion is issued on the Schedule of Expenditures of Federal Awards. This audit also includes all aspects of both financial and compliance audits.

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## Audit Costs

- Compliance and Financial audits are conducted at no charge to the entity.
- Federal audits are billed to the entity at a rate established by the Examiners of Public Accounts. For most all grants, the audit cost is an allowable expenditure from grant funds.

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## Audit Repository

- Act Number 94-414, *Acts of Alabama*, requires the Department to establish a repository for audit reports of entities in Alabama that receive or disburse public funds.
- The Department receives audit reports and makes copies available to the public upon request.
- Copies may be requested by phone, fax or email.

## All audits start the same...

- Examiner arrives on site.
- Engagement letter – this is a letter stating the audit period and the type of audit to be performed. Additionally, it states the items management will be responsible for providing.

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## Audit Field Work

- The examiners use the information gathered to produce working papers which are part of a file that supports all amounts reflected on the financial statements and conclusions reached.

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## 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, may be prepared in either paper or electronic media.
- 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)

## Concluding the Audit

- Once the audit is finished
  - Manager reviews all working papers
  - All those in charge of governance are invited to an exit conference
  - Results of the audit are discussed
  - Exit conference meeting is not subject to the open meetings law (meeting with a State official/representative)

## 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 examined entity to present 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.



## Findings and Exit Comments

- At exit conference the examiners will usually discuss two types of issues
  - Findings
  - Exit Comments

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## 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 entity disagrees with a findings, they have the opportunity to provide documentation to show why a finding is not warranted.

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## 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.

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## Audit Settlement

- If during the course of the audit if errors are noted in which money was improperly sent to the wrong agencies, the amounts will be settled at the conclusion of the audit.
- Amounts Due – Collections not previously remitted to the proper agency
- Amounts Overpaid – Payments to an agency that were not due to that agency

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## Petitions for Refund

- Examinations of county governments may reveal that taxes or fees normally collected at the county level and forwarded to other entities were either overpaid or underpaid.
- Amounts overpaid will be corrected through "Petitions for Refund."
- The petitions will be provided to the responsible official for forwarding to the overpaid entity to recover the overpayment.
- The petitions make a formal request for return of overpaid amounts.
- Amounts underpaid will be shown in the report as amounts due to be paid by the examined entity.

## Amounts Due aka Charges

- The Chief Examiner is required by law to settle amounts found due during examinations.
- Amounts due are those items / expenditures which have been found which are considered to be unallowable.
- 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 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.

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## Settlement of Amounts Due

- After the meeting, the Chief will consider the information presented at the meeting and will decide whether to relieve the amounts due.
- The Chief Examiner's decision is expressed as a written order, which will be included in the report.
- If the responsible person fails to show sufficient cause why the amount due should not be repaid or to pay the amount due before the report is published, the "charge exhibit" will be included in the report.

## Amounts Due

- After the meeting with the Chief Examiner, the Chief will
  - Leave amounts due as is
  - Relieve all amounts due
  - Relieve a portion of the amounts due

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## Amounts Due

- “Amounts Due” become “Charges” once the report is released to the public.
- “Charges” terminology as used by the Dept. of Examiners of Public Accounts is ***not*** the same as would be used in a court of law.

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## Charges

- All reports with Charges are submitted to the District Attorney or Attorney General (depending on jurisdiction)
- It is up to the DA or AG to follow up with any potential legal action.
- We have no further collection responsibilities.

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## Final Reports

- Examination reports are public documents and are available of viewing at no charge at the department's offices or on the department's website.
- A copy of each examination report is certified to the circuit judge with jurisdiction and to the governor.

## What about me?

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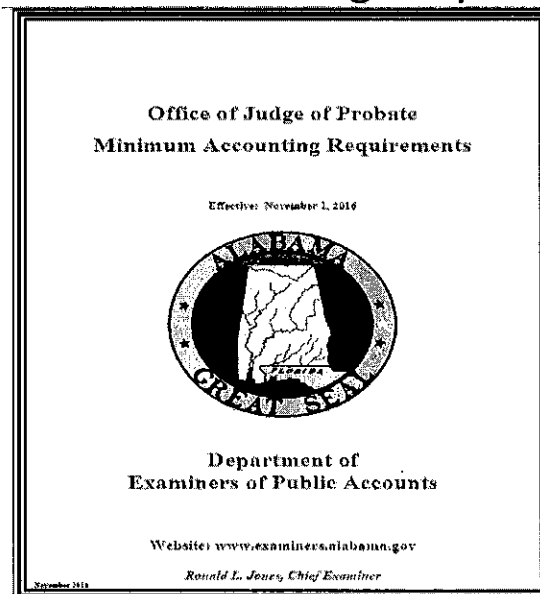
## Statutory Responsibilities

- Responsible for various Probate Court matters in accordance with the ***Code of Alabama 1975***, Section 12-13-1 and for assessing the appropriate fees and court costs for each case under the Court's jurisdiction in accordance with the ***Code of Alabama 1975***, Section 12-19-90.
- Responsible for issuing and collecting fees on certain licenses and registrations, recording and collecting taxes on deeds and mortgages, assessment and/or collection of ad valorem taxes, sales taxes and other miscellaneous items in accordance with various provisions of the ***Code of Alabama 1975***.

## Fiscal Responsibilities

- **All** funds collected by the Probate Judge are required to be disbursed to the proper agencies periodically with the exception of fiduciary funds/accounts which are held and disbursed in accordance with Judge's order.
- All receipts and disbursements are to be made in accordance with prevailing statutes and the accounting is to be in compliance with minimum accounting requirement guidelines established by the Chief Examiner of Public Accounts.

## Minimum Accounting Requirements





## Minimum Accounting Requirements

### Background

- These guidelines were established in November 2016, by the Chief Examiner of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5-23, to prescribe a standardized minimum accounting system for the operation of Probate offices statewide.
- Although methods of accounting implementation systems have evolved over the last 20 years these guidelines are essentially the same and remain unchanged.
- Note that these are “minimum” requirements.

## Minimum Accounting Requirements

### Primary Goals of Implementation

- Provide training example materials
- Improve control over the collections
- Summarize yearly financial information
- Set high standards for the financial management, control and reporting of the receipts, disbursements and balances on hand at the end of a reporting period

## Minimum Accounting Requirements

### Section 41-5A-21

#### Officers to keep uniform accounts.

Every state and county officer shall keep the books, records, and accounts and make the reports of his or her office in accordance with the systems, procedures, and forms as may be prescribed by the chief examiner pursuant to this chapter. Any officer who fails or willfully refuses to comply with this section shall be liable for a penalty of up to two hundred fifty dollars (\$250) for each week the failure or refusal continues. Penalties imposed and collected under this section shall be paid into the General Fund.

*(Act 2018-129, §1.)*

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## Minimum Accounting Requirements End of Year Requirements

- Each Judge of Probate shall submit the following information electronically to the Department of Examiners of Public Accounts at the end of each fiscal year:
  - Certificate of Compliance with Minimum Accounting Requirements
  - Cashbook detailing receipts, disbursements and balances for all funds maintained by the Judge of Probate
  - September 30<sup>th</sup> Bank Reconciliation for all accounts
  - Returned Check Register for all accounts
  - Summary of Receipts and Disbursements
- **The end of year required information is to be submitted to the Department of Examiners of Public Accounts no later than December 31<sup>st</sup>, following the end of each fiscal year.**

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## **EXAMINERS RECOMMENDATION TO HELP STAY OUT OF TROUBLE**

- 1. A CASHIER/TELLER SHOULD NOT BE ALLOWED TO VOID THEIR OWN TRANSACTIONS.**
- 2. SOMEONE SHOULD BE DESIGNATED TO KEEP UP WITH ALL ITEMS ISSUED BY THE STATE ON AN INVENTORY SHEET. INVENTORY SHEETS SHOULD INDICATE THE EMPLOYEE TO WHOM ITEMS WERE ISSUED AND THAT EMPLOYEE NEEDS TO KNOW THAT THEY ARE RESPONSIBLE FOR THOSE ITEMS AS IF IT WERE CASH IN THEIR DRAWER.**

## **EXAMINERS RECOMMENDATION TO HELP STAY OUT OF TROUBLE**

- 1. ALL COLLECTIONS SHOULD BE DEPOSITED DAILY AND INTACT.**
- 2. IF COLLECTIONS ARE HANDLED BY MORE THAN ONE INDIVIDUAL BEFORE DEPOSIT THEN SIGNATURES OF ALL PARTIES HANDLING THOSE FUNDS SHOULD BE ON THE CHECKUP SHEET TO INDICATE AGREEMENT OF INFORMATION CONTAINED ON THE CHECKUP SHEET.**

**EXAMINERS RECOMMENDATION TO  
HELP STAY OUT OF TROUBLE**

**EVERY BANK ACCOUNT NEEDS ITS OWN RETURNED CHECK  
REGISTER.**

**PUBLIC FUNDS**

## Public Funds in General

Public funds are any and all funds that come into the hands of a public official.

## Public Funds by Statute related to Probate Judges

- Funds collected in the performance of Probate Court matters in accordance with the ***Code of Alabama 1975***, Section 12-13-1 and for assessing the appropriate fees and court costs for each case under the Court's jurisdiction in accordance with the ***Code of Alabama 1975***, Section 12-19-90.
- Fiduciary Funds
- Funds collected in the issuance of licenses and registrations, recording fees and collections of taxes on deeds and mortgages, assessment and/or collection of ad valorem taxes, sales taxes and other miscellaneous items in accordance with various provisions of the ***Code of Alabama 1975***.
- Discretionary Funds

## Not Public Funds

Passport Fees – according to ***Code of Alabama 1975***, Section 36-1-10 “collected and retained by the state official” AG Opinion 2008-013 supports same interpretation. These funds, although collected in the Probate office, are considered personal funds and should be placed in a separate account not audited by the Department of Examiners of Public Accounts.

## Public Funds “Do’s

- Should provide a benefit to the office and performance of official duties
- If the expenditure is from a discretionary fund maintained by the Commission, a requisition authorizing the expenditure should be signed by the Official. The Official’s authorization for any expenditure should be documented if they are not the one signing the checks. If the Official signs the check that would indicate their authorization.
- Documentation of expenditures should always be provided. Original itemized invoices, travel claims, itemized meal tickets, agendas for meetings and training attended
- If more than one person is covered for any expense, the persons and purpose should be identified
- Meals and/or refreshments served at business meetings when the meals are directly related to the business of the entity and are incidental to the meeting. In order for meals to be an incidental part of the meeting, the primary purpose of the gathering must be to have an official meeting at which business is conducted and not a social gathering at which food is provided. AG Opinion 2003-137; 2010-076
- Donations received should be accounted for separately AG Opinion 2008-110

## Public Funds “Don’ts”

- No personal use items even if they are reimbursed later.
- No uniforms or other distinctive clothing AG Opinion 2013-060
- No alcoholic beverages AG Opinion 2001-129
- No donations to civic, non-profit, or private organizations AG Opinion 2012-044; AG Opinion 2007-074
- No meals for spouses or other guests AG Opinion 2001-088

## Report Distribution

- Reports are emailed to officials on Wednesday before being made available to public on Friday.
- If no email, reports are mailed.
- Reports are posted to our website each Friday after 9:00 a.m.

## Contact Information Managers

- Robin Lakey – Lauderdale; Limestone; Madison; Colbert; Franklin; Marion; Lawrence
- Gwyn Griggs – Jackson; Marshall; DeKalb; Etowah; Cherokee; Calhoun; Cleburne
- Whitney Atchison – Morgan; Cullman; Winston; Jefferson; Blount; Walker;
- Nikki Morrison – Chilton; St Clair; Shelby; Talladega; Clay; Coosa; Randolph;
- Shelley Patrenos – Lamar; Pickens; Tuscaloosa; Sumter; Greene; Fayette

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## Contact Information Managers

- Emily Tyler – Bibb; Perry; Hale; Dallas; Marengo; Choctaw
- Teresa Dekle – Tallapoosa; Autauga; Elmore; Lowndes; Montgomery
- Tammy Shelley – Chambers; Lee; Macon; Russell; Barbour
- Brian Wheeler – Mobile; Baldwin; Washington
- Christina Smith – Monroe; Clarke; Wilcox; Conecuh; Escambia
- Lynn Otto – Butler; Crenshaw; Covington; Coffee; Geneva
- Cherie Raffle – Houston; Henry; Dale; Pike; Bullock

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## Managers Information

Email is First Name.Last Name@Examiners.Alabama.Gov

- Robin Lakey (256-314-5783)
- Gwyn Griggs (256-927-8649)
- Whitney Atchison (205-325-5680)
- Nikki Morrison (256-215-3041)
- Shelley Patrenos (205-652-2285)
- Cherie Raffle (334-677-4768)
- Emily Tyler (334-295-2241)
- Teresa Dekle (334-832-7713)
- Tammy Shelley (334-619-1517)
- Brian Wheeler (251-937-0338)
- Christina Smith (251-867-0296)
- Lynn Otto (334-347-8820)

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## Email

- Email:

Firstname.Lastname@Examiners.Alabama.Gov

Example – James.Hall@Examiners.Alabama.Gov

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## Contacting the Department

- Located in the Alabama Center for Commerce, Suite 280 in Montgomery, AL
- Mailing Address – P. O. Box 302251  
Montgomery, AL 36130-2251
- Phone – 334-242-9200
- Fax – 334-242-1775
- Email – [info@examiners.alabama.gov](mailto:info@examiners.alabama.gov)
- Website – [www.examiners.alabama.gov](http://www.examiners.alabama.gov)

## Hotline

- To report Fraud, Waste & Abuse:  
1-844-56-FRAUD  
1-844-563-7283

Email: [Report.Fraud@Examiners.Alabama.Gov](mailto:Report.Fraud@Examiners.Alabama.Gov)

# Questions



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