

Prepare for an Audit

1. **Understand the purpose of the audit.** What is the auditor looking for? What are their specific goals?

- The auditor will ensure that your nonprofit's financial statements are accurate and that your organization complies with all applicable laws and regulations.
- They will also be looking to assess the effectiveness of your nonprofit's internal controls.

2. **Gather all relevant documentation.** This includes financial statements, accounting records, and any other documents that may be relevant to the audit.

- This will include your nonprofit's Form 990 and any other financial reports you must file with the IRS or other government agencies.
- You must also gather all your accounting records, such as invoices, receipts, and bank statements.

3. **Identify any potential areas of concern.** Are there any areas of your business that are particularly complex or that have a history of problems?

- If so, be sure to bring these to the auditor's attention. This will help them to focus their audit on these areas and to identify any potential problems early on.

4. **Make sure your internal controls are in place.** Internal controls are designed to help prevent fraud and errors. Make sure that your internal controls are up-to-date and effective.

- This includes having clear policies and procedures in place, as well as segregating duties so that no one person has too much control over your nonprofit's finances.

5. **Cooperate with the auditor.** Answer their questions honestly and promptly. Provide them with access to all the documentation they need.

- The auditor is there to help you, so be as helpful as you can. Answer their questions promptly and honestly and provide them with access to all the documentation they need.

6. **Be prepared to answer questions about your business.** The auditor may ask you questions about your business operations, financial reporting, and internal controls. Be prepared to answer these questions clearly and concisely.

- This includes being able to explain your nonprofit's mission, how you collect and spend money, and how you track your progress towards your goals.

Here are some additional tips for preparing for an auditor:

Be organized. Have all your documentation organized and easy to find. This will make the audit process go more smoothly.

Be proactive. Do not wait for the auditor to ask you questions. If you think there is something they should know, bring it up to them.

Be transparent. Do not try to hide anything from the auditor. The more transparent you are, the easier it will be for them to do their job.

Be patient. Audits can take time. Be patient and cooperate with the auditor throughout the process.