Town of Frederick
Board of Trustees

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AM 2010-063

REQUEST FOR EXTENSION OF TIME TO FILE AUDIT

Agenda Date: Town Board Meeting – July 13, 2010

Attachments: a. Office of the State Auditor Form

Fiscal Note: None noted or provided Fiscal note

Administrative Services Director

Submitted by:

Administrative Services Director

Approved for Presentation:

Town Administrator

AV Use Anticipated Projector _____ Laptop _____

Certification of Board Approval: _____ Town Clerk _____ Date

Summary Statement:

Due to the turnover the Finance Division has experienced over the past several months, it has been extremely difficult for the division to keep up on the day to day functions in the division that include accounting, payroll, utility billing and maintenance of over 3500 customers, accounts payable, accounts receivable, billing, developer billing, oil well billing, audit, journal entries, etc. Because of this, coupled with the conversion to a new software system, it has put staff behind in the preparation of the annual audit.

Detail of Issue/Request:

In the previous years, it was accustom, when the Division has been fully staffed, to begin preparations for the annual audit in January and have everything completed and ready for the onsite visit by the

auditor in mid April. The preparation that is involved before the onsite visit occurs is quite comprehensive including items that need to be gathered and summarized such as trial balances for all funds, summary information about the Town's insurance coverage, summary of related transactions from vendors and associated balances due to or from, summary descriptions of contingencies, index summary of all agreements with other governments, fiscal correspondence with oversight agencies, summary of standard bank confirmations, summary of cash receipting journals, summary of roll forward of capital assets activity, prepared schedule supporting long-term assets accounts, etc. These are some of the examples of the pre-audit preparation list of over 75 items that have to be completed prior to the onsite audit visit by the auditor in order for their time to be used effectively.

Now that the Finance Division is fully staffed, we have the resources to begin pulling the information and creating the summary reports necessary to proceed with the onsite audit. Staff has met with the Town's auditor numerous times throughout the year in the interim to keep them abreast of the hiring process and reestablishing a new timeline for the audit. Staff began compiling this information and working on the summary reports immediately after the Finance Manager was hired, and we have set a target date of July 18th to have the information ready for an onsite audit to take place before the end of July. As mentioned previously, the preparation pre-audit list typically takes two months to complete; staff is currently working expeditiously to complete this process in four weeks.

However, according the *C.R.S. Sections 29-1-604 and 29-1-606*, a copy of the audit is due to the Office of the State Auditor by July 31st. Because of the shortage of staff in the Finance Division, and with the addition of new staff, we potentially could miss the July 31st deadline of having a completed copy of the audit sent to the State. Because of the uniqueness of the situation with turnover, converting to a new financial accounting system program, and training new staff, the Office of the State Auditor has provided a form and process for jurisdictions that do not make the July 31st deadline with the ability to file extensions for 60 calendar days. The "Request for Extension of Time to File Audit" form must be signed by a member of the governing Board and returned to the State by July 31st to be granted the extension. The extension to file the audit will provide the Town a contingency of time if we do not get the audit completed and filed to the State by July 31st.

Legal/Political Considerations:

According to State law, a copy of the audit must be completed and sent to the State Auditor by July 31st, or a request for extension form filed by July 31st if local government needs additional time for the audit. If jurisdictions do not comply with sending the completed audit, to the State Auditor, by July 31st or an extension form signed by a member of the governing board, the Office of the State Auditor sends a delinquency letter to the local government if the audit report has not been filed and the local government has not been granted an extension.

In October, the Office of the State Auditor will notify county treasurers to hold taxes generated pursuant to the taxing authority of the local government until audit report is submitted to the Office of the State Auditor. Additionally, the Office of the State Auditor has authority to make or cause an audit at the expense of the local government.

Alternatives/Options:

The only alternative to signing the extension form would be to not sign it. As mentioned above, if the Town doesn't file for an extension by July 31st or have the completed audit sent to the Office of the State Auditor, the Town will be in jeopardy of not complying with *C.R.S. Sections 29-1-604 and 29-1-606* and potentially could have taxes received by the County and State put on hold until it is completed.

Again, staff is work very expeditiously in completing the audit preparations to have the onsite audit completed by the end of July.

Financial Considerations:

None Applicable.

Staff Recommendation:

Staff recommends approving signing the request for extension of time to file the annual financial audit with the Office of the State Auditor. This will allow for contingency time, if needed, for staff and the auditor to complete the audit this year. As mentioned above, this year is an anomaly as we have new staff in place in the Finance Division and a new financial reporting system that we have been working on integrating that will also be new to the auditor.