

MUNICIPAL AUDIT PROGRAM - FREQUENTLY ASKED QUESTIONS (FAQs)

Audit Program

1. Why must all municipalities have an audit annually? *Financial audits play a vital role in helping to preserve the integrity of public finance and maintain citizens' confidence in their elected leaders. Audits provide independent assurance that financial information is reliable. Transparency and accountability in government is essential to show that public functions are being carried out efficiently, ethically, and equitably.*
2. What kind of audit is required? *Under RSA 41:31-a through RSA 41:31-d, every municipality is required to have an annual audit of the accounts of any officer or agent handling funds. The audit shall be completed by either an elected auditor or board of auditors or by a certified public accountant (CPA).*
3. How will the Department of Revenue Administration (DRA) know what our audit intentions are? *The form MS-60A, Auditor Option and Schedule, is used to report annually to the DRA which type of audit will be conducted and the schedule for completion. This form is submitted to the DRA no later than 10 days after the close of the fiscal year.*
4. Are there any circumstances that would mandate a CPA audit? *If the municipality expended federal assistance greater than \$500,000 a special audit under OMB Circular A-133 would need to be done. There could be other requirements for an audit or the audit might be ordered by the Commissioner of the DRA under RSA 21-J:20.*
5. We didn't receive federal assistance and we are a self-sufficient village district with no taxation. Do we still need an audit? *Yes, if there is no other requirement for an audit by a CPA, the audit must be done by a locally elected auditor.*
6. What if no one runs for the local auditor position? *If not elected, an auditor must be appointed under the provisions of RSA 669:68, 670:12, or 671:33.*
7. Can we hire someone to be the locally elected auditor? *Under unusual circumstances, a municipality may hire a CPA firm to conduct agreed upon procedures.*
8. We are a small town, is there an exception to the audit procedures? *There is a waiver process for municipalities with a population under 750.*
9. How do we determine the municipality's population? *The State Office of Energy and Planning releases estimated population figures annually.*
10. How do we determine the population for a village district? *Call your Municipal Accounts Advisor at (603)271-3397.*
11. What will we have to do if the waiver is granted? *At a minimum, sections 1 and 2 of the form MS-60 Report of the Locally Elected Auditor(s) must be completed. Additional alternative procedures might be required on specific subject matter.*

12. How do we apply for the waiver? *Use form MS-60W Audit Waiver Request to apply for the waiver 45 days prior to the end of the fiscal year. The waiver request application must be submitted on an annual basis.*
13. Is it possible the waiver could be denied? *Yes, a waiver could be denied if the population criteria is not met or other reasons such as those listed in the audit rules REV1907.03 (see the state web site www.gencourt.state.nh.us/rules/state_agencies/rev1900.html). In some cases, the waiver could be granted, but additional procedures might be required.*
14. We have a CPA firm do a financial statement compilation, do we still need an audit? *Yes, an audit is required. Though a compilation does provide a greater level of assurance for the financial report, a compilation is not an audit.*
15. We have a CPA firm do an audit of a different department each year. Do we still need an annual audit? *Yes, under RSA 41:31-a through RSA 41:31-d, every municipality is required to have an annual audit of the accounts of any officer or agent handling funds.*
16. When would a CPA audit likely be ordered by the Commissioner? *Whenever conditions appear to warrant such an audit. The Commissioner of the DRA has ordered audits in the past in response to taxpayer complaints or when a pattern of statutory noncompliance exists.*
17. What if we don't have an annual audit? *The voters might question why no legally required audit was done. Not having an annual audit could be a situation that could potentially lead to an audit ordered by the Commissioner of the DRA under RSA 21-J:20.*

The Audit Process

1. Does a locally elected auditor need any particular training? *There are no prerequisites or training required to run for the office. The DRA can assist with any questions.*
2. What is the first thing a locally elected auditor should do? *After being sworn in, the auditor should review the form MS-60 Report of Locally Elected Auditor(s) and the instructions.*
3. What is the form MS-60 like? *The form consists of six parts with two sections each. It is designed to review and test the general ledger and offices of the treasurer, tax collector, trustees of trust funds, town clerk, and library.*
4. Do we complete all six parts of the form MS-60? *Unless a waiver has been granted, the locally elected auditor of each municipality must complete both sections of all parts of the form for each applicable office.*
5. Where can an auditor find assistance or training? *Call your Municipal Accounts Advisor at the DRA at (603)271-3397 or go to the DRA web site at www.nh.gov/revenue for forms and information.*

6. Is there a manual? *Yes, a manual is available on the DRA web site at www.nh.gov/revenue/munc_prop/MunicipalAuditProgram.htm.*
7. Is the audit report filed with the DRA? *The form MS-60 Report of the Locally Elected Auditor(s) is filed with the DRA by the governing body within 10 days of acceptance of the audit.*
8. What if the governing body disagrees with the audit report? *The governing body has 45 days to accept the audit as received or adjusted. If the audit report and any accompanying management letter is still not accepted by the governing body after the 45 days, it must be submitted to the DRA with an explanation for non-acceptance.*
9. Is the report made public to the voters? *A report of the summary and of findings and recommendations is published in the annual report following the fiscal year of the audit.*

P:\audits\FAQs.doc