

Audit Readiness Checklist for State and Local Governments

Year-Round Planning and Internal Controls

- Develop and maintain an annual audit readiness calendar with milestones.
- Reconcile major accounts (cash, receivables, payables, grants, etc.) monthly or quarterly.
- Conduct internal control assessments based on the GAO Green Book of COSO.
- Review and update written financial policies and procedures.
- Address prior year's audit findings with documented corrective actions.
- Prepare for new GASB pronouncements applicable to your entity.

ACFR Preparation and Financial Reporting

- Finalize all journal entries and perform year-end closing procedures.
- Prepare draft financial statements, MD&A, RSI, SI, and statistical sections.
- Reconcile capital assets, calculate depreciation, and document capital additions/disposals.
- Verify and reconcile long-term debt, leases, and pension/OPEB schedules against journal entries.
- Cross-check financial schedules against supporting documentation.
- Review of the draft ACFR against applicable disclosure checklist.

Single Audit Compliance (Uniform Guidance)

- Maintain a running Schedule of Expenditures of Federal Awards (SEFA) throughout the year.
- Identify federal awards by Assistance Listing Number and major programs and reconcile to grant awards and Sam.gov.
- Obtain and review the current year's OMB Compliance Supplement (the Supplement).
- Map compliance requirements (Part 2 and Part 4 of the Supplement) to internal controls.
- Test and document controls over key compliance areas (e.g., eligibility, reporting, procurement).
- Reconcile federal grant activity in the SEFA to the general ledger.
- Monitor subrecipients and document risk assessments and oversight activities.
- Retain documentation for drawdowns, cost allowability, match, and program income.

Coordination with External Auditors

- Schedule an audit planning meeting to review scope, timing, and significant changes.
- Submit a completed PBC (Prepared by Client) list and assign internal responsibilities.
- Communicate major changes (latest programs, staff turnover, bond issuances) to auditors.
- Provide internal control documentation and access to financial systems as needed.
- Participate in audit entrance and exit conferences.
- Provide prompt, complete responses to audit inquiries.



Post-Audit and Continuous Improvement

- Conduct an internal debrief on audit results and improvement opportunities.
- Update policies and controls based on auditor recommendations and findings.
- Track completion of corrective actions related to any audit findings.
- Provide audit summary and financial highlights to executive leadership or governing boards.
- Begin planning and calendar setup for the next fiscal year's audit cycle.

KEY RESOURCES

- ▶ OMB Uniform Guidance (2 CFR Part 200): <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>
- ▶ OMB Compliance Supplement: <https://www.whitehouse.gov/omb/management/office-federal-financial-management/>
- ▶ GAO Green Book: <https://www.gao.gov/greenbook>
- ▶ GFOA ACFR Program: <https://www.gfoa.org/acfr-program>

This checklist should be reviewed and updated at least annually and shared with all departments and cross functional teams involved in financial reporting, grant management, and audit response.

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