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## **Step 2: Preparing for the Audit**

### **Before the audit**

There is a lot your nonprofit can do to prepare for the audit that will result in a smooth audit for your staff, and for the auditors. Having documentation ready for the auditors will save time (and money) and will result in less distraction for your staff during the audit process. The engagement letter (or Request for Proposal) can be considered a roadmap of what to expect during the audit, however, you may still have questions about exactly what the audit will entail. [Note: If your nonprofit does not have a separate "engagement letter" with the auditor, the proposal for audit services may serve the same purpose as the engagement letter by spelling out the scope of the audit, and who is responsible for what.] The engagement letter and/or proposal will usually include the following basic terms:

- A description of services to be performed
- What the organization's staff will be responsible for
- The fees charged for the audit and related work
- Start date and completion date for the audit

### **Is your documentation ready?**

There are a number of steps your nonprofit can take in advance to prepare for the audit. It seems obvious but the most important preparation for the audit is for the nonprofit's accounting records to be up-to-date, accurate, and organized. The auditors will review the nonprofit's financial transactions by testing a variety of financial transactions, and may ask you to produce documentation to support any number of them. You will want to be ready to provide the auditors with documentation of any financial transaction made during the fiscal year, if asked, without searching through numerous computer or paper files to find what you are looking for. **Tip:** Place all the documents (or shortcuts to them) that the auditors review in a single electronic folder. You can do this in advance, anticipating what they may want to review, but you can also do it during the audit. This will help you have a record of what the auditors reviewed and if you put shortcuts to various documents in the folder throughout the year, it will also make it easier to find what you anticipate the auditors will want to review.

**"Prep packet":** The audit firm may provide the nonprofit with an audit prep packet that describes what the auditors will ask to review. Auditors that are new to your organization may have more questions in advance of the audit than those who have conducted the nonprofits' audits in the past. **Tip:** Ask the auditors to let you know what format they want to receive the requested documentation in (e.g., electronic files) since having those documents ready in advance, in the right format, will help reduce the auditors' time, and thereby save the nonprofit costs.

## Pre-Audit Meeting

The audit oversight group, including staff who will be working with the auditor, should meet with the auditors before the audit (often called the "pre-audit meeting") to: 1) develop a timeline that explains which documents the staff will need to submit to the auditors by when, and 2) ask for guidance on all the various documents that the auditors will ask to review. Typically the list of documents the auditors will want to review is quite long, but luckily it remains relatively consistent from one year to the next, unless the nonprofit's programs significantly change. **Who attends?** Staff who will be responsible for standing ready to assist auditors during their field work, and representatives from the board (or the audit committee) will usually attend. It's helpful if the Chair of the audit committee/Chair of the Board attends.

Read more detailed information about [the staff's role and preparing for the auditor's fieldwork](#).

## Resources to help you plan for the audit

- [Get Ready For the Audit checklist](#) (Downloadable PDF - National Council of Nonprofits)
- [10 Simple steps to get ready for the year-end audit](#) (Nonprofit Information)
- [Audit Readiness](#) (Strong Nonprofits Toolkit / Wallace Foundation)
- Video: [Preparing for your nonprofit's audit](#) (GWSCPA)

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**Disclaimer:** The resources in this Guide are offered for informational purposes only. The National Council of Nonprofits recommends consulting a lawyer or accountant who has expertise in accounting rules for charitable nonprofits so that you can be confident that your charitable nonprofit is in compliance with all legal requirements. And, when your organization is looking for trusted information about financial management practices, good governance, and accountability, don't overlook the resources that membership in your [state association of nonprofits](#) can provide.