



## From Close to Clarity: Challenges & Future-Proofing Your ACFR Process **Public Sector**

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# From Close to Clarity: Challenges & Future-Proofing Your ACFR Process

## Today's Presenters



**Rachel Ormsby, CPA**  
Partner



**Karmyn Jeffries, CPA**  
Director



**Karen Kurtin, CPA,  
CFE, CGFO**  
Director



**Tami Boal**  
Senior Manager

# Agenda

1. Common Pitfalls in Year-End Close
2. Auditor Communication Challenges
3. Technology as a Catalyst: TRS in Action
4. Strategies for Future Success
5. Q&A



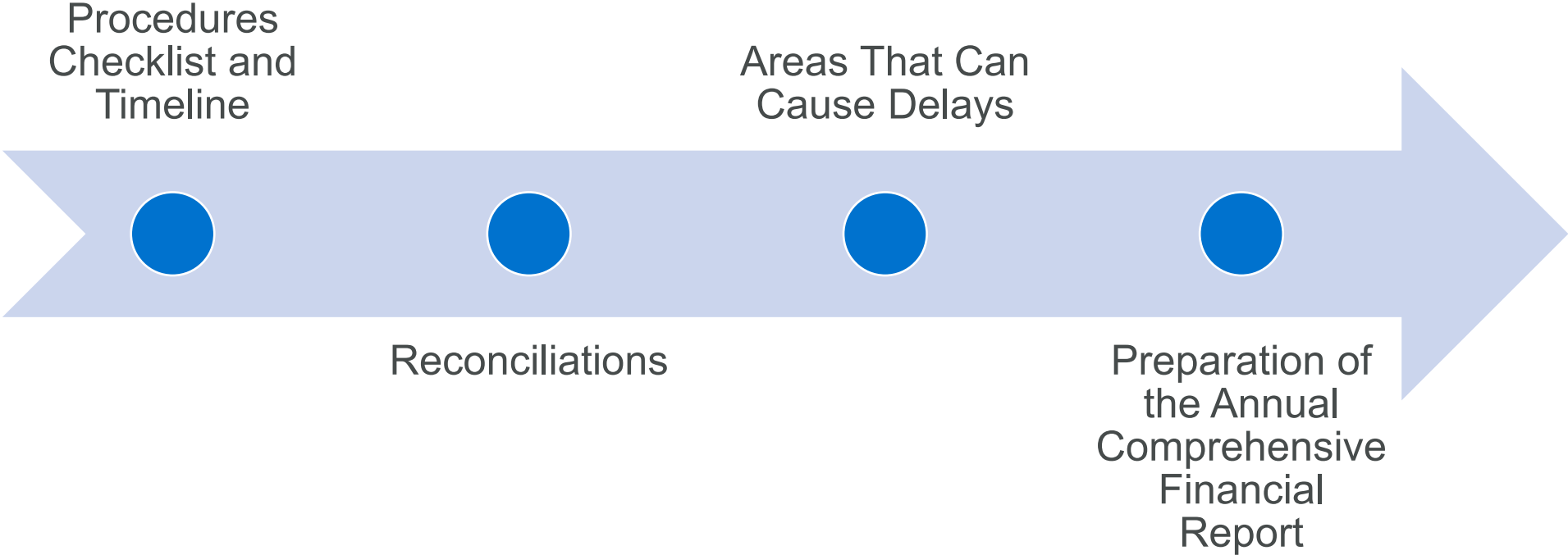


# 01

## Common Pitfalls in Year-End Close

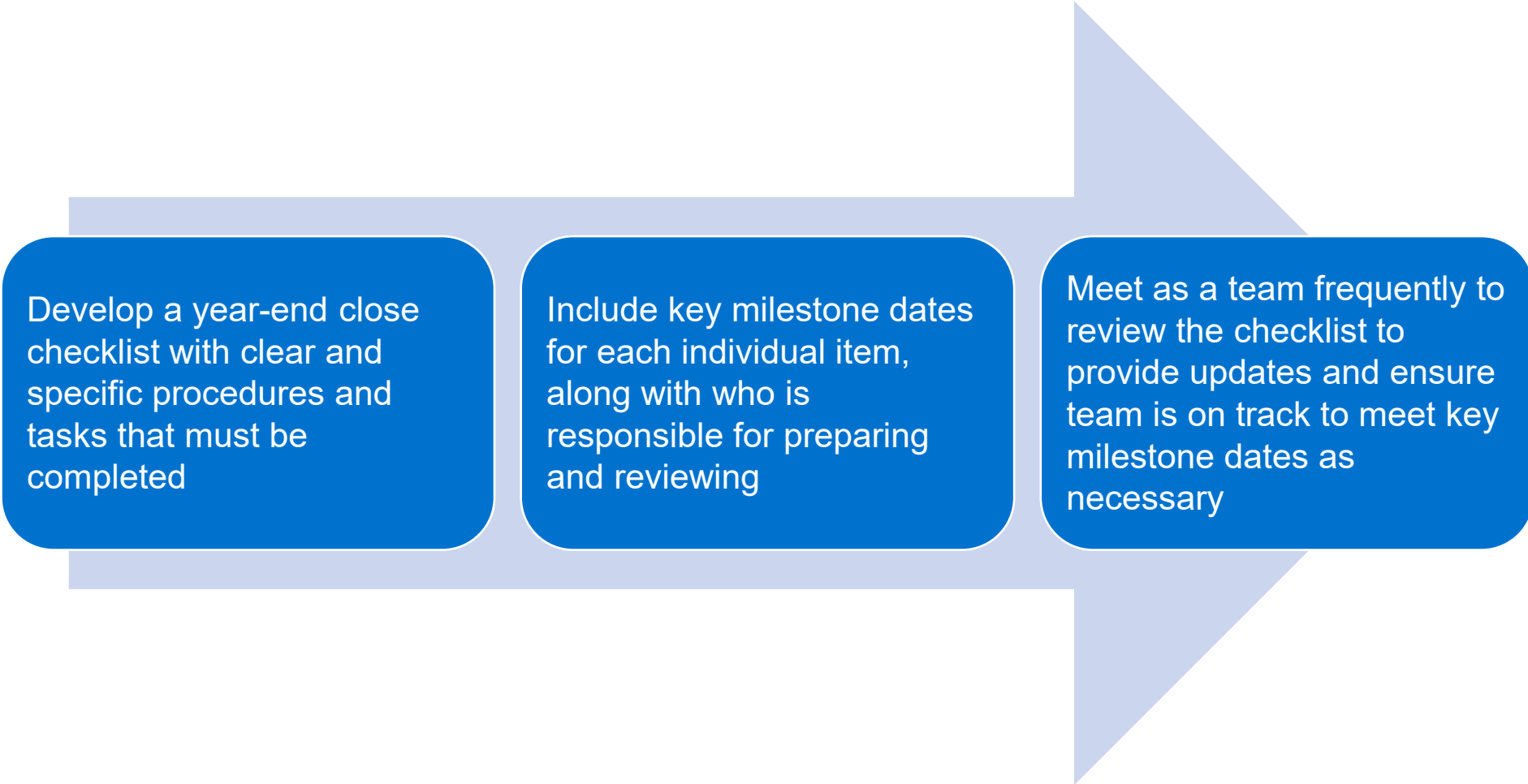


# Common Pitfalls in Year-End Close & Strategies for Preparation for Your Upcoming Audit



# Common Pitfalls in Year-End Close & Strategies for Preparation for Your Upcoming Audit

## Procedures Checklist & Timeline



Develop a year-end close checklist with clear and specific procedures and tasks that must be completed

Include key milestone dates for each individual item, along with who is responsible for preparing and reviewing

Meet as a team frequently to review the checklist to provide updates and ensure team is on track to meet key milestone dates as necessary

# Common Pitfalls in Year-End Close & Strategies for Preparation for Your Upcoming Audit

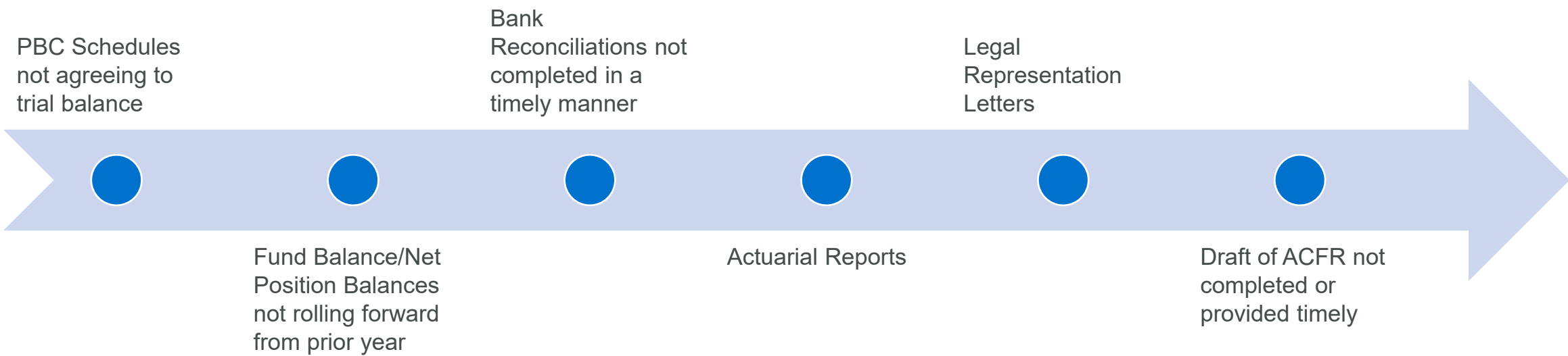
## Reconciliations

A significant part of the financial statement year-end close process and many entities spend numerous hours resolving issues and variances by waiting until year-end to complete these reconciliations

Best Practice – Perform monthly or quarterly reconciliations throughout the year, which will allow you and your team to resolve any errors prior to year-end

# Common Pitfalls in Year-End Close & Strategies for Preparation for Your Upcoming Audit

## Areas That Can Cause Delays





# Common Pitfalls in Year-End Close & Strategies for Preparation for Your Upcoming Audit

## Preparation of the Annual Comprehensive Financial Report (ACFR)

### Items to Be Included in ACFR Draft:

- Introductory Section
- Financial Section
- Required Supplementary Information
- Combining and Individual Fund Statements and Schedules
- Statistical Section

### Timeline for Providing Draft of ACFR to Auditors:

- What methods and processes to do you have in place to provide a draft of the ACFR to the auditors by the designated timeline?
- What challenges do you face in preparing the draft of the ACFR and meeting the designated timeline?

# Benefits of an Efficient Year-End Close Process



Timely Reporting



Reduced Stress on Staff



Ease of Audit Process



Reliability of Information



Eases Preparation of Financial Statements

# 02

## Auditor Communication Challenges



# Auditor Communication Challenges

## Access & Transparency



### Challenge

#### Document Sharing Challenges

- Difficulty in sharing documents leads to inconsistent versions and delays in audit review cycles.

#### Impact on Audit Efficiency

- Lack of access to current financial documents increases errors and miscommunication risks.

#### Need for Transparency Systems

- Robust systems ensure single source of truth and effective change tracking among stakeholders.



### Solutions

#### Document Sharing Challenges

- Importance of robust systems to ensure a single source of truth and effective change tracking amongst stakeholders.

#### Impact on Audit Efficiency

- Introduce the standardized auditing procedures through documentation of audits and establishing clear communication channels.

#### Need for Transparency Systems

- Clear communication channels ensure that all relevant parties are informed about the audit process, findings, and any subsequent actions required.



# Auditor Communication Challenges

## Timing & Collaboration



### Challenge

#### Impact of Poor Timing

- Misaligned timelines cause missed deadlines and increased stress during critical audit periods.

#### Collaboration Challenges

- Ineffective communication and coordination disrupt audit schedules and create bottlenecks.

#### Data Submission Issues

- Lack of coordination leads to incomplete and inaccurate data, complicating audits.



### Solution

#### Impact of Poor Timing

- Establish clear timelines and responsibilities early to ensure all stakeholders are aligned.

#### Collaboration Challenges

- Structured communication enables proactive issue identification and improves data accuracy.

#### Data Submission Issues

- Detailed checklists and back-planning from reporting dates help complete tasks timely.

# Auditor Communication Challenges

## Government Specific Challenges



### Challenge

Resistance to Findings Due to Political Sensitivity

Managing Audit Requirements Amid Conflicting Priorities



### Solution

Findings are not a reflection of a poor audit, nor do they indicate inadequate performance by the finance team. They are insights intended to strengthen controls, enhance transparency, and support continuous improvement. Communicating this perspective clearly to those charged with governance is essential to maintaining trust and collaboration.

Governments are required to have audits, but when a conflicting priority is in place, communication between the auditor and the finance team is crucial. Being open and honest about the time available to complete audit-related tasks helps the auditor to plan and eases frustration amongst the entire team.

# 03

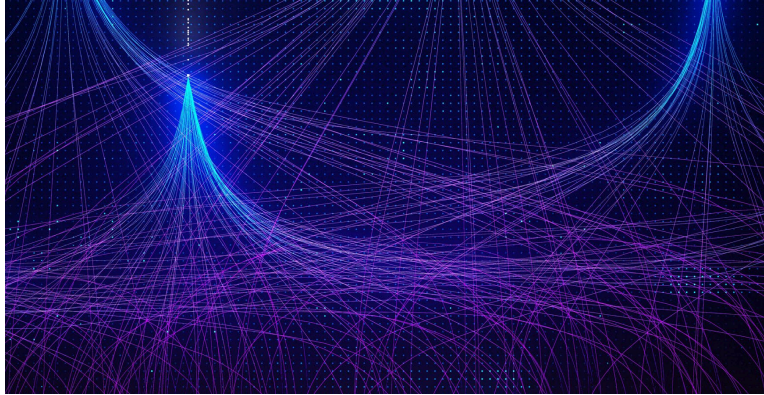
Technology as a Catalyst:  
**The Reporting Solution** in Action





# Technology as a Catalyst: TRS in Action

## Real-Time Reporting



### Web-Based

Being web-based allows updates to be reflected automatically and eliminates version control issues.

### DataLinks

DataLinked amounts update automatically as edits are made to applicable statement or spreadsheet which improves consistency across the report.

### Adjustments & Classifications

Adjustments posted flow to all applicable statements.

Grouping changes are reflected as soon as the classification page is closed.



# Technology as a Catalyst: TRS in Action

## Audit Readiness



### User Log

Provides tracking with time and date stamp of access to a document, insertion or deletion of DataLinks, and any changes that affect an amount on a statement.



### Permissions Module

Provides an admin user the ability to restrict or enable access to the various component of the database.



### Adjustment Module Audit Log

Provides time and date stamp of who and when an adjustment was made or edited.

# Technology as a Catalyst: TRS in Action

## Collaboration Tools



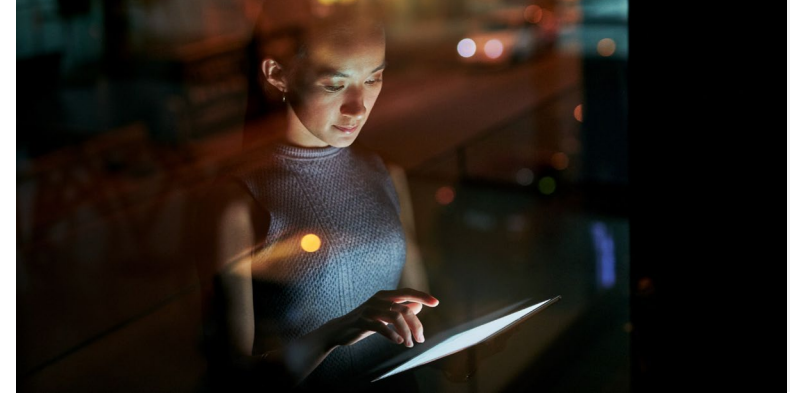
### Multi-User Access

Multiple users can be logged into the database and working at the same time.



### Drill-Down Functionality

Drill down into any line item on the financial statements to access visibility into supporting general ledger (GL) data and adjustments.



### Project Management

Allows users to view what has been assigned to them, mark off what is complete, update the status, provide notes, and view overall status.

# Technology as a Catalyst: TRS in Action

## Compliance Alignment



### Support

Provide support for and insights into GASB pronouncements.



### GASB Pronouncements

Updates to the software as needed for pronouncements.

Work with clients to implement.

# 04

## Strategies for Future Success





# Strategies for Future Success

## Changes in State Reporting Requirements

### Texas

SB1851 effective September 1, 2025 – Requires municipalities to complete an Annual Financial Report and prepare financial statements within 180 days of the fiscal year-end. Anyone suspecting noncompliance can file a complaint with the Attorney General. Noncompliant municipalities will be unauthorized to adopt an ad valorem tax rate exceeding the no-new-revenue tax rate, meaning they cannot increase property tax revenue beyond the previous year's amount.

### Arkansas

Ark. Code Ann. Section 10-4-412 effective June 30, 2024 – If a municipality fails to file a required report with the Legislative Auditor within 18 months after the end of the fiscal year, the Legislative Joint Auditing Committee can notify the Treasurer of State to withhold the municipality's turnback funds (both general revenue and highway revenue) in escrow. These funds will be held until all required reports are filed, at which point the funds will be released to the municipality.

### Illinois

SB0082 effective July 1, 2025 – Provides that municipalities shall submit completed audit reports and annual financial reports within 180 days after the close of such fiscal year, unless an extension is granted by the Comptroller in writing.



# Strategies for Future Success

## Divide & Conquer to Reduce Stress & Burnout



### Engineering

- What capital asset WIP projects from the prior year are still outstanding?
- New projects?
- Outstanding retainage that needs to be paid?
- Purchase orders that need to be opened or closed before year-end?
- Request updates to Statistical tables in the month following year-end:
  - Miles of Paved Streets
  - Sewer Mains Cleaned
  - Asphalt Repairs



### Municipal Court & Public Safety

- Are there outstanding citation reports that need to be run on the last day of the fiscal year?
- Outstanding invoices that need to be paid?
- Purchase orders that need to be opened or closed before year-end?
- Request updates to Statistical tables in the month following year-end:
  - Citations Issued
  - Call Response Times



### Utility Billing

- Are there water usage reports or outstanding receivable reports that need to be run on the last day of the fiscal year?
- Outstanding invoices that need to be paid?
- Purchase orders that need to be opened or closed before year-end?
- Request updates to Statistical tables in the month following year end:
  - Water Meters Read
  - Meter Installation
  - Number of Service Calls

# Strategies for Future Success

## Develop a Year-Round Plan

### Quarter by Quarter Goals

1

#### Year-End Close

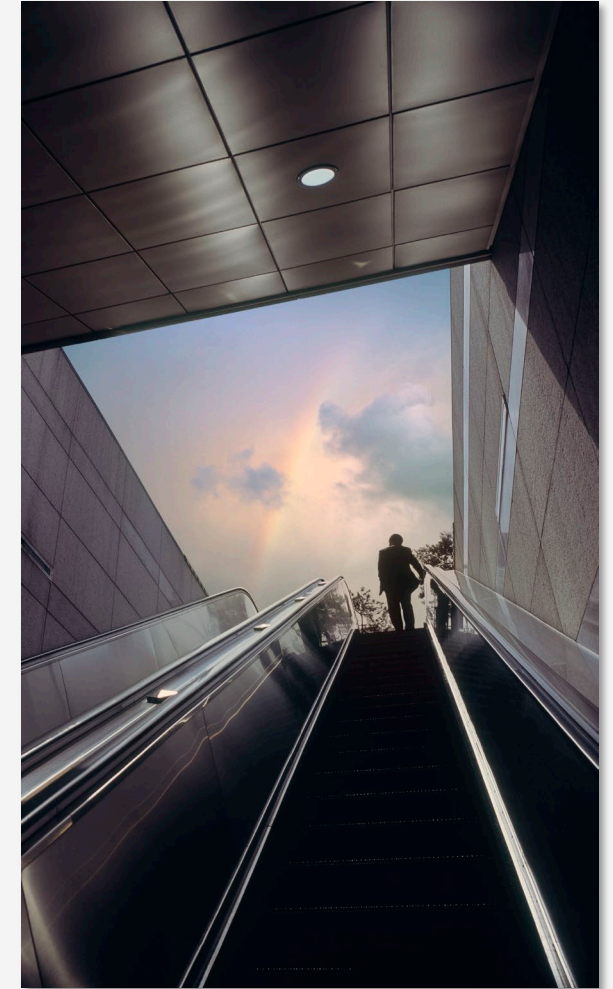
- Sales tax / hotel motel / property tax accruals
- Payroll accrual / payables accruals
- Confirm date of audited financial statements with DPCU
- Organizational Chart
- Transmittal Letter
- Draft MD&A content
- Evaluate prior year GFOA comments
- Gather non-financial statistical table content

2

#### ACFR Issuance

- Tie out ACFR draft balances to GL. The best time to ask questions is before final issuance.
- Schedule exit meeting with auditors
- Obtain all AJE and PAJE
- Look for new leases / SBITAs in Q1 and Q2
- Check fund balances for current year to confirm no journal entries were posted to these accounts
- Update year end close checklist with items for improvement while topics are fresh
- 1<sup>st</sup> SEFA Draft
- Store signed budget amendments, start roll forward from Adopted to Final

## The Importance of Small Steps





# Strategies for Future Success

## Develop a Year-Round Plan

### Quarter by Quarter Goals

3

#### Budget & Audit Focus, Whew!

- Contact actuaries
- Obtain actuarial reports and GASB 68 packages for any state plans
- Run new hire / termination reports based on prior plan year
- Contact auditors to schedule interim work and
- Contact vendors that provide late invoices
- Consider changes in debt / arbitrage calculation

4

#### Gearing up for Year-End Close

- Kick off meeting
- Develop audit timeline, starting with date of issuance and working backwards.
- Confirm contacts for revenue, debt, tax confirmations
- Look for new leases / SBITAs in Q3 and Q4
- Check fund balances for current year to make sure no journal entries were posted to these accounts
- Review prior year AJE / PAJE list and incorporate those items into the current year checklist





# 05

## Q&A



# Contact

## Forvis Mazars

### **Rachel Ormsby, CPA**

Partner

P: 972.702.8262

[rachel.ormsby@us.forvismazars.com](mailto:rachel.ormsby@us.forvismazars.com)

### **Karen Kurtin, CPA, CFE, CGFO**

Director

P: 469.218.9173

[karen.kurtin@us.forvismazars.com](mailto:karen.kurtin@us.forvismazars.com)

### **Karmyn Jeffries, CPA**

Director

P: 303.837.3597

[karmyn.jeffries@us.forvismazars.com](mailto:karmyn.jeffries@us.forvismazars.com)

### **Tami Boal**

Senior Manager

P: 906.299.5470

[tami.boal@us.forvismazars.com](mailto:tami.boal@us.forvismazars.com)

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