TEXAS HHSC RESOURCE LIBRARY

Texas HHSC
Audit-Readiness Checklist

A management checklist for preparing accounting records, schedules, documentation, and internal coordination for an external CPA engagement or agency financial review.

Entity / provider ______________________________	**Engagement or review type** ______________________________
Period under review ______________________________	**Target fieldwork date** ______________________________
Readiness lead ______________________________	**Management reviewer** ______________________________

Confirm the required engagement before work begins
An audit, review, compilation, agreed-upon procedures engagement, financial-compliance report, or agency review may have different criteria, periods, deliverables, and independence requirements. Obtain the governing contract, instructions, or written request and confirm the scope with the CPA.

1. Define scope, timing, and responsibility

- [ ] Identify the requesting party, applicable program or contract, reporting period, due date, required report, and intended users.
- [ ] Provide the CPA with the current contract, HHSC instructions, prior report, correspondence, findings, and corrective-action status.
- [ ] Agree on the engagement timeline, prepared-by-client request list, communication protocol, portal access, and responsible internal owners.
- [ ] Evaluate whether services previously or concurrently provided by the CPA affect independence or engagement eligibility.
- [ ] Designate one management lead to control versions, coordinate responses, and escalate missing information.

2. Finalize the books and core reconciliations

- [ ] Close the period and lock or otherwise control the final trial balance used for the engagement.
- [ ] Complete bank, investment, receivable, payable, payroll, debt, lease, fixed-asset, tax, and intercompany reconciliations.
- [ ] Post and approve corrections before schedules are delivered, and maintain a log of later entries or proposed adjustments.
- [ ] Resolve suspense, uncategorized, clearing, old outstanding, negative asset, unusual liability, and unsupported equity balances.
- [ ] Prepare a financial-statement or reporting-package tie-out to the final trial balance.

3. Prepare lead schedules and rollforwards

- [ ] Cash and investments, including restrictions and confirmations.
- [ ] Receivables, allowance, subsequent collections, revenue reconciliation, and credit balances.
- [ ] Payables, accrued expenses, payroll liabilities, subsequent disbursements, and unrecorded-liability search support.
- [ ] Fixed assets, accumulated depreciation, additions, disposals, leases, debt, and covenant compliance.
- [ ] Net assets or equity, contributions and distributions, grants, commitments, contingencies, and related parties.
- [ ] Program revenue, payroll, contracted services, operating expenses, allocations, and budget-to-actual or prior-year variance explanations.

4. Organize transaction and compliance support

- [ ] Create an indexed electronic file with one final version of each requested schedule and document.
- [ ] Retain contracts, invoices, approvals, receipt and payment evidence, payroll and time records, allocation calculations, and complete populations for material activity.
- [ ] Document unusual transactions, estimates, journal entries, manual spreadsheets, system conversions, and accounting-policy changes.
- [ ] Assemble board or governing-body minutes, legal correspondence, debt and lease agreements, insurance, grant or contract files, and regulatory communications.
- [ ] Prepare related-party, subsequent-event, litigation, fraud-risk, going-concern, and management-representation information for discussion.

5. Review internal controls and data reliability

- [ ] Document who initiates, approves, records, reconciles, and reviews significant transactions.
- [ ] Confirm system access is current and incompatible duties have been mitigated with documented review controls.
- [ ] Confirm key reconciliations and management reviews show timely preparation, follow-up, and approval, and that reports used as evidence are complete, accurate, and reproducible.
- [ ] Address prior findings, repeat adjustments, late reconciliations, missing approvals, unsupported allocations, and recurring close problems.

6. Final readiness review

- [ ] All requested schedules use the same final trial balance and reporting period.
- [ ] Each material balance and disclosure has a clear owner and supporting file.
- [ ] Management has reviewed major estimates, judgments, variances, related parties, commitments, contingencies, and subsequent events.
- [ ] Open questions are tracked; superseded files are removed; and management is prepared to make required representations and accept responsibility for the financial information and controls.

> **Readiness milestone**
> Before fieldwork begins, perform a dry run: select several balances and transactions and confirm that a reviewer can trace each amount from the reporting package to the trial balance, general ledger, lead schedule, and original support.

Official sources to verify

HHSC Provider Finance Department
HHSC Cost Report Information
HHSC Program-Specific Instructions and Resources
HHSC STEPS Transition Information
HHSC Financial Compliance Report Information

Need help? Visit jconnerpc.com for Texas HHSC cost-reporting, accounting-readiness, and independent CPA services.

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