REDUCING AUDIT COSTS A NPO STAFF AND BOARD GUIDE

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ABOUT THE SPEAKER

- Director of Auditing Services Stancil & Company, CPA's.
 - Concentrate my efforts in serving not-for-profit organizations and closely-held family-owned businesses, overseeing 60+ attestation engagements a year.
- Served on the board of directors of local home owners association and finance chair at church.
- Graduate of the University of Scranton
- AICPA and NCACPA Member
- Three children, Aniela, Thomas & Samuel.





WHAT IS A FINANCIAL AUDIT?

- The verification (audit opinion) of the financial statements of an entity.
- The audit opinion provides reasonable assurance that the financial statements are presented fairly in all material respects.
- An audit adds credibility to the financial representations made by the organization's management that its financial statements fairly represent the organization's position and performance.



TYPICAL AUDIT PROCESS

- Planning / Risk Assessments
- Fieldwork
- Post Fieldwork
- Release of the Financial Statements



PLANNING / RISK ASSESSMENTS

Purpose:

- To understand the nature of the organization and the environment in which it operates.
 - Organization's objectives and strategies.
 - Relevant industry, regulatory and other external factors.
 - Organization's selection and application of accounting policies.
- Assess organization's internal control structure
 - Operating effectiveness of internal controls (authorization of transactions, account reconciliations, segregation of duties, IT controls (Auditor Walkthroughs)
- To determine major audit risks
 - Internal control weaknesses, financial incentives



AUDIT FIELDWORK

Purpose:

- To gather audit evidence that management's assertions made in the financial statements are reliable and in accordance with required standards.
 - Substantive Tests of Detail
 - Selecting a sample of items from the major account balances
 - Obtaining "hard" evidence (invoices, bank statements, etc)
 - Analytical Procedures
 - Comparing financial information
 - Comparing non-financial information
 - Identifing trends, unexpected results.
 - Inquiries with management.



AUDIT POST FIELDWORK

• Purpose:

- Evaluate and review the audit evidence obtained during fieldwork, ensuring sufficient appropriate evidence was obtained for every material assertion.
- Compare results to initial auditor expectations formulated during the planning stage of the audit and with management's representations.
- Obtain missing information
 - Confirmations, etc.



RELEASE FINANCIAL STATEMENTS

• Purpose:

- Consider the type of audit opinion reported on the financial statements based on the audit evidence obtained.
- Provide communication letters to the board of directors regarding matters that came to the auditor's attention during performance of the audit.
 - SAS 114 Communication Letter
 - SAS 115 Communications of Material Weaknesses and Significant Deficiencies.
 - Management Letter Comments



- #10 Set An Appropriate Timetable
 - An audit is disruptive to the organization's day to day operations.
 - Choose a time where the organization can provide dedicated support for the audit process.
 - Choose a time in which the organization will have ample time to close and review the books, and gather necessary supporting documentation.





- #9 Obtain Audit Planning Binder
 - Request one from your auditor!
 - Provides an efficient approach in assembling all the required documents.
 - Organize and label documents and file in audit binder before the auditor arrives.
 - Ask auditors if there are any schedules that you can prepare on their behalf.





- #8 Provide Electronic Documents
 - Most accounting firms utilize paperless auditing software
 - Provide documents and schedules in electronic format whenever possible (Word, Excel, .PDF)



 Reduce the amount of documents that need to be scanned and converted into electronic documents by the auditor.



- #7 Document, Document, Document
 - Provide updated Policy and Procedure Manuals.
 - Description of litigation claims.
 - Rationale of Accounting Estimates made
 - (reserves, accruals)
 - Subsequent Events
 - Related Party Transactions
 - Standard Operating Procedures (SOP)
 - Accounting Cycle

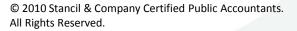




- #6 Conduct a Closing Fieldwork Meeting
 - At the conclusion of the audit fieldwork, schedule a "closing" meeting with the auditor.



- Obtain a list of remaining outstanding items.
- Set expectations regarding when the outstanding items will be made available and who is responsible for completing the task.
- Ensures that the auditor and the client are on the same page.



• #5 – Don't Let the Audit Linger.

- Keep focused on completing the audit after fieldwork.
- Don't fall prey to "out of sight, out of mind"
- In many cases audit overages occur due to significant post fieldwork time incurred.
- Significant elapsed time from date of fieldwork can result in additional subsequent procedures work required by the auditor.





- #4 Treat Audit As A Year Long Process.
 - Keep your auditor informed on significant events throughout the year.
 - Send updated Line of Credit Agreements, Lease Agreements, By-law changes as they occur and don't have to hunt for them later.
 - Discuss / notify auditor of procedural changes.
 - Eliminating even the smallest of surprises will help keep the auditor informed and more efficient.



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#3 – Call Your Auditor

- Keep your auditor in the loop.
- Receive advice throughout the year.
- Don't know how to record a particular transaction?



- In most cases accounting firms do not bill their time for incidental phone calls.
- Eliminating erroneous transactions will help keep the auditor informed and more efficient during fieldwork.



- #2 Alternative Attestation Services
 - Review Engagement
 - Compilation Engagement
 - Agreed Upon Procedures (AUP)



- #2a Consider Outsourcing Accounting
 - Free up staff to focus fully on mission of the organization and providing for it's members.
 - Monthly financial statements accurate, reconciled and timely.
 - Example, save \$20k annually.

- #2a Example: Consider Outsourcing Accounting
 - Setup: 3 employees
 - Executive Director, Program Director, Communications / Administration/ Member Services/ Bookkeeping
 - Organization is considering hiring ¹/₂ time position
 - \$2,000/mo. salary
 - \$750/mo. Benefits
 - \$2,750 monthly cost
 - Consider outsourcing Accounting Duties
 - Outsource billing, deposits, check writing, payroll, reconciliations, monthly reporting
 - \$1,000/month
 - Organization Saves \$1,750/mo., reduces annual audit costs; plus provides more dedicated time/ services to achieving it's mission!



• #1 – Communicate, Communicate, Communicate!



CONTACT INFORMATION

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