

REDUCING AUDIT COSTS

A NPO STAFF AND BOARD GUIDE

Presented by: David J Piscorik, CPA

Stancil & Company, CPAs
4909 Windy Hill Drive
Raleigh, NC 27609
919/872-1260
dpiscorik@stancilcpa.com



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.

© 2010 Stancil & Company Certified Public Accountants.
All Rights Reserved.



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
 - Identifying 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**

TOP 10 WAYS TO REDUCE AUDIT COSTS

- **#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.



TOP 10 WAYS TO REDUCE AUDIT COSTS

- **#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.



TOP 10 WAYS TO REDUCE AUDIT COSTS

- **#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.



TOP 10 WAYS TO REDUCE AUDIT COSTS

- **#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



TOP 10 WAYS TO REDUCE AUDIT COSTS

- **#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.



TOP 10 WAYS TO REDUCE AUDIT COSTS

- **#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.



TOP 10 WAYS TO REDUCE AUDIT COSTS

- **#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.



TOP 10 WAYS TO REDUCE AUDIT COSTS

- **#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.



TOP 10 WAYS TO REDUCE AUDIT COSTS

- **#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.



TOP 10 WAYS TO REDUCE AUDIT COSTS

- **#2a – Example: Consider Outsourcing Accounting**
 - **Setup: 3 employees**
 - **Executive Director, Program Director, Communications / Administration/ Member Services/ Bookkeeping**
 - **Organization is considering hiring ½ 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!**

TOP 10 WAYS TO REDUCE AUDIT COSTS

- **#1 – Communicate, Communicate, Communicate!**



CONTACT INFORMATION

David J Piscorik, CPA
Stancil & Company, CPAs
4909 Windy Hill Drive
Raleigh, NC 27609
919/872-1260
dpiscorik@stancilcpa.com

